Using the Transtheoretical Model of Change to Assess Differences Among Households at Separate Stages of Saving Behavior Development.

Angela Fontes, University of Wisconsin-Madison[1]
Michael S. Gutter, University of Wisconsin-Madison[2]

Abstract

Household financial security over the long run often requires that families accumulate savings among other behaviors. Savings can be a safety net for job instability. Savings is essential for many financial goals such as funding retirement and paying for education. However, many previous studies have limited their focus on actual saving behavior, which is important, but it also important to consider the *intent* or desire to save. This allows us to identify households that may not be saving because of identifiable and potentially removable barriers. Although research has shown there to be important demographic differences in saving and non-saving households, the purpose of this paper is to examine demographic differences and saving intent within the Transtheoretical Model of Change framework. This project uses data collected from Voluntary Income Tax Assistance participants in Wisconsin. A cumulative logit model is used to analyze the relationship between households' demographic characteristics and their stage of saving behavior.

Our results show that demographic differences do exist between households in different TTM stages, income being the overriding factor. Overall it appears that savings intent and behavior are influenced in the much the same manner. This study points out as a limitation that there is a need to identify potential personal psychological differences which represent a potential barrier to actual savings as well as looking into acculturation as a possible preference shifter.

Finally, the differences in the use of tax refund suggest some interesting conclusions. For pre and contemplative (low-income) households, saving for future consumption may not even be a relevant concept and instead their focus is on catching up on bills. This suggests potential problems are not enough income, overspending, overextending on credit, or even medical bills. Community educators should work with families on ways to better plan spending or manage their taxes more efficiently so that they do not need to use their tax return to play catch-up, enabling them to save.

---

[1] PhD Student, Consumer Behavior and Family Economics, University of Wisconsin-Madison
[2] Assistant Professor, Family Financial Management State Specialist, Department of Consumer Science, University of Wisconsin-Madison. 1300 Linden Dr. Madison, WI 53706. Phone: 608-262-5498. Fax: 608-265-6048. Email: msgutter@wisc.edu