Getting By With Help from Friends

U.S. Financial Diaries

Rita Douglas : Ohio

Rita Douglas, 62, lives in a two-bedroom apartment in a marginal, sometimes dangerous neighborhood near Cincinnati, OH. (Names and details have been changed to protect the participants.) A proud woman with ramrod straight bearing and a broad smile, she would be mortified to have people discuss it but she recently won a fight with bedbugs that entered her home by way of relatives who needed a place to stay. She replaced her beds, sofa, curtains and "anything hanging." By her own description, her family life is "chaotic." Though she barely has enough money and resources to support herself, Rita regularly helps her children, nieces and nephews, and other relatives and friends. This help takes many forms: sharing her home, cooking dinners, washing clothes, offering the use of her credit card, buying alcohol and cigarettes, protecting cash and providing basic supplies like toilet paper. Late in the month, when Rita runs out of money, she receives the same type of help right back, often from the same people. This cycle is not without suspense – sometimes no one has funds on hand. It would be easy to characterize Rita as a woman who is struggling, but her resourcefulness and resilience tell a different story. By taking advantage of a combination of free and discounted community resources, and by engaging in a constant give-and-take with a large network of friends and relatives, Rita gets by.

Rita lives on a pension from her 25 years at the local utility company and, until recently, earnings from a part-time job at a local charity. She left this job at the end of 2012 and received her last check in January. She knew she would begin receiving Social Security in early 2013, and she didn't want the tax complication of this additional source of income for just a few months. Rita often drinks a six-pack of beer and smokes a pack of cigarettes a day. She suffers from a raft of medical issues, including heart disease, high blood pressure, arthritis, depression and cataracts, and suffered a heart attack in 2007. She has no prescription drug coverage in her health plan.

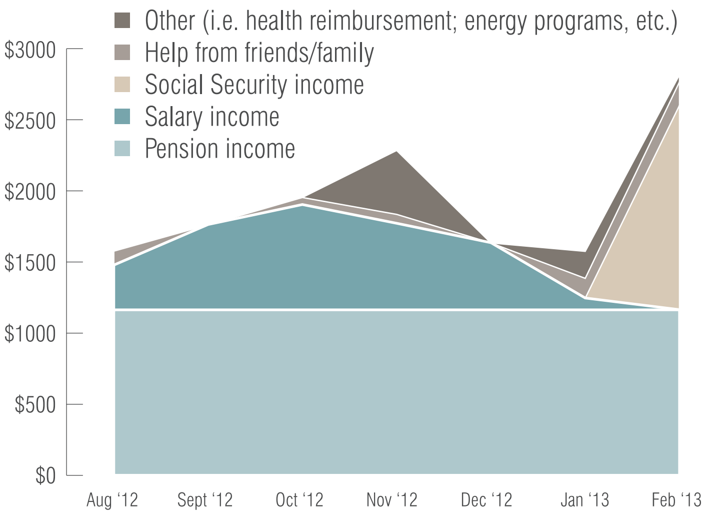
Rita's lifestyle and expenses follow a pattern that is common for families living at the edge of their means. With just barely enough money to get by, Rita lives under constant pressure, and she is constantly thinking about – and digging up – whatever combination of resources she will need to get by. Nonetheless, bills arrive and come due days or weeks before she gets paid. She often receives disconnection notices for her cable and telephone services. She regularly pays just enough to avoid disconnection – but not enough to get out from under the total amount that she owes. Thanks to an energy assistance program that evens out payments over the course of the year, Rita manages to keep up with her utility payments. But she often runs out of money before she can buy food. In a month when that happens, Rita taps into her network to float her to her next inflow of cash.

The principal investigators on the US Financial Diaries Project are:
Jonathan Morduch, Rachel Schneider and Daryl Collins

Income

Rita receives $1,165 on the first of each month from her pension from her former job as a clerical worker at a utilities company. Her part-time job paid $10 per hour, but the local charity that she worked for needed to decrease the number of hours that they offered her over the course of the year; one month she earned $700, but generally it was less, as low as $350. Rita is proactive about accessing local sources of assistance. She received energy assistance in both August and January, and reimbursements for health care spending in November. Rita also gets help from friends and family, and from a local food pantry, which together represent between $50-250 per month. Her total income typically ranged from $1,500-2,000 per month between August 2012 and February 2013. Rita's first Social Security check arrived on February 27, 2013. At $1,418 per month, it will nearly double her monthly income *(see Graph 1)*.

GRAPH 1: **Rita has steady pension income, which she supplements with a part-time job and help from friends. In February she started collecting Social Security.**



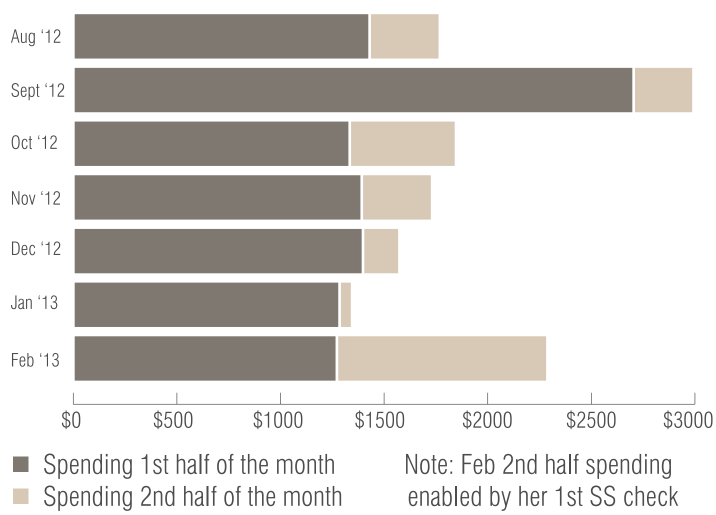
Expenses

Rita's income and spending closely mirror each other: when she has more money, she spends more. When she has less, she spends less. However, few of her expenses are truly variable, so this alignment of income and spending reflects when she pays bills, not how much she owes.

Rita's largest monthly expense is her rent, for which she pays $500. Rita's utility bills come to about $100 per month, but her actual spending varies depending on what she is able to pay in any given bill cycle. Some months that's $0; in February, she paid $170 toward this expense on the same day that she received her Social Security check. Her medical expenses – which include prescriptions, over-the-counter medications, and copayments for doctor's appointments – average around $80 per month but range from $20-$130. Rita pays up to $140 per month for cigarettes and $115 per month for beer. The biggest variation in her spending is for groceries: in some months she spends almost nothing on food, relying entirely on donations from her church, friends and local community organizations. She regularly makes donations to her church and provides money and food to friends and family. These average $50 each month, ranging from as little as $10 to as much as $230. She pays most of her bills by bank check or by e-check over the phone.

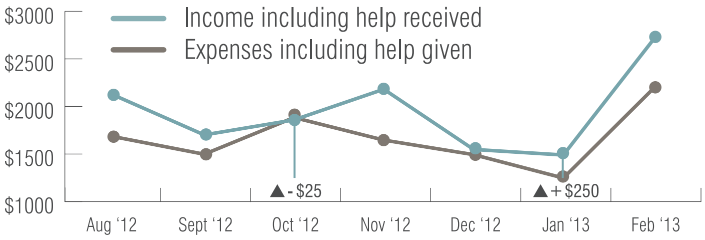
In most months, three quarters – or more – of Rita's total spending happens in the first half of the month, right after she receives her pension payment. Rita has a hard time coming up with money for extra or unexpected expenses, especially if they occur later in the month. For example, when she needed $130 for eye drops in preparation for her cataract surgery, she was forced to talk to her doctor about identifying a less expensive option. In February, Rita spent approximately 90% of her pension in the first half of the month, leaving her with very few resources on hand until her Social Security arrived on February 27th. *(see Graph 2)*.

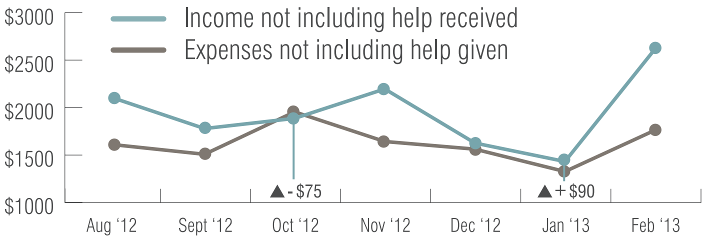
GRAPH 2: **Three-quarters or more of Rita's spending often happens in the first half of the month**



Another crucial element of Rita's financial life is the constant give and take that she has with her community. Rita's income and expenses are both consistently augmented by resources that she receives from others, and resources that she gives to others. Much of this exchange is non-financial and the US Financial Diaries does not capture all of it. It is apparent, however, that this sharing is what prevents Rita's expenses from dangerously exceeding her income in lean months, and it provides her with greater net income over time. Notably, the $250 cushion that Rita had at the end of January as a result of this exchange of resources is likely what held her over until she received her Social Security at the end of February. *(see Graphs 3 & 4)*.

GRAPHS 3 & 4: **Rita gives and receives help to/from her friends and family. The help she gets is crucial in lean months.**





Assets and Debts

Rita has about $30 in cash saved at home, plus a $105 emergency fund that she established with her tax refund. She views this emergency fund as inviolate. Other than this, Rita has little in the way of assets. Her debts include a personal loan with an original balance of $2,000 and an interest rate of 10.25%, which she borrowed from a local credit union in January 2012 to pay overdue bills and debt. Rita makes monthly payments of $96 to repay the loan, and she expects to have it paid off by February 2014. She also holds two credit cards: an Emery Master Card and a Sam's Club card. She pays about $50 – 200 each month toward these balances, but still has several hundred dollars outstanding in debt. Finally, Rita purchases cigarettes and alcohol on credit at two different local corner stores, and she pays $140 per month on average – ranging from $0-330 – to repay those debts. Now that Rita is receiving her Social Security payments, Rita plans to start putting $400 aside each month for her funeral arrangements, so that she doesn't burden her family with that expense when the time comes.

Conclusion

Rita lives her financial life closer to the edge than many Americans, so she experiences the ups and downs in her available resources more acutely. But the issues that she faces as she juggles her bills are, in fact, quite common, and the coping strategies that she employs to stretch her resources are often effective. Most notably, Rita dramatically improves her prospects by sharing with others. Her **social network** and her ability to leverage assistance from food banks and her church, provide her with regular net income gains. In many months, she has an outflow of whatever she can afford to give, followed by an inflow of what she needs. She generally comes out ahead financially in this exchange.

It is interesting to view this ongoing value exchange as a form of **budgeting**. From Rita's point of view, her financial management system is both reliable and predictable – and she basically knows how her month is going to turn out. She doesn't seem to have **expectations** of living her financial life in another way. However, this form of budgeting is obviously insufficient to enable her to get ahead of her bills and debts, and it does leave her with significant financial insecurity. She regularly incurs late payment fees for recurring, predictable bills, and she pays interest on consumer credit that seems avoidable. These cash outlays represent leakage from her financial life that she cannot afford. Not only that, but Rita also expends mental and emotional resources on bill juggling math ("what do I pay this month?"), which likely has consequences on her health and stress level. One can't help hearing her story and wish that her Social Security check would arrive on the 15th of every month rather than on the 27th, which, since her pension arrives on the 1st, might balance her spending.

Perhaps there are other mechanisms, however, that would enable Rita to budget with less effort and more success. The personal loan that she received from a local credit union provides a clue: by consolidating debts and owed bills into one installment loan with repayment terms that she can handle, Rita is steadily paying down a meaningful amount of debt. This structure could certainly be applied to other of Rita's financial decisions.

Rita's interconnection with her friends and family provides another clue: unless they are able to stop asking her for resources, she is unlikely to stop giving resources to them – and then needing them herself. As she plans for a significant increase in her monthly income, for example, Rita doesn't seem to anticipate greater financial security. She doesn't talk about getting and staying current on her bills. Instead, she thinks again about her friends and family, and her desire to make sure they don't get stuck with the bill for her funeral. Financial institutions set up product structures that envision individuals – and sometimes, nuclear families – but in fact, "personal" finances are often deeply influenced by interaction and interdependence within communities. If they are to build the financial health of men and women like Rita, financial institutions, policymakers and others will have to imagine product frameworks, budgeting tools, or marketing campaigns that engage communities more broadly.

The Principal Investigators would like to acknowledge the contributions of Karen Durgans, Kate Marshall Dole, Anthony Hannagan, MP McQueen,Timothy Ogden and Laura Starita in generating this US Financial Diaries household profile. In particular, this profile could not have been completed without Nancy Castillo's indefatigable management of the fieldwork.

U.S. Financial Diaries

New York University's Financial Access Initiative (FAI), the Center for Financial Services Innovation (CFSI), and Bankable Frontier Associates (BFA) will collect and analyze detailed cash flow and financial data from more than 200 families in the US over the course of a year. The study will provide an unprecedented look at how low and moderate-income families—in four regions and 10 distinct demographic profiles—manage their financial lives. The landmark study will greatly improve the ability of policymakers, nonprofits, and the financial industry to understand the needs of these households and increase the quality and accessibility of financial services. Leadership support for the US Financial Diaries Project is provided by the Ford Foundation and the Citi Foundation, with additional support and guidance from the Omidyar Network. For more information, please visit **usfinancialdiaries.com**.

fai Financial Access Initiative NEW YORK UNIVERSITY

The Financial Access Initiative (FAI) is a research center focused on exploring how financial services can better meet the needs and improve the lives of poor households. At FAI, we systematize evidence and communicate lessons, generate new evidence, and frame policy and regulatory issues. FAI is housed at NYU's Robert F. Wagner Graduate School of Public Service. Visit **www.financialaccess.org**; learn more about the Big Questions in financial access at **www.financialaccess.org/big-questions**; follow us **@financialaccess**.

CFSI Center for Financial Services Innovation

The Center for Financial Services Innovation (CFSI) is the nation's leading authority on financial services for underserved consumers. Through insights gained by producing original research; promoting cross-sector collaboration; advising organizations and companies by offering specialized consulting services; shaping public policy; and investing in nonprofit organizations and start-ups, CFSI delivers a deeply interconnected suite of services benefiting underserved consumers. Since 2004, CFSI has worked with leaders and innovators in the business, government and nonprofit sectors to transform the financial services landscape. For more on CFSI, go to **www.cfsinnovation.com** and join the conversation on Twitter at **@CFSInnovation**.

BFA Bankable Frontier Associates

Bankable Frontier Associates (BFA) is a niche consulting firm based in Boston, focused on a specific purpose – supporting our clients in their efforts to expand financial services to the poor. Our approach is to facilitate strategic thinking about emerging markets and products. We are committed to working in partnership with cutting edge development organizations which include policymakers, regulatory agencies, private foundations, banks and other providers of innovative financial services. For more information, please visit **www.bankablefrontier.com**.

Leadership support for the US Financial Diaries Project is provided by the Ford Foundation and the Citi Foundation, with additional support and guidance from the Omidyar Network.

FORDFOUNDATION *Working with Visionaries on the Frontlines of Social Change Worldwide*

Citi Foundation citi

OMIDYAR NETWORK™

www.usfinancialdiaries.org