

Hierarchical Structure of Saving Goals among U.S. Households Using 1998 to 2007 SCF

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What are the needs or wants that make people save and control present consumption for future satisfaction? There seems to be various reasons beyond basic physical needs or wants, behind the financial goals. Many of the studies on savings behavior have not addressed savings goal (Claycamp, 1963; Davis & Schumm, 1987; Xiao & Noring, 1994). This study examines the households saving goals constructed from both Maslow's hierarchical theory of human needs and the life cycle hypothesis to analyze saving behavior by using the first choice (model1) as well as the combined six choices (model2).

Savings goals can be viewed as reasons or motives which lead households to save and can be measured with the question of "What is your most important reason for savings?" (Keynes, 1936; Xiao & Noring, 1994; Browning & Lusardi, 1996; Canova et al., 2005; Devaney et al., 2007). There are some empirical studies which suggested four levels of saving reasons and categorized savers into each level or attempted to explain savings goals by incorporating Maslow's hierarchy theory (Canova et al., 2005; Lindqvist, 1981; Wärneryd, 1995; Xiao&Noring, 1994).

The 1998-2007 Survey of Consumer Finances datasets were used for the analysis. The dependent variable is whether households are savers or not, constructed from the answer to the question "Over the past year, would you say that your spending exceeded your income, that it was about the same as your income, or that you spent less than your income?" For independent variable, given 34 categories of saving reasons in SCF can be grouped as into six types of saving goals following Devaney et. al (2007), Lindqvist(1981), Katona(1975), and Xiao and Noring (1994): saving for basic needs, saving for emergency and safety, saving for retirement and security, saving for love/family needs, saving for esteem/luxuries, and saving for self-growth. Frequencies for all variables were calculated by using adjusted sampling weights to represent nationwide sampling estimates.

The retirement/security goal was the most salient goal in both frequency and percent saved, followed by the emergency/saving goal, while the love/family and the esteem/luxury goals were less common, and likely to be secondary choices. Self-growth was the least frequent goal but one of the highest percent saved goals. To be specific, for frequency analysis of each saving goals by survey year for the first choice model (Model 1) and the combined model (Model 2), of those who had saving goals, saving goal for retirement and security (40% in Model 1 and 51% in Model 2) are the most frequent reason both in the first choice model and in the combined model, whereas the least frequent reason was saving for self-growth in the both models (1% in Model 1 and 2% in Model 2). For analysis on Percent Saved for Each Saving Goals, in the first response, only those with a goal for saving for retirement and security had a higher than average rate of being savers (66%). With all answers combined, those who had a saving for retirement and security goal for any response and those with saving for self-growth goal for any response had the highest rate of being savers, with 66% and 65%. According to Maslow's theory, only a small portion of people have and achieve this self-growth need which is at the top of the hierarchy structure, and our results show this, as only 2% of households had this goal.

The importance of saving goal variables on saving behavior was found both in the first choice model and in the combined model. The results support that household saving behavior is positively related to the designated saving goal which are organized not only by the classic economic theory on saving but also by the hierarchical theory on saving. Although the self-growth goal has received comparatively little attention in household saving studies unlike the other saving goals such as retirement/security or emergency/safety in life cycle hypothesis, the results we gain here suggests hedonic aspects of saving, which emphasized the study on saving from a more individualistic point of view on its process and the significance could be considered (Wärneryd, 1999).

For an advice on further research, a multivariate analysis of saving as a function of saving goals and household characteristics would provide additional insights. For more details on the definitions, and with descriptive and multivariate results, contact the author for a copy of a new paper to be presented at another conference.

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