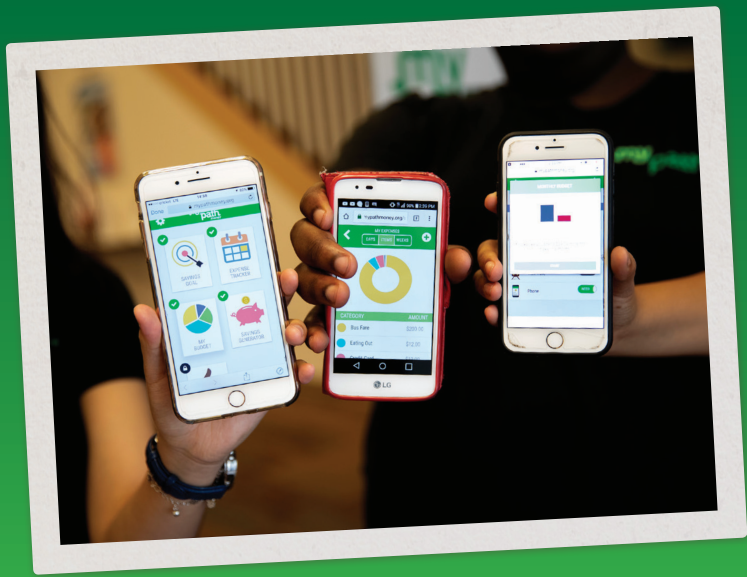
On My Path:

Young Workers' Financial Decision-making



PART ONE: INSIGHTS FROM A WORKING MODEL

From high-fee financial products to predatory services compounded by systemic discrimination, youth from low- and moderate-income communities too often face almost insurmountable barriers to building wealth and financial stability. At MyPath, we believe that young people's first paychecks are an opportunity to start creating lasting economic well-being.

After designing our MyPath Savings model with the help of young people and our site partners, in 2014 we invested in a rigorous study to determine whether combining first employment experiences with access to youth-friendly financial products, savings structures and information creates good saving habits and financial confidence. The study results demonstrated the positive impact of MyPath Savings on youth financial capability and financial confidence (Loke, Choi, Larin & Libby 2016).

Last year, with generous support from **MetLife**, we set out to answer new questions about young workers and their financial decision-making and to generate insights that will drive enhancements to our model, our online platform, and the broader field's understanding of this critical stage of financial capability development. How much will young people save and for what? How do their savings goals affect their spending decisions? How are they thinking about and using their money? These are some of the key questions we sought to answer. In collaboration with **CauseLabs**, we took the first steps to extracting extensive participant data collected from 2016 to 2018 through our interactive MyPath Money platform. We have now analyzed data on the savings habits of more than 5,000 young people in 37 workforce development programs in 12 cities across the country.

This is part one of a three-part series to share the results of this analysis with cities, nonprofits and financial institutions in the youth financial capability field. Our goal: to spotlight the power of reaching young people as they earn their first paychecks and set them on the path to confidently using financial products and services that meet their evolving needs.

KEY INSIGHTS FROM THE ANALYSIS

18%

Nearly one in five participants were saving for school and college expenses

Saving for school and college expenses was the most common savings goal for all participants regardless of earning potential, reflecting the importance of education for all participants and the link between savings and education. Studies have shown that youth with savings are more likely to attend and graduate from college (Elliott & Beverly 2011, Elliott 2013, Zhan & Sherraden 2009).

78%

More than three-quarters of participants reported asking themselves if a purchase is a need or a want

After their experience tracking and analyzing their expenses using the MyPath Money platform, MyPath Savings participants overwhelmingly reported that they (at least sometimes) ask themselves if a purchase is a need or a want, exercising new intentionality in regard to spending and their budget and savings goals.

73%

Nearly three-quarters of participants felt more confident banking with financial institutions

The scarcity of **youth-friendly banking accounts** is an important barrier to financial inclusion. By and large, financial institutions will not open savings or checking accounts for individuals under 18 without a custodian, even if they are working, earning an income and have access to direct deposit. While we need to work with financial institutions to create youth-friendly products, it is also essential for young people to feel confident navigating financial institutions and services.

Youth-Friendly Bank Accounts

- Non-custodial accounts
- Alternative ID requirements
- Alternative tax payer ID accepted
- Alternative proof of address
- No overdraft
- Low or no fees
- ATM or debit cards offered
- Free mobile and online banking
- Remote account enrollment

Stay tuned for our forthcoming insights about young workers and their financial decision-making. Part two of the series will focus on our analysis of **participants' savings goals**. Part three will focus on our analysis of **participants' financial confidence**.

CONTACT US

2430 Mission Street
San Francisco, CA 94110
p: 415-206-0846
Liz de Renzy at **liz@mypathus.org**.

MyPathUS.org
@MyPathUS

We hope that these insights will contribute to a deeper understanding of the financial decisions young workers are making, and the power of reaching them with financial tools and information at the outset of their financial lives to put them on a path to economic mobility and financial well-being.

We would love to hear from you! Let us know what you think of part one of this series and its insights, and whether you have additional questions you would like us to address.

References

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