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AS SEEN IN USA TODAY JULY 13, 2004, MONEY

Building wealth, not debt

Grass-roots group persuades new generation to save

By Christine Dugas
USA TODAY

CLEVELAND — In a cramped office on Euclid Avenue, not far from Lake Erie, a revolution is brewing.

Amid desks and clutter are piles of posters and boxes of brochures exhorting Americans to change their ways. Using the same social marketing techniques that got drivers to buckle up, the grass-roots movement is trying to persuade Cleveland residents to save money.

The movement, called Cleveland Saves, is aimed at convincing a new generation of Americans that they can afford to save. They might not get rich, but even small amounts can grow into a sizable nest egg.

As a nation we've lost the savings habit that was so ingrained in Depression-era Americans. The personal savings rate has been on a steep decline, falling from 9.39% of personal income in January 1984 to 2.13% 20 years later. At the same time,

easy credit has caused consumer debt to skyrocket, and the personal bankruptcy rate is at a record high.

"The message that TV commercials pump out at you is that you should spend every last dime," says Brian Gleisser, deputy executive director of the Council for Economic Opportunities in Greater Cleveland.

With fewer companies offering pensions and the long-term future of Social Security in doubt, the low savings rate is a serious concern for future generations of taxpayers who might have to support an elderly population, says Cheri Meyer, program director of the non-profit American Savings Education Council.

Former Treasury secretary Lawrence Summers warns that because of the savings crisis, valuable investments in business and technology end up in non-U.S. hands. "In a real sense, the countries that hold U.S. currency and securities in their banks also hold U.S. prosperity in their hands," he recently wrote in

the journal Foreign Policy. "That prospect should make Americans uncomfortable."

Programs like Cleveland Saves are important because "a nation of savers makes the whole country richer," says Elizabeth Warren, a Harvard University

About Cleveland Saves

- ▶ Started: March 2001
- ▶ Number of Cleveland Savers: 5,400
- ▶ Total saved: \$3.2 million
- ▶ Average saver: A black woman ages 19 to 39 with an annual income of less than \$35,000
- ▶ Number of participating financial institutions: 20
- ▶ Most popular savings goal: Building an emergency fund, followed by debt reduction, homeownership and retirement

About America Saves

- ▶ Number of communities or groups with programs: 50
- ▶ Number of enrolled savers nationally: 20,758
- ▶ Total saved: \$25 million

Presented by:



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law professor and co-author of *The Two-Income Trap*.

"People who save are more likely to invest in everything: working hard at their jobs, getting an education for their children, starting businesses, taking care of their own health," she says.

Since Cleveland Saves was launched three years ago, 5,400 residents have signed up. Collectively, they have saved about \$3.2 million. The average monthly savings is \$100 — a significant amount for many low-income families.

Even as the Cleveland program was developing, the concept started spreading. It's grown to more than 50 communities across the USA. Nationally, there are 20,758 enrolled savers who have set aside more than \$25 million.

Melony Butler, a client relations manager for Dress for Success, was one of the first wave of Cleveland Savers. At the end of 2000, she began to put money in a savings account. By August 2001, she had saved about \$1,300 and was able to buy a home with down-payment assistance from a program for low-income households.

There's an ever bigger payoff, Butler says: "I feel more in control. I feel self-sufficient. I feel wiser."

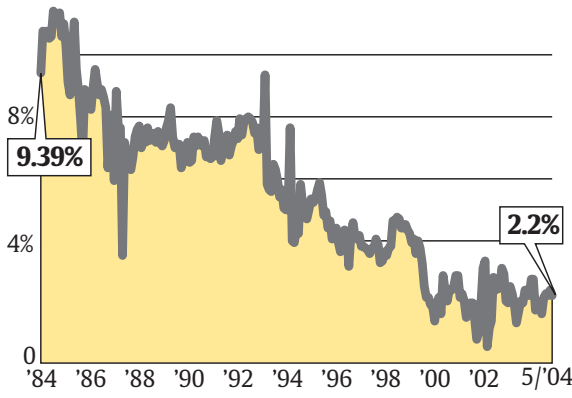
Getting started

Cleveland Saves was the brainchild of Stephen Brobeck, executive director of Washington, D.C.-based Consumer Federation of America, which oversees the broader America Saves program.

Brobeck, who taught at Case Western Reserve University here for nine years, picked Cleveland in part because he

Americans have lost the savings habit

Personal saving as a percentage of disposable personal income:



Source: Commerce Department's Bureau of Economic Analysis
By Adrienne Lewis, USA TODAY

knew it would provide the community support needed to launch a national movement. Brobeck turned to Jay Seaton, president of Consumer Credit Counseling Service of Northeast Ohio, and George Barany, head of Weco Fund, a non-profit provider of financial programs, to head the campaign.

Changing any kind of behavior on a big scale is not easy. Cleveland Saves attempts to do it with a simple message, which it promotes in ads and on posters: "You can build wealth." It sponsors events such as "roll your change week" and a carnival-like day called a savers celebration.

Brobeck, Seaton and Barany spent two years researching the idea and one year testing it. Since its launch in 2001, Cleveland Saves has enlisted the help of several hundred volunteers, 20 financial institutions and more than 200 employers, unions and non-profit groups.

Cleveland Mayor Jane Campbell is a booster. One day last month, she attended a motivational workshop for the city's public service workers. "We have a culture that says spend now, pay

later," she said before the workshop. "But that is not sustainable over time. So Cleveland Saves is an organized way to begin to reinstitute the savings culture."

Campbell told the workers how her family collects change in jars. Periodically, they count up the money, she said. They've accumulated enough to buy a microwave and a TV.

Cleveland might seem an odd place to launch a savings campaign. After the polluted Cuyahoga River caught fire in 1969, the Rust Belt city was dubbed "the mistake on the lake." In 1978, it became the first U.S. city to default on its debt since the Depression.

In the 1990s, Cleveland promoted itself as the "Comeback City." It became home to the Rock and Roll Hall of Fame and a new downtown sports complex, including a Major League ballpark.

Today, the city is again suffering. At the beginning of the year, its unemployment rate was 14.1%, up from 8.5% in January 2001. As manufacturing jobs disappeared, the city lost \$1 billion in payroll wages from the beginning of 2000 to the end of 2003.

Still, Cleveland has something special going for it, residents say: a can-do spirit. They also point to the city's history of volunteerism and philanthropy.

"Local pride is one of our strong suits," says Bob Gillespie, an executive vice president at Ohio Savings Bank, a program sponsor.

Cleveland's population is diverse and reflects what America is all about, says Michael Kappas, president of Consumer

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Credit Counseling Service of the Midwest. "I think that makes Cleveland a logical place to be a laboratory for change," says Rep. Stephanie Tubbs Jones, D-Ohio, one of the movement's biggest champions.

Small steps

Once home to wealthy industrialist John D. Rockefeller, Cleveland is now home to many families who live paycheck to paycheck.

Sheila Glasgow, 45, who works for an office building cleaning contractor, says that before she heard about Cleveland Saves through Olivet Institutional Baptist Church, she had no savings. Now, she has cut back on eating at fast-food restaurants, does her hair and nails herself and puts money in a savings account.

Her goal: to go back to school to become a pharmacist.

Participants attend a one-hour workshop. At the end, they are urged to sign up for the free program by setting a goal and an amount they can save every month. The most common goal: saving for an emergency fund.

Members receive a newsletter, access to no-fee savings accounts, a free consultation with a financial planner and wealth-building clubs.

Aletha Adams, the project coordinator for Cleveland Saves, wanted the job, in part, because she knew she could help others by sharing her own story.

"I'm a spender. If I have cash in my pocket, I'll spend it," says Adams, 41, who is married and has four children. "One time I had gotten a Sears card, and I think everyone in my family got a

power tool for Christmas." She has since gotten rid of her credit cards.

Cleveland Saves has encountered obstacles. The program needed the cooperation of local banks to make it easy and affordable to open a savings account. "National City Bank broke the logjam," Barany says, by agreeing to waive fees and minimum balance requirements on savings accounts for members of Cleveland Saves. About 20 financial institutions followed.

The Faith Community United Credit Union agreed to offer a higher interest rate, 2.5%, on Cleveland Saves accounts held for a year.

Some barriers to saving are not so easily solved. "Low interest rates have not made it easier," says David Flynn, senior vice president at National City Bank.

In the workshops, speakers talk about the power of compounding, often using an 8% interest rate to illustrate how simply saving \$5 a week can grow to \$281 in a year and \$4,068 over 10 years. But that's a far cry from the rates banks are paying.

Despite the low rates, Cleveland Saves is meeting its goals. One reason for its success is that more than 240 organizations, unions and employers offer the program as a benefit to members and employees.

"Here's an employee benefit that comes at no cost," says Judi McMullen, president-elect of the Cleveland Chapter of the Society for Human Resource Management, which offers the program to its members. "Companies love that. And any time an employer reaches out to help enhance the financial security of employees, it's appreciated."

For privacy reasons, employers don't

know how many workers end up participating in the program. But at Ohio Savings Bank, which offers the program to its employees, executives say that the number of calls coming into their employee assistance program related to financial stress has declined since they partnered with Cleveland Saves.

Cleveland Saves calls participants 90 days after they sign up to informally ask how they're doing. Typically, about one-third are on track toward their goal, one-third have fallen off the savings wagon and a third are saving sporadically, Seaton says.

It will take a major effort to overcome the barriers to saving. Often, people have a dual problem: too much debt and no savings.

Tony Castellano's debts piled up when he was out of work for several years in the 1990s. After he worked with the Consumer Credit Counseling service in Cleveland to pare his credit card debt, he became a Cleveland Saver. At 71, it has given him a second chance.

"Time is against me," says Castellano, who works part time as a marketing trainer and plays trumpet in a band. "Saving gives you a sign of hope. It's a way out."

It's worth it, Butler says. On a recent weekend, she and her husband relaxed in the backyard of the home they were able to buy.

"We played a little music, we talked a little bit, laid a little bit in our lawn chairs, ate a little bit. We were just in seventh heaven."

Building wealth, not debt

Objectives:

Students will:

- examine the article, “Building wealth, not debt” for information on savings.
- develop a program to promote savings in their school.

Concepts:

- Savings
- Investing
- Benefits
- Resources
- Rewards
- Problem solving

Preparation:

- Organize the class into small groups.
- Give each student a copy of the reading.
- Give each group the “social marketing” graphic organizer.

Activity at a glance:

- Grade level: 9-12
- Subjects: Social studies, math, economics
- Estimated time for this activity: 45-50 minutes

Materials:

- Reading: "Building wealth, not debt"
- “Social marketing campaign” graphic organizer

Building wealth, not debt

Discussion:

What is the purpose of Cleveland Saves? Why was Cleveland chosen as the launch site for the movement? Why is the personal bankruptcy rate at an all-time high? Why is the lack of savings among individual Americans a national concern? How has saving money affected client relations manager Melony Butler? Do you agree that the U.S. culture encourages people to “spend now, pay later”? Support your answer with two examples.

Activity:

Cleveland Saves is a social marketing campaign. In other words, it applies the principles of marketing to a community service project. The founders of the program identified a need, a community with that need, and a simple way to fulfill the need (encourage people to open savings accounts). Moreover, the program’s directors developed incentives that inspired people to join Cleveland Saves and promotion tactics to build awareness of the project.

In small groups, brainstorm ways that you could encourage students at your school to save. Then, create a simple marketing plan for your program by answering and explaining the questions on the graphic organizer. Share your plan with peers.

Additional resources:

- Goodpayer.com offers a handbook entitled “Learn Now or Pay Later” that helps young adults understand the basics of credit and debt. Visit www.goodpayer.com. The book is available in PDF format, or to order a copy, call 800-756-4912.
- Visit the National Council on Economic Education at www.ncee.net for economic lesson plans.

Activity extensions:

- Identify the interest rates of various savings plans available in your community.
- Ask each student to estimate the percentage of her or his income that goes to savings. What is the average percentage for the class? For what items or events are students saving?
- Illustrate the “power of compounding”* by creating a chart that shows how a savings of \$15 a week at an interest rate of 5% would grow over one year. (*Compound interest is interest paid on both principal and accrued interest.)

Social marketing campaign

Group members: _____

<p>1. What is the name of your program? What is its slogan?</p>	<p>2. What need does your program meet? How does it fulfill this need?</p>	<p>3. How does your program appeal to high school students?</p>	<p>4. What are the special features of your program (e.g., “roll your change week,” motivational workshops, etc.)?</p>
<p>5. What are the main obstacles to your program's success?</p>	<p>6. How will you overcome each obstacle?</p>	<p>7. How and where will you promote your product?</p>	<p>8. How will you evaluate the effectiveness of your program?</p>