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Saving Up

Texas Saves Week promotes the importance of savings as a way to the middle class

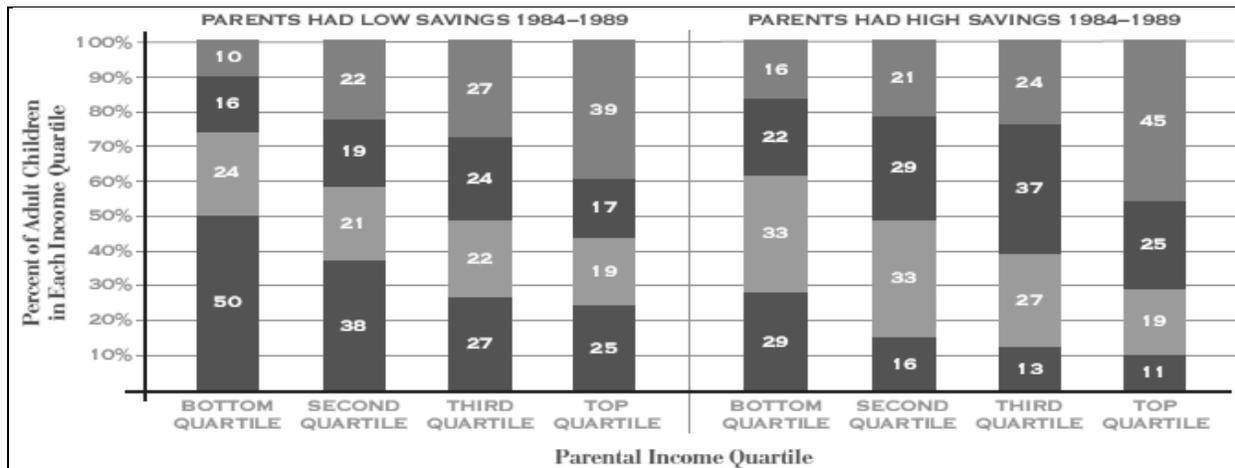
This week Texas is one of many states celebrating [America Saves](#) Week, a campaign to promote personal savings and encourage individuals to take responsibility for their finances. America Saves works with state and local partners to raise awareness about the importance of saving and helps low- and moderate income individuals open savings accounts. Having savings is key for low-income families to move up to the middle class.

This opportunity couldn't come at a better time, with so many Texas families falling out of the middle class as a result of the Great Recession. *To restore and strengthen the middle class, Texas needs to adopt a new blueprint for increasing household savings and assets.*

The Middle Class Is This Way

The best way to create a better future is by earning a college degree. Just like a good education, household savings strongly predicts whether a low-income child will enter the middle class as an adult.¹ And the association between savings and future financial security is even more pronounced when the savings are targeted towards college. A child with a dedicated savings account is seven times more likely to attend college than a similar child without such an account, even when controlling for race or income.²

Household Savings Boost Future Economic Mobility



SOURCE Reid Cramer, Rourke O'Brien, Daniel Cooper and Maria Luengo-Prado, "A Penny Saved is Mobility Earned: Advancing Economic Mobility through Savings," Economic Mobility Project, November 2009

As shown above, intergenerational poverty "sticks" with low household savings, and begins to break down with higher savings—regardless of which income group.



Texas can do more to help our residents save for the future and gain financial stability. The Corporation for Enterprise Development's 2012 [Assets & Opportunity Scorecard](#) ranked Texas in the bottom ten states in overall measures of household financial security. One in two Texans lacks enough "rainy day" savings to weather a temporary loss of income. Our state also ranks near dead-last in average credit score.

Texans want to become better savers and reach financial stability. In the 2010 Survey of Texas Savers, over three-fourths of survey respondents said they want to save more in the future.³ This is why the public and private sectors are beginning to work together to help low- and moderate-income households build their financial security. For example, fourteen Texas communities, through projects run through partnerships between financial institutions, community organizations and community tax centers, now offer incentives and opportunities for working Texans to save a portion of their tax refunds. Throughout February, Texas Saves, in partnership with financial institutions and community organizations, is distributing savings tips and resources to families throughout the state.

Another successful partnership—the Brazos Valley, Central Texas, Dallas, and Houston [Bank On campaigns](#)—is putting more Texans on the pathway to savings. More partnerships among banks, credit unions, schools, nonprofits and government are needed to promote savings and develop simple savings products that are available to all Texans.

Policy Choices Matter

Texas policymakers also have a role to play in promoting savings. In 2011 the Legislature adopted several policies to promote savings, requiring K-8 math-based financial education and establishing the Texas Save & Match (which helps families save for college by matching their contributions to Texas 529 accounts) and the Texas Financial Education Endowment as public-private initiatives to support household savings.

To move ahead, the Legislature should remove policies that punish or discourage household savings. For example, families should never have to choose between saving for tomorrow or caring for their children today because polices count a family's savings when determining whether they qualify for things such as health care coverage or food assistance.

Investments by the Texas Legislature, along with commitments from key stakeholders in business, education, and philanthropy to support strategies to strengthen household financial security are critical to building a strong middle class and a brighter future for the next generation of Texans.

For more information about Texas projects that encourage families to save a portion of their tax refunds, see our recent Opportunity Digest blog post at: <http://www.opportunitytexas.org/blog/35-february-2012/66-statewide-projects-are-capitalizing-on-the-tax-time-savings-moment>.

The Center for Public Policy Priorities, as part of the *OpportunityTexas* initiative, assumed leadership of [Texas Saves](#) in late 2010 in partnership with the FDIC, Office of the Consumer Credit Commissioner, RAISE Texas, Texas AgriLife Extension Service, and the Texas Department of Banking. We are working together to create a culture of savings in Texas.

ENDNOTES

- ¹ Reid Cramer, Rourke O'Brien, Daniel Cooper and Maria Luengo-Prado, "A Penny Saved is Mobility Earned: Advancing Economic Mobility through Savings," Economic Mobility Project, November 2009.
- ² Sondra Beverly and William Elliott III, "The Role of Savings and Wealth in Reducing 'Wilt' between Expectations and College Attendance," The Center for Social Development, Washington University, St. Louis, 2010.
- ³ Christian Life Commission of the Baptist General Convention of Texas and the Institute for American Values, "Thrift or Debt: Which Direction is Right for Texas," 2011.

About the Center

The Center for Public Policy Priorities is a nonpartisan, nonprofit policy institute committed to improving public policies to make a better Texas. You can learn more about CPPP at www.cppp.org.

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About *OpportunityTexas*

OpportunityTexas is a joint statewide initiative of the center and RAISE Texas with three goals: creating pathways to good jobs, increasing income and financial stability, and promoting savings. To learn more, visit www.opportunitytexas.org.

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