GOOD WITH **MONEY**

Getting By in Silicon Valley

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About Us

FAIR Money is a research collective dedicated to a deep understanding of household financial management under conditions of extreme inequality. The collective is interested in people's behaviors, decisions, and ideals, in the tools and services available to them, and in the overarching conceptual frameworks that give them meaning.

FAIR Money consists of anthropologists and design researchers based in the San Francisco Bay Area. The collective arose out of a sense of personal outrage over the exploitative practices of payday lenders. In the course of conducting its first research study, the group broadened its mission to encompass household finance in general.

FAIR Money dedicates itself to citizen anthropology. We are committed to observing and elucidating the process by which decades of organized redistribution of wealth pushes the majority of Americans into ever more precarious financial situations.

More information about FAIR Money is available at fairnetwork.org

Introduction

This report arises out of a study conducted by the research collective FAIR Money from December 2012 through March 2013 with ten participants in the San Francisco Bay Area. (We conducted an initial hour-long interview about the participant's financial situation with all ten participants. Eight of our original ten participants completed a month-long financial diary and then did a follow-up interview focusing primarily on day-to-day financial management.) The original study sought to develop a deeper understanding of how people get in trouble with consumer debt, especially payday loans, with an eye to developing ethical alternatives to predatory credit. Instead, the study produced a nearly overwhelming trove of themes, insights, and hypotheses about financial motivation and behavior among cash-strapped residents of affluent Silicon Valley. While FAIR Money's research is ongoing, this report highlights two interrelated early findings:

- **The "master narrative" of financial probity that dominates American culture at this historical moment makes it almost impossible to see the financial behavior of low- and middle-income Americans without a strong punitive bias.** This dominant narrative focuses on living well within one's means, using credit cards responsibly, saving for financial milestones, and managing one's credit score. It refuses to acknowledge that wage stagnation, underemployment, and rising costs of health care and education leave vast numbers of Americans with insufficient income to cover basic expenses. When we consider financial actions and decisions from the inside out, in their full complexity and in the context of meaningful relationships and life choices, it becomes readily apparent that struggle, hard work, ingenuity, and bad luck are much more common than financial irresponsibility or ignorance.
- **One of the practical manifestations of this master narrative of financial probity (or assumed lack of) is the financial literacy industry, both for-profit and not-for-profit.** Financial literacy education makes a foundational assumption that adverse financial outcomes are due to ignorance and/or irresponsibility and that education can effectively eradicate both. This report argues that offering education as a solution to financial struggle is a fairy tale that does real harm. It obscures the massive 30-year-long redistribution of wealth to the very top of American society. It blames the victims of this redistribution for their misfortune and distorts our thinking and our judgment. In obscuring the causes of the financial struggles experienced by average Americans, financial literacy education also makes it much more difficult to think about true solutions.

These findings are obviously polemical in nature. The body of the report seeks to clarify how the polemic is rooted in observation in the field and also in a struggle within the collective to interpret these observations fairly and without the judgments inspired by the politics that justifies ever-increasing inequality.

This report consists of the following sections:

I. **An initial reflection** on the ways the master narrative invites us to see (or rather not see) the financial struggles of low- and middle-income Americans.

II. **A discussion of what financial literacy means** under conditions of inequality and exploitation and how financial literacy education undermines those it claims to help.

III. **A lightly sketched proposal for an alternative** way of understanding financial expertise, including a review of directions for future research and potential solutions.

IV. **An attempt to tell financial stories fairly**, valuing the hard work, determination, and dedication to family demonstrated by our participants.

The appendix provides a review of the research methodology and a literature review.

Throughout this report, we seek to honor the lived realities of people who see themselves forced to make do with less, sometimes much less. Less than a living wage. Less than what they were accustomed to. If nothing else, it is our hope to build respect for the expertise, motivation, and values of those who are trying to build lives of dignity and meaning under highly adverse conditions.

Seeing Financial Management from the Inside Out

Despite a new awareness of inequality in American society and considerable public debate about its deleterious consequences, much of American public thinking is still pervaded by a highly punitive rhetoric about the poor. This rhetoric construes poverty not as misfortune and the outcome of large historical processes, but as personal failures of morality and prudence that lead to an ultimate shifting of financial burdens to blameless taxpayers. When a presidential candidate refers to the 47% who are "dependent on government" and who can never be persuaded to "take personal responsibility and care for their lives,"[1] this rhetoric is not difficult to detect. But it is present in much subtler forms, neither readily recognizable nor easily refutable. As a consequence, many Americans are likely to participate to some degree in the thought patterns that associate poverty with laziness, irresponsibility, and immorality.

It is important to note that the FAIR Money research collective is no exception. In spite of the left-leaning politics of FAIR Money members, we had to struggle to see the financial challenges of our participants clearly and without this punitive bias. In the course of gathering, analyzing, and writing the stories presented in this report, the FAIR Money research team learned much about our participants as well as about ourselves. We learned a lot about the facts of the financial divide in our society and about the mythology that shrouds it in a fog of emotion and reflexive judgment.

The stories are diverse, spanning a spectrum of financial struggle, from the very poor to the more comfortable reaches of the middle class and including a range of ages and family arrangements. The participants also embodied significant diversity in terms of ethnic and racial identifications. The interviews we conducted in almost all cases created a strong human connection between participants and researchers. The financial challenges and life struggles some of our participants reported with unexpected openness evoked a deep empathy. Some participants left us in awe while others nearly moved us to tears. All our participants impressed us with their resourcefulness and their fortitude. But we were also mystified by some of what we learned. Why would this person do X? How does it make sense to do both Y and Z? What hope would there be for strategy A?

In subsequent months, we repeatedly dissected the situations our participants faced, and as a group we gradually came to develop a better understanding of the patterns we did not initially comprehend. In many cases, we came to see the facts more clearly, getting past snap judgments and gut reactions. In other cases, we made connections between factors that are usually kept

[1] See the transcript of Mitt Romney's video-recorded speech given on May 17, 2011 in Boca Raton: http://www.motherjones.com/politics/2012/09/full-transcript-mitt-romney-secret-video.

separate in the myths about poverty and came to interpret our participants' behaviors less superficially. We developed a better grasp of the tensions and conflicts in our society – we must consume but at the same time we must save, to mention just one flagrant example – for which only low-income Americans pay the material and emotional price. We came to recognize that much of our initial incomprehension derived from our highly scripted ignorance and from a failure of insight and empathy rather than from our participants' failures in reasoning or probity.

> *…wage stagnation, under-employment, and rising costs of health care and education leave vast numbers of Americans with insufficient income to cover basic expenses.*

In the course of this work, we have identified three common scripts – mental inflections, perceptual screens, habits of mind, call them what you will – that tend to govern the way one hears and judges the stories of low-income Americans. The photographer Jim Goldberg, whose work has focused on the divisions between the affluent and the marginalized, articulated these constructions in a recent radio interview as "the language that is used to describe [the poor], and who gets to use that language."[2] It is a language that holds those who struggle at arm's length, while it exculpates those who remain untouched by their misfortune.

The Deserving Poor

The most visible and obvious of these scripts revolves around the theme of the "deserving poor," a construction that showed up in the English Act for the Relief of the Poor in 1601. It still informs everyday discourse more than 400 years later, even though the two words may not be yoked together and spoken out loud. This script hinges on the notion that some people deserve help while others deserve their fate.

Under this notion, people are sorted into the two groups by means of what we may call the 100% requirement: low-income people deserve help if they are 100% self-disciplined and 100% rational in their planning and decision-making and 100% dedicated to maximizing their resources. If any evidence to the contrary is found, they fail the test and deserve to be poor. For example, blowing $200 at a casino over Christmas would be an immediate disqualifier in this script, a choice made by one of our participants, Walter.[3] As a team, we had to struggle to understand this choice as a family tradition that Walter worked extremely hard to maintain in the face of serious financial setbacks linked to the Great Recession – setbacks caused not by any failings on Walter's part, be it noted, but by the financial recklessness of others (see pp. 31-33 for Walter's story). Similarly, we initially questioned Marietta's decision to go to Disneyland to celebrate her daughter's 40th birthday. It took us a while to see it as Marietta's gift to her daughter, which she was extremely proud to have pulled off at minimal expense and without upsetting her financial recovery (see pp. 40-42 for Marietta's story).

It is also worth pointing out that the 100% probity test is for the poor only. No such test applies to those with sufficient means to engage in reckless spending on a far grander scale than anything we observed among our participants. More seriously, the test is thoroughly ignorant of the realities of living below or even in the general vicinity of the poverty line. What makes life meaningful despite high stress and frequent setbacks? What gives one the fortitude to struggle on in spite of great financial constraint and insecurity? We would do well to hold our judgments until we have considered the context

[2] Jim Goldberg, "Photographing the wage gap over time," Interview by David Gura. *Marketplace*, August 1, 2014, http://www.marketplace.org/topics/economy/photographing-wage-gap-over-time.

[3] To protect the privacy of our participants, all participants have been provided with pseudonyms.

in which financial decisions are made. Expenses related to actions that strengthen one's hope and determination could well be classified as financial investments, and as such they are likely to deliver a very high rate of return. But according to the 100% test, any expenses of this nature are irresponsible and apt to be conscripted as evidence that one cannot be persuaded to "take responsibility and care for their lives."

The Scrutinized Poor

A related script we came face-to-face with in our work involves the right to privacy, a right one forfeits when poor. The financial lives of the wealthy and the comfortable are effectively shielded from prying eyes, leaving them free to engage in financial behaviors or decisions that they would condemn in low-income people. This script goes beyond the language used to describe low-income Americans and who gets to use it. It determines who is inspected, dissected, and discussed, often from a highly uncharitable perspective, as opposed to who gets to manage their public image on their own terms.

Such scrutiny comes in different forms. There is the political discourse that justifies the gradual dismantling of government aid. More intrusive is the scrutiny required to qualify for aid. Most of our participants had considerable experience with that form of scrutiny, whether they had to produce detailed documentation regarding parental finances for student financial aid applications or the documentation for means-tested government aid. So we found Deb keeping every last one of her receipts, interleaved in a notebook in careful chronological order, just so that – should she ever be laid off again and in need of support – she would not be caught out again without a full accounting of her entire financial life (see pp. 34-36 for Deb's story).

The Illiterate Poor

A related mental inflection, one especially prevalent in Silicon Valley, is to fall back on the unexamined assumption that it is possible to teach poor people to stop being poor – with a class, or better yet, with an app. This script borrows some plausibility from the fact that managing money smartly is indeed an exceptionally difficult proposition, given the complexity and lack of transparency in the financial services market and in a variety of government processes and forms. Unfortunately, it also serves to deflect us from the underlying fact that many working people, especially in Silicon Valley, simply do not earn enough to cover basic living expenses, no matter how smartly they might manage their money.

The construction concerning financial illiteracy vs. literacy also assumes that the financial know-how of affluent people is relevant to people who work for poverty wages. The "rule" to set aside a sizeable chunk of your net income for retirement every month[4] is irrelevant if your income is insufficient to buy food in the first place. A different skillset is required to deal with that kind of life challenge, as we learned from Danielle, who is skilled at negotiating the bizarrely complex landscape of government assistance and frequently advises friends on getting help (see pp. 28-30 for Danielle's story).[5] JoEllen, finding herself unexpectedly in financial straits after a series of health and financial setbacks, had similarly found it necessary to become an expert in the fragmented world of government and also non-government assistance. In addition, she learned a whole new way to shop (see pp. 37-39 for JoEllen's story). Consider also the many

[4] The presenter in a financial knowledge (financialknowledge.com) webinar on basic financial management prescribed the following: "No matter how much or how little you earn, you need to set aside 20% of your net income every month." Not every financial literacy course insists on this exact number, but they all make the assumption that there are significant discretionary dollars in every paycheck.

[5] In a roundabout way, McDonald's acknowledged not only the insufficiency of the wages it pays its employees but also the intricacies of the system by which one qualifies for SNAP benefits with its McResource employee hotline. See, among many other commentaries, Barry Ritholtz, "How McDonald's and Wal-Mart Became Welfare Queens." http://www.bloomberg.com/news/2013-11-13/how-mcdonald-s-and-wal-mart-became-welfare-queens.html.

creative ways our participants augmented their income from formal employment, as Danielle said, "do[ing] anything that's legal." These examples demonstrate financial management skills immediately relevant to the bottom half of the income distribution in the United States that deserve a much more prominent place in financial literacy education for low-income people than learning how to balance one's portfolio.

Financial literacy teachings also tend to compartmentalize financial behavior as if it exists in a vacuum. The financial literacy industry typically elides the context in which a given behavior takes place, isolating financial decisions from all the other aspects of people's lives that inform these decisions. Walter's story is highly instructive in this regard (see pp. 31-33), showing the opposing forces that push and pull at him as he tries to deal with financial realities that were never supposed to happen to his family. Another instructive example is Danielle's struggle to spend her money wisely, a struggle all the more difficult as her two boys can tell when she has money and are innocently clamoring for her to spend it on them (see pp. 28-30). The "rational actor" assumption undergirding traditional financial advice ignores the many other (often conflicting) demands that everyone is subject to, most especially parents. The following section offers a much more detailed analysis of the "financial illiteracy" script.

Harm Done: Against Financial Literacy Education

Financial literacy education is an increasingly popular approach to poverty alleviation with high-level support from the US government and a host of NGOs and think tanks. In addition, there is a flourishing industry that dispenses advice for profit.[6] However, financial literacy does not so much alleviate poverty as it serves to elide the structural causes of poverty. It reframes financial struggle as a problem besetting isolated individuals, rather than as a societal problem enmeshed in a complex web of social, economic, and moral relationships.

In what follows, we argue a point that may seem counterintuitive at first glance: financial literacy education is more than the harmless transfer of knowledge from one well-meaning person to another. In fact, we will show that resorting to financial literacy education as a remedy for poverty has harmful effects for nearly all participants – recipients, dispensers, and bystanders alike – except perhaps for the financial services companies that may sponsor the courses. Conceptualizing the problem of poverty as a lack of knowledge ignores the real and pressing problem of getting by in Silicon Valley with too little income to cover all the bills. It is a strategy with serious political and power ramifications.

A basic inference attaches itself to financial literacy education: if education is a remedy, then it follows that ignorance is a cause. For those on the receiving end, this reinforces messages of individual responsibility and personal failure, even when people are demonstrable casualties of the subprime lending crisis and other societal failures, such as the failure to provide equal access to educational opportunity or affordable health care.

For those attempting to alleviate poverty by education, the educational construct obscures the fact that those in poverty have many financial skills and know quite a lot about the financial system – even if the system they are in daily contact with does not resemble the financial system recognized by most financial experts and by affluent Americans. This is borne out by our fieldwork.

Financial management skills are highly unevenly distributed. We recognize that our participants have many important financial skills and also that

[6] In her book *Pound Foolish: Exposing the Dark Side of the Personal Finance Industry,* Helaine Olen (2012) documents just how many millions of dollars flow into the coffers of providers of unrealistic or downright bad advice.

they may lack some other skills that could be helpful to them. However, theirs is not a story of being financially literate or illiterate. Financial literacy is simply not the only or certainly not the most important framing to consider in attempting to understand their financial experiences.

As individuals, our participants interact with powerful corporations and institutions in an environment where their options are highly constrained, where the consequences of their decisions are often opaque and purposely so, where outcomes are often beyond their control even as they are held fully responsible for those outcomes. Erin Taylor points out that in 2008, big banks were not only too big to fail, but also too interconnected to be allowed to fail. She goes on to say, "This interconnectivity was not something that operated among homeowners who had vertical relations with lenders rather than horizontal relations with each other…. They were spatially dispersed and socially disparate. An atomized group, they could not leverage commonality to protect their wealth."[7] This condition of separateness and the lack of political influence that results from it not only applies to residential mortgages but to all the financial dealings of our participants and many other individuals in contemporary society. In fact, most of our participants were at the lower end of the income range and therefore at the lower end of the power continuum. That is extremely meaningful in a society where "prime customers" on average might pay $17.84 per year for a checking account and related services, whereas a "cash-strapped customer" might pay for $499.02 per year for her checking account and the services related to it.[8]

In obscuring the causes of the financial struggles experienced by average Americans, financial literacy education also makes it much more difficult to think about true solutions.

In addition, most of our participants, through lack of sufficient earning power, were unable to cover normal and reasonable living expenses, let alone accumulate wealth in the manner that had been customary for middle-class families in post-war America. Why don't they earn enough money? Most are feeling the effects of thirty years of wage stagnation, for which even working multiple jobs does not always compensate. Some have little education and little opportunity to get a better education. And some have done all the right things, have worked diligently to improve their career opportunities and have earnestly followed all the best advice. But consistently all felt the pinch of the high cost of living in Silicon Valley, which left even those with traditionally middle-class jobs without the earning power to save and invest or to struggle with crippling debt. Their struggles are often rendered invisible in the post-industrial landscape of Silicon Valley.

It is also important to note that this relative lack of political power does not form a dominant theme that our participants themselves offer in their own financial narratives. More often than not, they see their own "mistakes" very clearly, without making any mention of social inequities. So the stories of our participants become meaningful also for what is absent from them: for what is not visible, not articulated, not present as a possibility or solution. That is to say that there is no politics in any of the stories we heard.

[7] Erin Taylor, *Charisma*, October 6, 2014 (http://www.charisma-network.net/finance/safety-in-numbers-squatting-as-social-and-financial-security).

[8] See Anna Bernasek, "In Checking Accounts, The Less You Have, The More You Pay," New York Times, September 29, 2014 (http://www.nytimes.com/2014/09/21/your-money/in-checking-accounts-the-less-you-have-the-more-you-may-pay.html).

There was no mention of poor pay, exploitation, unfairness, or inequality. Working multiple jobs is offered up as a simple fact, not as the consequence of declining wages or underemployment. Outsize educational debt is seen as the outcome of poor choices or a lack of attention to reality. Creative income augmentation is a necessity but a normal one, a necessity that lies within the line of expectation. If the notion of being taken advantage of comes up, as it did in Walter's account of his choice to use expensive short-term loans, it is seen in the light of choices he has made, rather than as the failure of social protections one could reasonably expect in a democratic society.

This failure of social protections, and the political arrangement it engenders, appears to have become so normal and so ubiquitous as to become nearly invisible. And that makes it difficult to escape the conclusion that the focus on financial literacy effectively deflects attention from the narrative about power. If big banks fund literacy programs, it is surely not only with motives of "audience development" but also because it is an effective distraction from less comfortable truths, a red herring, a smoke screen.[9]

Of course, Silicon Valley is an extreme environment. The cost of living is exceptionally high. The booming housing market is pushing people in traditional jobs further and further to the periphery, both financially and geographically. These conditions are not exactly replicated elsewhere in the United States. Nevertheless, we believe that differences are primarily a matter of degree and that financial literacy education is harmful wherever it is offered as a panacea for poverty. We propose to replace some of the assumptions that undergird financial literacy education with what we have learned through our fieldwork.

Seeing From the Inside Out

First, we propose to replace the primary assumption of financial literacy, that everyone is capable of generating enough income to create a surplus, with the concept of "seeing from the inside out." By this we intend that financial lives must be understood as situated within the complex knot of human interaction. The responsibilities of caring for others and the harsh realities of long commutes and spotty public transportation, unpredictable work scheduling, and many other demands on time often take precedence over the dead logic of the market. As well, the financial system operative in the lives of our participants is not the idealized financial system presented in the financial literacy curriculum, but is rather a world in which personal banking is not always affordable, credit not always available, and insurance often a luxury. For these reasons, we must start from the inside, with the phenomenal experience of everyday life, and work outward towards the abstract demands of the financial system.

The Complex Knot of Financial and Emotional Life: Some Examples

The idea that economics is intertwined with social life, and not a sphere separated from social concerns, is most often associated with Karl Polanyi.[10] Polanyi emphasized that people are not always rational actors and that factors such as

[9] Financial institutions support many financial literacy programs. Some educational programs are only barely disguised sales pitches, such as the intensely marketed retirement seminars offered locally through the San Mateo County Community Colleges. One of these, which was offered at two campuses September through November 2014 is titled "Passport to Retirement: Your 'How To' Guide for Financial Success." This Morgan Stanley event is described as a "workshop style class on financial management" and cost $55, payable to the college. In small letters, the brochure admits to being a "class and insurance sales presentation." Other programs are considerably subtler, such as the YWCA's Young Women and Money Conference scheduled for December 6, 2014 at the Oakland Marriott, with a graduated fee structure, ranging from $25 to $70 based on age. This particular conference features a TV "money expert" and a range of free giveaways. It is put on with a grant by HSBC.

[10] For an initial critique of the market as autonomous entity see, Polanyi, K. 1944. *The Great Transformation*. Boston, Beacon Press.

reciprocity and kinship play an important, if often unnoticed, role in economic life.

For example, Marietta, one of our participants, often functions as an informal lending institution to her friends, family, and roommates, helping them when they are in need and, in turn, being helped by them. She supports her adult son and his wife, as well as her elderly mother, and reports that keeping her family together has been the most important thing in her life. Her own financial goals regularly take a backseat to her family obligations.

Walter's daughter attends an expensive private college. Walter pays for a large part of her tuition, her car insurance, and other expenses, based on a shared agreement about norms of parental responsibility. Despite his family's excellent (even by the Silicon Valley standards) income and his and his wife's solid middle-class careers, the demands of pushing his children into the middle-class through education are taxing his financial resources to the breaking point.

Curtis pays child support for two children who do not live with him. He lives with his mother in her apartment and she pays the rent. He once had a substantial inheritance as a young adult, but it did not last more than a few years. His financial life is not easily divorced from his role as a father and as a son.

While Danielle reports that she did not learn much from her parents about financial matters and that she was "raised off of the government," she sometimes gives her parents financial tips she has picked up and has established saving accounts for her children's college education.

The Knowledge/Action Disconnect

Second, we propose to counter the assumption that knowledge transfer necessarily leads to new behavior. Knowing the tenets of financial literacy does not necessarily translate into action that follows those tenets. This is acknowledged in a Cleveland Fed working paper that evaluated the outcomes of financial literacy programs and found no positive effects.[11] As was argued above, the demands of family and sociality often weigh against maximizing individual financial gain. This is particularly true when a scarcity is the norm.

Walter is well-educated, and he wanted, at one point in his life, to pursue a career as a financial planner. He is still very interested in financial matters and reads up on money management. He puts this knowledge into practice in many ways and embraces many of the prudent behaviors of "the millionaire next door." He calls his cable provider every month to ask about a new deal, takes advantage of sales, and uses a credit card that accumulates airline miles. He also uses Excel spreadsheets as a budgeting tool and does online banking. But speaking directly to the divide between knowledge and action, Walter notes that his "kids have learned from [him and his wife] how to spend money."

Curtis, who is currently pursuing two MAs, one in Education and another in Finance, offers another instance of a formal education in financial management that does not necessarily lead to financially "proper" action. Curtis reports that: "I give my crew (roller skate dancers) financial advice and tell them how to save." He is confident in his ability to manage money: "There aren't many things I seek help on. I try to figure things out for myself." Indeed, Curtis does some of the things that financial advisors would have us all do. For instance, he is a dedicated money tracker, keeping a daily spreadsheet for his roller

[11] Ian Hathaway and Sameer Khatiiwada, "Do Financial Literacy Programs Work?" Working Paper 08-03 of the Cleveland Federal Reserve Bank, April 2008 (http://www.clevelandfed.org/research/workpaper/2008/wp0803.pdf). The authors consider the possible causes of this lack of positive outcomes to include the possibility that financial literacy programs simply do not work, that they are not well-designed, or that there is a problem in the measurement of the outcomes. They then summarily dismiss the first possibility – that financial literacy programs simply do not work – as "unlikely." No further discussion is offered. However, if we assume that poverty is caused by a lack of money, rather than a lack of knowledge, that possibility seems realistic enough to merit serious consideration, just on the face of it.

skating company, his work as a taxi driver, and his personal expenses. He updates it daily and pulls out monthly reports. He sets himself a budget for coffee purchases. He buys his and his mother's monthly groceries for under $200.

At the same time, for home purchases he often takes advantage of Rent-a-Center's "90 Days Same As Cash" offers instead of saving for the purchase or using other means of credit to build a credit history. While he saves, it is all for short-term purchases. Or, he "saves" backwards, post-acquisition, through his rent-to-own purchases. Curtis does not use checks and pays his rent by money order. More seriously, he has an intention to max out his student loans, because he has a right to it and because the interest rates are favorable, with no apparent insight into the financial consequences of this choice.

In another example, Marietta ranks her bills by the amount of attention they demand. When she gets a paycheck (from either of her two jobs), she determines what bills (or portions thereof) she will pay. Some, such as the water bill, must be paid immediately, while others, such as gas and electric, can be put off for a time. Cut-off notices regularly force her hand. The underlying fact of Marietta's financial life, however, is that she and her family have gone through a rough patch and there is simply not enough money to cover all the bills. To save her sanity, she thinks about it as little as she can. She muses: "If I don't have the money in my hand, I don't worry about it. If I don't have it, I don't have it." Even if Marietta was given a formal course in financial literacy, it is unlikely that the course material would be able to speak to the lived reality of her situation.

What is more, we have not come across any financial literacy curricula that address the reality of being unbanked. Being unbanked is expensive. It is time-consuming. For Danielle, not having a checking account forces her to come up with work-around solutions, such as using free money orders offered by Walmart to pay bills and loading money on a prepaid card to shop online (even if that means paying a fee to the card company). Also, it raises questions about her own worth, having been forced to close her bank accounts. "I used to be successful," she says, "I used to have two checking accounts." In other words, Danielle knows the costs of being unbanked, counted in expense, effort, and self-worth, better than anyone. That does not mean it is in her power to stop being unbanked: she simply does not have the financial wherewithal to open an account.

In the case of Walter, Marietta, Curtis and Danielle, the concrete demands of family life and the weight of family history outweigh their abstract knowledge of living a "proper" financial life, following the precepts of financial planning and financial literacy.

Good with Money

Finally, we propose to replace assumptions about the ignorance of those unschooled in the tenets of financial literacy with the concept "good with money." Our participants operate knowledgeably and effectively in that slice of the financial system to which they have access. The notion that one must have formal training in traditional (affluent) money management in order to operate as an emancipated member of society is to overlook the power of experience grounded in everyday finance.

Low, or unpredictable, income often causes cash crunches for our participants. Though money arrives at irregular intervals, bill payments come due like clockwork. To deal with this disjunction, our participants had all developed ingenious "hacks" and "workarounds" to conserve cash and weather dry spells. When this situation is combined with a lack of savings and an inability to access affordable credit, financial improvisation is required to make ends meet. Payday loans and participating in paid studies, such as the FAIR Money study, are two examples of these tactics. But we saw a range of other creative solutions. For example, when money was very tight, Marietta rented out her guest room and her own bedroom, sleeping on the couch herself. Despite the drawbacks of having what amounts to two long-term house guests taking up her space, Marietta knows she can turn the tight Silicon Valley housing market to her advantage when necessary.

Danielle may still be paying off her student debt for her AA degree in Human Services, but she is well-versed in the government benefit system and its numerous and taxing requirements. She often helps others who are applying for government benefits navigate the labyrinthine system. Turning to government assistance, and helping others to do the same, is another way to avoid the effects of inadequate income.

All but one in our study, regardless of income, education, social position, or financial situation, considered themselves to be "good with money." Even participants who have inconsistent income, a high debt load, poor credit, and who are unbanked, consider themselves savvy money managers. They have good reason to feel this way, given that they are managing to get by under extremely trying circumstances, even if they are not following either the letter or the spirit of financial literacy standards.

The concept "good with money" indexes a range of practical ends not taken into consideration by either rational actor theory or financial literacy curricula. For example, it is possible to be "good with money," if you are able to support your family's immediate needs for food and shelter and maintain aspirations to a better life, even with a damaging credit history or a payday loan. To be "good with money" does not mean to be good at accumulating millions for one's retirement or deploying your resources in the most rational manner when viewed from a traditional economic perspective, but rather to be skillful in using whatever money can be earned to support and maintain close relationships. True, the future orientation of traditional affluent financial management, with its visions of decades of opulent leisure, goes by the wayside in this version of being good with money. It is not set aside thoughtlessly or recklessly, but rather let go of as a luxury of bygone times, sadly irreconcilable with the challenges of getting by in Silicon Valley.

The Alternative: Financial Realism

The alternative approach must be built from where people are, not from an idealized, mythical, and outmoded foundation. They are the experts on their financial situation, well-versed in their financial problems and possible solutions. Any solutions need to be built from the inside out, honoring the expertise, goals, motivations, and values of the people those solutions seek to serve. That means learning from financially squeezed Americans, rather than teaching or otherwise attempting to impose irrelevant or unrealistic notions of supposedly rational financial behavior upon people whose lives and context are not understood.

Real solutions would provide people with the tools to transform their financial situation. We intend this in a literal way, not as the building of abstract capacities for an uncertain future, but as concrete tools to meet today's demands.

- **First and foremost, solutions must take the form of additional income:** better wages, more hours, additional employment security, cash assistance,[12] and ways to engage more

[12] Ironically, this may mean learning or re-learning that low-income people can by and large be trusted to spend their money wisely. See Christopher Blattman's op-ed "Let Them Eat Cash," New York Times, June 29, 2014; http://nyti.ms/1mwVkZO, which reviews studies of the effectiveness in handing out cash to alleviate poverty, upon the occasion of New York City Rescue Mission's refusal to cooperate with a Chinese businessman who wanted to give New York's homeless a cash grant of $300 each.

easily in non-cash-based economies, including the barter of goods and services.

- **Secondly, any effort to ameliorate poverty must include an effort to decrease structural inequality.** Or, at the very least an awareness that any solutions that do not tackle inequality are stopgap and temporary.

- **Finally, the alternative should include a range of affordable and transparent services and decision-making tools** that are based on a realistic understanding of what it means to get by and what priority of values must be served by those services and tools.

With regard to tackling the social structures that ensure deepening inequality, we want to draw attention not only to wage stagnation and deteriorating employment conditions but also to the realities of higher education. The rising cost and decreasing value of a college degree has stalled the most reliable pathway to upward social mobility in American life. For some of our participants, pursuing education has led to a loss of economic vitality because of high student debt uncoupled from improved job prospects.

With regard to tools and services, we note a veritable explosion of non-profits, social entrepreneurs, incubators and hackathons, with a special penchant for savings apps, with or without a social component. We cannot fault the desire to do good, but we cannot ignore the fact that they are all in conflict with the basic fact that we live in a consumer economy and the people must spend to fuel growth. The individual benefits of saving notwithstanding, if every cash-strapped person started saving tomorrow, we would soon find ourselves in a downward economic spiral and they would be the first to be laid off. Individual change on any significant scale cannot be divorced from social and structural economic change.

Moreover, tools and services need to be designed from the inside out. The financial management and planning websites and apps currently available are based on many of the same faulty assumptions as other branches of the financial literacy industry about what is or should be important and possible. For example, Mint (mint.com) places its primary focus on one's net worth, a focus very far from the more realistic goal of getting by. And it assumes that you have a bank account, leaving the unbanked in the cold. Level Money (levelmoney.com) has a beautifully simplified mobile interface, meant to simplify day-to-day decision-making. However, it assumes steady and ample wages and does not account for inconsistent or insufficient income streams. That makes it easy to upset its neatly defined budgets and provides a visual reminder that ends are not meeting – at least not for the time being.

Providing realistic tools and services to low-income Americans dictates an extensive research agenda and a participatory design approach that accepts the expertise of the intended users. Financial tools are only helpful in situations in which the assumptions of the tool designers are in harmony with the realities of the financial situation.

Telling the Story

When we started writing the stories presented here, it was challenging to lay out some of them to clearly express the deeper insight we had gained. We took great care to not reinvoke the scripts described above, and their related judgments, that translate the narratives of financial struggle into morality tales. We have chosen a format with three goals in mind:

- The stories highlight the theme of being "good with money," with an eye to the implications for financial literacy education and what it really might mean to manage well on wages that do not cover basic expenditures.

- They detail the strategies our participants employ for managing their financial obligations and for realizing their dreams.

- They foreground the best in our participants – or at least they do not explicitly focus on their failings, as the more common approach does.

Overall, we actively try to call out the complexity of their financial decisions; to highlight the effort, resourcefulness and dedication the least financially able bring to bear on the financial challenges they face; and to capture the emotional maturity, and even wisdom, with which they face the future.

We have also chosen to arrange them by chronological age, in what we considered to be the least prejudicial manner. In this arrangement, they form an arc from the relative simplicity of early adulthood to the increasing complexity of maturing nuclear families, from the relative naiveté and optimism of youth to the increasing experience and expertise and the more modest hopes of a lifetime of practical learning, financial and otherwise.

Alex

22 years old

Single, living with his father

IT technician, planning to go to college

Alex makes a distinction between having fun and being responsible with money. In his current circumstances, being responsible means saving for the future. It is a new behavior for him, and he is still trying to figure out how to encourage himself and turn it into a habit. Learning to manage temptation is part of that challenge. He is experimenting with paying some bills in advance so he does not have to pay them the next month and instead have more money to put into his savings account. When he gambles, he takes precautions not to lose too much.

Pursuing His Dreams

Alex recently got out of the military and has started thinking of his future. He wants to go to college, starting with a course or two at the local community college to get comfortable with the idea. He is hoping to finish his undergraduate degree in four years and to be able to buy a house in eight years. He is thinking about buying a house because he considers it a pretty good investment. (His father's case sets an example, as he bought their house for $200,000 twenty years ago and it is now worth $700,000 - $800,000.) The most difficult aspect of saving for the future is to remember throughout the course of the day that his future goals are important. He might get up full of good intentions, but at the end of a stressful day at work, it is very tempting to go to the casino. He explains, "If you're stressed, it's easy to go spend money so you can feel better."

Family and Social Network

Alex got in trouble with money when he was in the Marines. He did not make much, but his expenses could be really high as he got caught up in the party culture. He also got in trouble gambling, eventually losing an entire paycheck in one night. His situation could have been worse if it hadn't been for protections available to him as a member of the military. By law, payday loans cannot be legally offered to military personnel. If this had not been the case, Alex is certain he would have ended up with one or more. Instead, the military has made arrangements for relatively affordable credit for all service members. Alex borrowed money at favorable rates, and he used this to finance a trip to Vegas. He also benefited from the organizational structure the military provides. At one point, he told his leader that he was in trouble financially and received some good advice.

Now that Alex is out of the military, he has more people in his immediate environment who are responsible about money. This gives him an incentive to be responsible too, which got him started saving for future goals. His dad has been talking to him about being careful. His best friend just graduated from college (with no debt) and is always nagging him to start saving.

Income Streams

Alex's job as an IT technician pays well, certainly by comparison with his military pay. He is not feeling financially stressed.

Managing Money

Alex has little experience managing money. His leader in the military told him to use Mint, but it was confusing, so he never made any headway with the program. He does not have any plans to pick it up again either. It was just not right for him.

Alex pays his bills on the 15th of the month, calling up the company he needs to pay and doing the transaction over the phone, to make sure that the bill is truly taken care of. This approach is driven by a bad experience in the past. At one point, he made his monthly car payment from an account that had insufficient funds, so the payment was declined. He does not like automatic bill pay for the same reason.

Alex started in his current job before he opened a checking account locally, so he ended up cashing his first paycheck at a check cashing place.

Spending Patterns

Alex has relatively modest living expenses. He lives with his dad. The military will pay for his education. He has a phone through work. That leaves food, car expenses, the health club, clothing, and entertainment. It easily adds up to significant amounts, though. Before leaving the military, Alex bought a car for $32,000 with a 0% loan, and he says he might have been able to buy the same car somewhere else for $26,000-$27,000 but with a less attractive loan. Alex has just become a member of the health club Equinox, paying $140 per month in fees. He also spends a lot on gas and food, and has a desire to spend less on those things, though no specific plan.

He eats out for lunch every day. He also eats out for dinner 3 or 4 times a week and occasionally he goes to places that are "beyond my budget."

He still gambles, playing blackjack and poker, but he does take precautions to not lose too much because he remembers the horrible feeling of losing big, when he lost a paycheck in a night. Now, he takes only a certain amount of money and leaves his credit card at home. He has just been to a casino in San Jose and really liked it a lot. It helped that he won $300.

Savings

Alex's savings are modest, as he only just got started a short time ago. He has not been consistent in putting money away on a monthly basis.

Debts

- Car loan, with $20,000 remaining on the loan
- Credit card debt of $3,000
- $1,000 installment loan incurred while he was still in the Marines
- $500 installment loan from his credit union

Recently, he was looking to get a payday loan to make his monthly car payment, but the teller at San Mateo Credit Union told him it was not a good idea to get a payday loan and offered him a regular installment loan instead.

Alex is not concerned about his debts. They strike him as both normal and very manageable.

Menasse

26 years old

Single, living with his sister

In transition

Menasse is the only participant in this study who says he is not good with money. His parents would give him his allowance when he was a child, expecting him to save it up. If he spent it, he got grounded. And he got grounded quite regularly. His sister, he says, is much better with money than he is, and he is trying to learn from her. His own low opinion notwithstanding, Menasse is the only participant in our study who takes pride and pleasure in finding ways to spend less. For example, he had a craving for orange chicken from a nearby Chinese restaurant. But he figured out with his sister that they could get orange chicken at Trader Joe's for a fraction of the price, and "it was almost as good!"

Pursuing His Dreams

Though Menasse is nominally a college student, majoring in civil engineering and physics, his heart does not seem to be in it. After eight years of study, he has only just got through his junior year. He has recently moved from Idaho to the Bay Area, and he is still trying to get settled before enrolling in a local college to finish his degree.

The dream that really lights him up is to own a dog (a German shepherd, to be exact). He almost had a dog when he was 14, and he even built a doghouse for it, but then when the house was ready, the puppy ran away. Although he has wanted to have a dog since he was very young, having to wait to realize this dream does not seem to weigh him down.

Owning a home is also high on his list of dreams for the future. He wants to become a homeowner not just because a home is a good investment, but also because it is hard to have a German shepherd when you are renting an apartment.

Family and Social Network

Menasse is close to his extended family and has moved in order to be closer to both his sisters and his uncle's family. He currently lives in the same household with one sister. His uncle and his family live nearby. Menasse expects his parents to make a visit soon. His friendships are much more casual than his family ties.

Although Menasse is self-supporting in some ways, he is still under the protection of older male figures in his family. According to the tradition of his native country, Menasse's uncle – the nearest male kin of his father's who is geographically nearest Menasse – is officially recognized to be in loco parentis. For Menasse's uncle, the parental sub role involves taking on responsibility for the welfare of younger family members like Menasse. It creates certain financial obligations as well, including giving gifts on occasions where the father would have given gifts had he been present.

His family also plays a central role in teaching Menasse about money. His parents sought to instill impulse control in him with the way they handled his allowance. He is also learning from his sister, whom he credits with a lot more financial smarts than he has himself. Under her influence, he has begun to think and read about investing and other ways to make his money work for him.

Income Streams

In his native country, Menasse never had a job. It was not culturally acceptable for people of his social standing to work low-level jobs. So when he came to the US at 18 to go to school, it was a revelation to find out that it was normal for students to work. He promptly took on three jobs. He worked as a mail sorter with Fedex, as a barback in a local bar, and as a tutor on campus. His studies may have taken a back seat now and then.

At the time of our interviews, Menasse was looking for regular employment. He had just taken a two-week job to help with mail sorting, but it was unlikely to be extended. He thinks of a more dependable job as a precondition that would need to be met before going back to school. Though his father will pay his tuition, Menasse himself will be responsible for his living expenses.

Creative Income Augmentation

Menasse tutors his landlord's son and plays sports with him in exchange for free rent and a little cash if he works more than a certain number of hours. Menasse is also very busy trawling Craigslist looking for opportunities to participate in paid research studies.

Managing Money

Menasse does not use any budgeting tools. He used to do all the calculations in his head, but not down to the penny. Once he got in trouble doing that, because he had miscalculated and has unknowingly overdrawn by three cents. He thought he had a few pennies in the account, so he did not look at it for a few months, only to find out later that he had incurred major overdraft fees. After that he got an app on his iPhone that makes it easy to check his bank balances. Now he checks them regularly.

Menasse has taken loans to pay for car repairs. Since he couldn't get to work without a car, it was worth it to him. The first time, he selected a locally owned loan store, because his town was running a "buy local" campaign at the time, and he was in favor of keeping the money in the community. He borrowed about $500 and paid it back in monthly installments, for a total amount close to $700. The second time, he still looked for a locally owned loan store, but he did some research to make sure it wasn't quite as expensive. He borrowed about $300 and paid back about $400 in four weeks, because he couldn't pay it back the first time the loan came due. He calls both of them "payday" loans, but the first of the two may not technically have been a payday loan.

Menasse does not know the interest rate he pays on his credit card balances. He pays off a little bit more than the minimum each month. He had never thought about the fact that he pays more in interest on his credit card than he gets on his savings account. He said he was going to do something about that right away.

Spending Patterns

Menasse is careful with his expenses. Although Menasse enjoys saving money, there definitely are times when it hurts to give up something because he cannot afford it. His uncle had invited him to come skiing, which he would have loved to do. But skiing is expensive, especially since his skis are still in Idaho, and he would have had to rent a pair. After long consideration, he decided against the trip, but it was a sore disappointment.

Menasse does "splurge" occasionally: he likes to go to a bar to watch sports. The tab can run quite high. And he smokes, which is an expensive habit. He is neither entirely reconciled to these two behaviors, nor is he able to give them up.

Savings

Though he is frugal in many respects, Menasse is currently struggling to cover his expenses, given his recent move. He had to take $20 out of his savings account. He is not comfortable saying how much he has saved, but it is clear he is protective of his savings and will go to some expense not to dip into his savings. For example, it seems that he took the loans to fix his car because he did not have ready cash, but he did have savings that he did not want to touch.

Debts

Menasse is almost debt free.

- He usually carries about $400-$500 on his credit cards.
- He has taken two relatively small loans in the past, both to fix his car, both soon paid off.

Victoria

29 years old

Single mother with one child

Paralegal

Victoria is punctilious about paying her bills on time. She has a system, by which she puts paper bills in a holder on the kitchen counter in the order in which they come due. She pays each one off just before the due date. She has some bills running on automatic bill pay. Occasionally, she may have to take a payday loan to pay a bill on time.

Pursuing Her Dreams

Victoria's most immediate dream is to travel. Her father lives in the Yucatan Peninsula, and she has visited him only once before. She wants to go again. She would also really like to visit Tahoe, New York, and other interesting places.

Beyond travel, Victoria has a wish to own a home with her partner. "I'm from Menlo Park," she says, "so anywhere on the Peninsula is fine with me." She has a timeframe of about five years in mind. She is not sure what is involved in buying a house, because she does not have any earlier experience to go by. She does know that it will involve saving money, which is a difficult proposition.

Another dream, one that is less clearly defined, is to own her own business. In this dream, she is mostly inspired by her partner who owns a successful small business. To Victoria, the biggest attraction of owning her own business appears to be the opportunity to get out of a relatively low wage job.

Family and Social Network

Victoria is close to her mother, who is very involved with the care of her son. Victoria also mentions an aunt, who financially relies on her family and whom they give jobs to do so she can "earn" the money they give her.

Victoria appears to be more focused on her friendship circle than on family. Much of what she does for fun is done with friends.

Income Streams

Victoria has regular income from her work as a paralegal. She does not believe there is much chance, in her current job, of getting a raise or otherwise improving her financial position. She has started thinking about finding a better job.

In addition to her own income, her partner gives her money for groceries and other expenses.

Creative Income Augmentation

Victoria's financial situation is reasonably comfortable and she does not look for additional sources of income on a regular basis. She does occasionally participate in paid research studies.

Managing Money

For Victoria, managing money is primarily about paying bills. She is very conscientious about paying on time (see box). The fact that Victoria will borrow money in order to pay her bills on time points to the value of maintaining this financial routine. It certifies her as a responsible adult. Her difficulties managing savings fit into a different mental category – something you desire for the future but not essential today.

Spending Patterns

Victoria is always doing activities, such as go-kart racing, paintballing, and snowboarding. She notes that such activities are very expensive. Social life is expensive in general. She might go clubbing with her friends, and between the cover charge and the drinks the outlay becomes very significant. Going to a ball game is also associated with expenses beyond the ticket.

Victoria and her partner have considered together what they can do to curtail their spending. Their best option, they have decided, is not to eat out as often as they do. They are both interested in healthy nutrition, so cutting back on eating out offers two advantages: more savings and better health. On the other hand, Victoria says that if there is nothing in the fridge when she comes home from work, then she is not going to shop and cook dinner.

Victoria is very aware that her partner's photo habit is expensive, but this is a sensitive subject. She says that she does not feel that she can say anything about it, perhaps because it might raise questions about her own spending. "I have an Amazon app, a Nordstrom's app, and an eBay app on my phone. If I see something I like, I'm going to get it. Some months maybe a little more, some months a little less." She mentions that it helps to go shopping when she is stressed or upset. She regularly spends on clothes, shoes, and accessories. She tries to mitigate the expense by buying things on sale.

Victoria makes a distinction between paying bills and spending money. She noted in the online diary that she had paid a credit card bill and added the comment, "Today I spent no money." She may have experienced the original purchase as the occasion when she "spent" the money, even though she did not pay for it until later.

Savings

Victoria and her partner do have a savings account, and they do put money by. But every time they begin to accumulate some money, something will come up and they will wipe out their savings again. Travel is one of the things that tend to come up.

This is why getting a better job is an important piece of the puzzle Victoria is trying to solve: more income will make it easier to save more.

Debts

Victoria's debts are quite manageable:

- Student loans with a minimum payment of $50 a month. "At that rate," she says, "I'll be paying it off for the rest of my life." To speed up the process, she pays $200 every month.
- Car loan.
- Credit card debt, including store cards such as Nordstrom's, which she pays off regularly, though not in full.
- A recent $200 payday loan, which was paid off at her next payday.

Victoria got the payday loan at the bank when she couldn't pay a bill on time. The teller warned her that it was very expensive: a $20 fee to borrow $200 for a very short time. It did not seem very expensive to Victoria: $20 for the ability to pay her bills on time is a good value. Most of her other expenses are significantly larger. In fact, she pointed out, going grocery shopping at Whole Foods easily costs $200, dwarfing the loan fee.

Curtis

30 years old

Single, has two sons who do not live with him

Student, cab driver, professional skater

Curtis is in the process of getting two master's degrees, one of them in Finance. He has confidence in his financial management skills. He invests in the stock market. He manages his mother's money and advises others with regard to financial matters as well. He is comfortable with numbers. And he knows how to stay on top of everything, how to work the angles, and how to get the most out of it without paying extra. "I'm a finance major," he explains, "you're not going to screw me."

Pursuing His Dreams

Curtis has a lot of dreams. The most concrete one is to get on *America's Got Talent* with his skating crew. They do line dancing on skates, and they hire out for shows on evenings and weekends. A related dream is to own a skating rink, which he estimates will require a $2 million investment. The first time we meet, he does not seem to really believe that he could make it happen, but at our second visit he says he has started lining up investors.

His educational goals are similarly ambitious, with one Master's in Finance and another one in Education. He would like to be in business, but he would also like to give back to his community and teach young men how to stay out of trouble.

Family and Social Network

Curtis lives with his mother. His sons occasionally come to visit, but it seems that his mother is the motive force behind these visits, rather than Curtis himself.

Curtis is cautious around his extended family with regard to money. He inherited a significant sum when he was younger. He spent some on travel, which he does not regret. But he does regret having "wasted" much of the rest of his inheritance, with assistance from family members who wanted to share in his good fortune. Now, he does not tell his family what he makes: "There are certain friends or family members that you don't divulge your complete financials to because you know how they are."

Income Streams

Curtis's income is very inconsistent. The money he makes from skating shows is unpredictable, as is his income from driving a cab. He has started giving weekly skating lessons, which gives him a more dependable income stream. His student loan disbursements are also quite predictable, even though they come only twice a year.

Creative Income Augmentation

Curtis's skating-related income, especially from the shows, could be considered creative income augmentation. In one of his undergraduate classes, everyone was asked to demonstrate a skill and he demonstrated his skill on skates. His instructor told him he could make money from that talent, and he has created a business out of it. In addition, he also participates in paid research studies, like this study.

Managing Money

Curtis religiously tracks all his expenses in a spreadsheet he has devised himself. He mentions his tracking behaviors as evidence of his financial savvy and accountability.

Curtis buys all his furniture and electronics at Rent-A-Center and makes sure to pay off the loans on time, so he does not owe any interest. Rent-A-Center purchases are only expensive, he explains, if you do not pay them off in the first few installments. He notes that this is a lot better than lay-away, because this way he can save after the fact and does not have to wait to get the item he wants.

Spending Patterns

Some of Curtis' spending patterns are predictable. For example, he allows himself to buy one cup of coffee per day, in order to stay alert on the job from 5pm to 2am. He allows himself $200 a month for groceries and manages to supply the entire household with enough food, a feat his mother cannot replicate.

He is, however, given to splurging on wrestling matches and expensive jewelry. He has a jeweler in San Francisco who calls him whenever he has pieces that would interest him, usually pertaining to comic book characters and pop-culture. These pieces range from $6,500-$12,000 and he does buy them on layaway. His favorite is a $6000 onyx-encrusted Tasmanian devil figure, which he wears on a chain during shows.

Recently he had extra money in his bank account – "I had a really good month earlier this year. Made a ton of money . . . got all this money just sittin' there" – so he decided to go to a wrestling match. While he was there, he bought two "title belts." The belts cost him approximately $375 and $275, respectively. He still feels very happy about them: "They were so cool!"

Curtis shares an apartment with his mother, who pays the rent. He pays child support to the others of his two sons, but he does not appear to be close to the boys.

Savings

Curtis has a regular savings habit, but for specific purchases or expenses only. For example, once a year, he goes to Atlanta with his crew for a roller skating competition. He pays for their airfare and lodging, but everything else is on them. He saves for these trips every year. He also saves for jewelry he has put on layaway. And he saves in reverse order with Rent-A-Center.

When he makes a purchase, he depletes his savings. He does not appear to have a desire to accumulate savings beyond the purchases and expenses he saves for.

Debts

Curtis' most significant debt is his student loans:

- He has $46,000 in debt from his undergraduate studies.
- He is taking on more student loans for his graduate degrees. He knows he can get up to $72,000 in all.
- He has "manageable" credit card debt.
- He recently took a payday loan to be able to pay his DirecTV bill on time.

Curtis had recently received a notice that he had to start repaying his student loans from his undergraduate degree, but because he is still in school he managed to defer repayment. Curtis speaks about his low-interest student loans as an entitlement – he says he is paying 2.5% interest – and he seems quite set on maxing out his student debt.

Curtis did not have enough ready cash when his DirecTV bill was due because he had watched a number of pay-per-view wrestling matches. He took some extra spending money at the same time because he had a date coming up. He paid it back the following week. He says he took out the payday loan because it would not affect his credit score, whereas being late on his DirecTV bill would.

Edward

30 years old

Recently married

High tech product development

Edward is extremely organized and conscientious about money, spending considerable time on tracking, planning, and learning more. As he explains, "It makes me feel smart, like I know what's happening." He uses Mint at the moment, and he had developed his own spreadsheet in the past, which he liked even better because "it was always 100% accurate." Though he likes tracking expenses, he says, "I don't like finances," meaning investing and handling the various kinds of financial benefits that come with his work. "If you don't know what's important," he points out, "then everything is important." That's not a comfortable place to be.

Pursuing His Dreams

Edward finds himself at the beginning of a promising career. He is a young husband. He is still adjusting to having attained two dreams and is not entirely sure about what's next for him yet.

He still vividly remembers the moment he and his wife, Florence, both finished grad school and found out what their monthly student loan repayment would be. Edward first thought there had to be a mistake. Then they started wondering if they were going to be able to have a wedding. They still are not sure if they can afford to have a baby and whether they will ever be able to buy a house.

Family and Social Network

Edward's social life is very strongly oriented towards old school friends. He talks to his friends about money, trying to figure out what to do about all the financial arrangements that come with work – 401K accounts, restricted stock units, employee stock purchase plans, and so on. It is quite daunting to most of them, though a few friends have a more secure sense of what to do and share that knowledge with the rest.

Both Edward's and Florence's family are far away, and they only see them during major holidays. Since they began earning, both of them have been sending money to their parents – Florence because her parents need the extra support, Edward because he likes to make the gesture.

Income Streams

Both Edward and Florence make good money. Though they must live more modestly than they had anticipated because of their educational debts, they can meet their financial obligations without hardship.

Creative Income Augmentation

As their combined income is quite comfortable, Edward has no real need to look for ways to make some extra money. He participated in the FAIR Money study because he wanted to, not because he felt a financial need.

Managing Money

In managing money, Edward is "looking for a feeling of confidence" and tries to minimize uncertainty as much as he can. (He did stop tracking expenses while he was in grad school, because life was so much less regular. And his primary focus was on his studies, not on money.)

In addition to tracking expenses carefully, he also explores tools to make it easier to do so. He is currently looking for the best mobile app, assuming that Florence, who is "not as structured" as Edward is, might be more likely to participate in the effort if she can do it with her phone. They try to use their debit card for everything, because it leaves "a paper trail" and gets picked up by Mint. He is also busy consolidating their accounts, now that they are married, to simplify their tracking activities and their financial overview.

Edward pays his bills online, but he does it manually. "The more automated things become," he points out, "the harder it is to know what is really going on." When a bill arrives, he puts the payment on his calendar, to be paid one week before the due date. Occasionally, when work is especially hectic, he might not notice the calendar item, which causes him some anxiety but it has never been a big problem.

Edward pays credit card charges immediately, without waiting for the monthly statement. His parents taught him to do this. While he was in college, he tried doing what all his friends and waited out the statement. He promptly ran into late charges, which he never wants to have happen again.

Edward says that he likes "structure" and that Florence is better at watching their expenditures, especially the small amounts, which he is inclined not to worry about besides making sure they are being tracked.

Spending Patterns

Edward is looking for ways to economize, so as to dig out from the their educational debt as soon as they can. For instance, he is considering whether they can manage without a car. They also try to keep their daily expenses within a certain range, with Florence being especially vigilant in this regard.

At the same time, Edward feels they have a lot of unavoidable and expensive travel as their entire friendship circle is getting married and they have to fly to all the weddings and also pay for the hotel. These do not feel like discretionary expenditures, but social obligations they must live up to. They do know in advance that the expense will occur, making it possible to plan for it, but it feels like it undermines their feeling of being in control of their financial situation.

Savings

Edward has always saved money, regardless of his circumstances. This was even true while he was in school and living on student loans. As he says, "it would feel strange not to have savings." At the moment, he is not sure what he is saving for, but he knows he needs to do it. Saving is what responsible people do.

He currently has savings set up to happen automatically. He occasionally reviews whether he is setting aside the optimal amount that goes into savings.

Debt

Edward's only debt is his student loans. Upon graduation, he and Florence discovered that they had much more debt than they had realized. He describes it as "multiple hundreds of thousands of dollars" and is clearly embarrassed and uncomfortable disclosing the total. It includes a small amount from Florence's undergraduate education, while the lion's share is from their years in grad school.

Edward explains that, "financial aid is not designed to be easy to understand." At the time he did not realize how the money was adding up. In fact, he tells a story of being offered less money one year than the previous year. He asked for the amount to be increased to the previous level, not because he needed it, but because he did not really understand the impact it would have. Also, he says, “I always learned that education debt is good debt. It doesn’t count against your credit.”

Danielle

32 years old

Single mother of two boys (12 and 6)

Home caregiver

Danielle is good at navigating the complex landscape of government assistance, at least in part because of her educational background; she has an AA in Human Services. She frequently helps other people find their way around the various bureaucracies. She now finds herself in a position to use her skills on her own behalf.

Pursuing Her Dreams

Danielle has a vision of "a rich life" as a life "full of education." Her mother was highly educated and has inspired in Danielle the wish to follow in her footsteps and go back to school. She wants to give her boys a similar appreciation for the non-material benefits of education. Her recent involvement with the church strengthens her spiritual values and a wish to rise above an earlier identity as "a consumer." Danielle explains that the big challenge in achieving this goal is learning "to be satisfied with the bare minimum."

Her wish to lead a rich life is balanced by other goals. Danielle says that "I want to be successful, I want to be someone." And she is working hard to make it so. She wants to be an exercise guru and a chef: "I want to do cookbooks and I want to have a cooking show." Inspired by her recent success shedding 100lbs by hard exercise and proper nutrition, she is starting small, getting a chef certificate through Job Train. She is inspired not only by a vision of her own success ("I want to be an investor. I want to buy realty."), but also by the fact that she would be helping others in realizing her own dream.

Danielle is in evident distress when we talk to her, not least because these two visions of a good life pull her in opposite directions. She keeps saying that "the sky's the limit," but as both dreams seem equally difficult to achieve, she is conflicted whether to put her faith in her ability to overcome material adversity or in her ability to renounce material longings.

Family and Social Network

Danielle's mom was a single mother, and "she raised us up off the government." While it is evident that Danielle respects her mother, she also notes that her mother "spent years on the couch" being depressed. Danielle is determined to make a different life for herself, and perhaps it explains the value she places on "doing things." Unfortunately, there are very few things to do that do not cost money.

Danielle's family is in the habit of helping each other out financially. She has helped her sister in the past. Her father shared some of his retroactive disability income with her.

Income Streams

Danielle says she "was doing good," using a definition of "doing good" that seems to hinge on having access to money, rather than having a comfortable income to rely on. As she explained, "I was doing good. I was getting unemployment.

I had a job and I was getting school money. I was doing good."

Danielle's current income consists mostly of government assistance. Her rent is covered by a rent subsidy from the Department of Housing and Urban Development (HUD). She also receives Supplemental Nutrition Assistance Program (SNAP) benefits, which cover her grocery expenses. In addition, she receives two unemployment checks a month, one of which covers her phone bill and the other one is dedicated to discretionary expenses. While all the essentials are taken care of, she does not really have significant extra income to pay off her debts.

Danielle mentions that the father of her older son has started giving her some money, informally. Besides these irregular recent contributions, she has been solely financially responsible for both children.

Creative Income Augmentation

Danielle has been applying to various positions as a home caregiver and is waiting to hear back if she is hired as a home caregiver by a private agency, a job that will pay her $10 per hour. This would be a part-time job.

She is also trying lots of other ways to make some extra money, including participating in our study and trying to make referrals to Fat Annihilation University (at $50 per referral), signing on at a casting agency, participating in a (rather exploitative-sounding) marketing scheme for Motorcycle Club of America, and doing any odd jobs for neighbors.

Managing Money

Danielle has given up her bank accounts, because she can no longer afford them. Her government assistance arrive by check and card. She has a prepaid debit card but does not use it, because it costs $25 to put money on the card. Mostly she manages with cash and money orders, because it's either free or very low cost.

Spending Patterns

Danielle's spending is rigidly curtailed by her current circumstances. While she has the basics of rent, food, and phone covered with the public assistance she receives, she has had to cut out all "the extra things that normal people who work do," such as being able to go out to eat. She did not use to be this careful. In fact, she says, "I always had to have everything."

She notes that both her boys know when it's payday, because she is happy. And they immediately besiege her to buy things – mostly things outside the bare minimum. As a mother, she has to muster the financial self-restraint of three people.

Even when she thinks of educational activities and events to go to with her children, she bumps up against that bare minimum: "I want to broaden their horizons. There are children going to these places. We can do those things too." While they are generally free or low cost, she does have to come up with the gas money to get there.

Savings

Danielle has no savings and no habit of saving.

Debts

At the time of our interview, Danielle is at a low point in her life. She says she is "flat broke," meaning that she has exhausted all options for taking on more debt.

Her outstanding debts include

- About $50,000 in credit card debt.
- Student loans in an undisclosed amount for an AA degree in Human Services from a local community college.
- A $250 payday loan (for a $50 fee), for which she is being dunned.

Walter

41 years old

Married, with three children, all teenagers

Middle school principal

Walter has an interest in finance. He started out in life wanting to be a financial planner, so he is knowledgeable about financial concepts and he reads financial news and stories. In more practical terms, he has a talent for finding deals and bargains. He does the family grocery shopping, using his phone to monitor deals being offered by the major grocery store chains, and he can usually feed his family on an extremely modest budget. What makes him good at it is his focus: "I think about it all the time, all the time."

Pursuing His Dreams

Walter grew up with a quintessential middle-class dream. In his words, "I grew up wanting to be comfortable, not rich, just comfortable. I always wanted to do better than what I'm doing right now. So does my wife." Although Walter does not articulate precisely what "comfortable" means, it appears to include the ability to be generous with his family: getting them great gifts for Christmas, not saying no to his kids' reasonable requests, taking his wife out to the casino over the holidays, taking his father out to breakfast, paying for his daughter's college education. This generosity also extends beyond the family to the sports teams he coaches. He regularly takes them out for a treat after practice.

On the face of it, Walter and his wife Deena have realized the dream of being comfortable, and both have worked hard to get there. But in fact, the family is anything but comfortable. They have been hit by the housing crisis and were underwater on a house they had to do a short sale on. They have been hit very hard by the increases in the cost of post-secondary education, both on their own account and on their children's account. They spend in line with their expectations, but they must make an extraordinary (and uncomfortable) effort to meet their financial obligations.

Family and Social Networks

The center of Walter's life is his family – the nuclear unit. When Walter thinks about his family, two things come to mind: his pride in his kids, and all of his financial obligations. The obligations expand outward to his large extended family. They organize a big family reunion every other year, where they choose a destination and rent an entire hotel. Walter takes his family every time, and he saves up to be able to afford it. Other various expenses also come to mind when Walter thinks about family. There is the gift giving for holidays and birthdays. And then the gift of a Mini Cooper the grandparents made to his daughter when she graduated from high school. Unfortunately, the car insurance, which Walter pays, is extremely high.

Walter and his family belong to a small church about half an hour's drive away from their home. They attend Sunday services and other church functions weekly. On Sundays they do not have enough time to make the drive, they attend services at a church closer to home. The church also comes with financial obligations, but there appears to be more room for Walter to define the obligation: he tithes as he is able.

Income Streams

As a middle school principal, Walter draws a salary well above average. He has worked hard to get there, going back to school in his thirties to get an MA in Education, to make the leap to principal. He notes that he hasn't gotten a raise in three years. He has started thinking about alternative careers, as he feels that he does not have much room for further advancement in his current profession.

Deena works as a visual designer with a Silicon Valley tech company. Her income is likely also above average.

Creative Income Augmentation

Not only is Walter an extreme bargain hunter, but also he and Deena both have been looking for other sources of money to make ends meet. Walter regularly participates in paid research studies. He rounds up all the family's recyclables and redeems them once a month. Deena is developing a side job decorating t-shirts and selling them for a modest markup at events.

Managing Money

Walter is very organized about money. He has a spreadsheet in which he tracks all his expenses and his bank balances. This way he always knows whether he has enough money in the bank to pay his bills, which are set as automatic online payments.

If he is short a small amount on his bills, he'll opt for a payday loan. If the amount he needs is beyond what he can get with a payday loan, then he taps his savings. The way his savings account is set up, he is penalized for early withdrawals. That feels like the bank is "stealing" from him.

Spending Patterns

Walter spends without hesitation on anything that offers him and his family a better chance in life. That includes student loans for himself and for Deena. He also pays about half his daughter's tuition at a private college. (She had applied to five different schools, and unfortunately she only got into the most expensive one.) Walter also pays for private tutors for his two younger kids. He is considering hiring a private basketball coach for both boys as well, as he is hoping that they can get athletic scholarships.

Walter is quite frugal on his own behalf, mentioning that the one luxury he allows himself is a high-end cable package, so he can watch sports on TV.

Savings

Walter has savings, which he has set up with an early withdrawal penalty. This makes it less attractive to dip into the savings, safeguarding it from temptation. But it also leads Walter to take out very expensive credit when he has bills to pay that cannot be delayed. The savings are dedicated to a down payment on another house.

Debts

The family has significant short- and long-term debt:

- They still owe the bank after being forced to do a short sale on a home.
- They have educational debt from Walter's MA degree.
- They have educational debt from Deena's BA degree.
- They have several car notes, expecting to buy new vehicles as soon as the old notes are paid off.
- There is an undisclosed amount owing on credit cards.

- In addition, Walter had recently taken a $2,600 title loan and a $300 payday loan to be able to pay his daughter's tuition bill.

The lion's share of their debt is "good debt" – the kinds of debts it has always been considered prudent to take on. The more expensive debt has come about because the "good debt" had in fact become insupportable.

Walter is well aware of the fact that the title and payday loans are expensive. He believes his family would help tide him over and avoid the high interest if he asked. But, he says, "I have my pride." The value of such expensive short-terms loans clearly goes beyond being able to settle a bill.

Deb

45 years old

Single mother of two kids, one still living with her

Bus driver

Deb's talent with money is her organizational skills. She was unemployed for a significant period of time in the recent past. To receive government assistance, she learned that she had to document everything. So now she holds onto every receipt – hundreds of scraps of paper carefully interleaved into a notebook in a chronological order. She is also working on a system to anticipate expenses, taping bills to a mirror and writing other due dates on a paper calendar. She has gotten a handle on the monthly expenses, though anything unpredictable or any expense that occurs less often than once a month can still hit her hard.

Pursuing Her Dreams

Deb's focus for her dreams is not so much on herself as on her kids. Her most immediate dream, almost realized, is to get her 17-year-old daughter into college. After accomplishing that, she would like to get to work on buying a home, not so much for herself but for her children and grandchildren, "so they have some place to go when I'm gone."

Family and Social Network

Deb's family circle appears to contain only her kids. She does not mention any other family members. While other participants might have family to fall back on in the last resort, that does not seem to be an option for Deb. She says that she learned most of her money management habits from her experience as a single mother, as opposed to from her parents or other relatives.

On the other hand, Deb is very close to her church. In her financial relationship diagram (see next page), her pastor and her church "accountability partner" are both extremely prominent. And the church offers not merely social and spiritual support, but financial support as well. Deb has taken some financial management classes with the church. When the need arose she was able to borrow money from the church. The one thing that the course teaches that she has not done is to cut up her credit cards. They are her "safety net," and she cannot (yet) manage without them. She is also aware of the fact that she needs credit cards to maintain a good credit score.

Income Streams

Deb has a comparatively dependable income from her job as a bus driver. But the job came on the heels of a long period of unemployment, so she still feels quite vulnerable.

Creative Income Augmentation

Deb participates in paid research studies, like this study. In addition, she has found that she can ask people in her social network for donations for unusual expenses. That's how she managed to go to President Obama's first inauguration with her daughter. And she is now thinking about other ways that she can use this approach to provide some experiences that are otherwise beyond her means.

Managing Money

Deb manages her finances regularly and meticulously. She pays her bills every two weeks. She keeps track of her expenses mostly on paper, collecting receipts in a notebook. She tapes important reminders to the mirror by her front door (like a bulletin board). She maintains a monthly calendar for infrequent but known expenses. She pays most of her bills online, because payment is instant. Sending a check by mail involves a delay and might mean she misses due dates.

Deb uses her debit card for planned expenses. Credit cards are mostly for unplanned expenses – items she cannot pay for at the time they come due. She refrains from using cash because "it disappears."

Deb usually makes the minimum payment on her credit cards. She currently has four cards and used to have many more. She considers credit cards an encumbrance because the rates are high and does not like to use them regularly. She would like to get rid of one of them because the

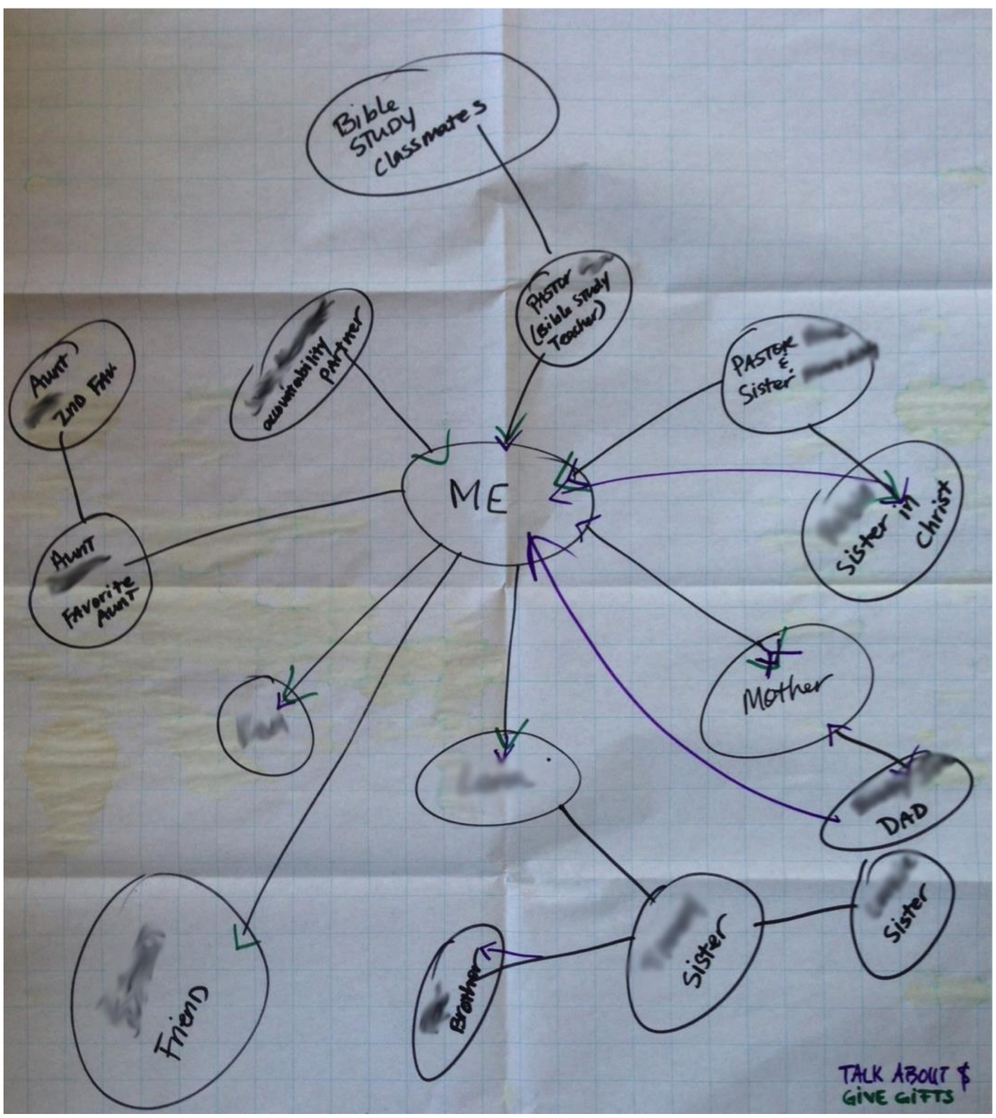

Figure 1. Deb's financial relationship diagram

minimum payment is too high. She also explains the cards are a necessity for maintaining good credit.

Spending Patterns

Deb says she used to do a fair bit of impulse spending, but now she is much better at limiting herself to what she needs. Deb is also very careful to shop for bargains, going shopping immediately after Christmas, for instance, to take advantage of better prices.

She saves money on gas every month by not driving her car to work in San Francisco. She takes Caltrain instead and uses a Clipper card, and so spends about $150 per month on transportation.

When she splurges, she likes spending on perfume, purses, and shoes, because she "deserve[s] it." Getting her nails done does not fall into the splurging category, but into the basics, what you need to do to take care of yourself.

Savings

Most of Deb's savings are quite short-term. For instance, at the time of our first visit, she had saved up some extra money to go shopping with her daughter after Christmas. She opened an ING savings account in August, which she likes because it is not easy to withdraw from the account. She also wants to open an ING retirement plan.

Debt

- Credit card debt on four cards, on which she pays only the monthly minimum.

Deb was uncomfortable talking about debts in detail and avoided providing amounts owed on her credit cards.

She did say that at one time, she had fourteen credit cards, all maxed out. After being in a car accident, she received a settlement and was able to pay off most of those credit cards as well as her car loan. She has never taken out a payday loan because she sees them as "a trap." She does not like to borrow money from friends, because she does not like owing to people. But she has borrowed money for groceries from the church on three occasions, when she had trouble making ends meet.

JoEllen

56 years old

Married, with five children

Student

JoEllen has acquired lots of skills in recent years, as she and her husband have fallen on very difficult financial times. She has learned to negotiate the complex landscape of government agencies and other organizations that offer assistance. She has become very frugal and has learned to do much with very little. And she sees the silver lining in every misfortune: "We've met the nicest people when we're down and out." And the family has become closer, as they find themselves more often at home for simple dinners and board games. In other words, JoEllen is very good with very little money.

Pursuing Her Dreams

Having been struck by the financial crisis and by a series of health issues, JoEllen finds herself at an unforeseen low point in her financial life. Her first goal right now is to "start again." That means digging out from the financial disarray, running the household on a more modest budget than before, going to a community college for a degree and building a new career, thinking about her husband's career options, rebuilding her credit, and so on. Her vision is to get back to a point where they are "comfortable," meaning they do not have to scrimp and save as they do now and they can do some (relatively modest) travel.

Her efforts to get her AA degree are part of a long-standing wish to continue her education. She tried college when she was a young mother and made a second attempt more recently. Now that she is not working, she can focus on her schoolwork more consistently, and she is extremely determined to stick with it despite occasional frustrations in the classroom that test her resolve.

In the past, travel was always about visiting family. It still is, although now they cannot afford it and depend on the generosity of their son to fly them out to see the grandchildren. JoEllen and her husband Vinnie also dreams of going to Italy, as they're Italian and they have never been there.

Family and Social Network

JoEllen and Vinnie are a tight-knit unit. They are in it together, completely. They have a clear division of labor, but everything is done by agreement. JoEllen talks about the things she does, the things that Vinnie does. They also do some things together, like going to get a turkey from the food pantry for Thanksgiving. But whenever she talks about deciding, opining, feeling, planning, and hoping, there seems to be no division between them at all. They mutually reinforce the values they live by, including shielding the kids from worry as best they can, taking care of friends and family to whatever extent possible, being honest in their dealings with others, delaying gratification of their own wishes until all the kids are grown up, and staying out of debt as much as possible.

JoEllen tells us she has five children (ages 19-35), but Vinnie initially mentions four. The fifth one, it turns out, is a teenager from a basketball team Vinnie coached, whom they informally adopted when his own support system failed him. (They are very proud that he is doing well and working as a firefighter.) Their youngest is a full-time student and lives at home. Their 21-year-old son is a singer in San Francisco, who sometimes needs financial assistance from her. The rest are financially independent. As parents, JoEllen says, "your job is to make sure they [the children] have everything they need." They have not told the kids how serious their situation is, which occasionally calls for considerable creativity. Once their youngest daughter asked if she could have her basketball team over for dinner. JoEllen did not want to say she did not have food or the means to buy it, so she improvised a meal for eight for about $10. JoEllen and Vinnie's joint mission to live up to their parental responsibilities creates a challenge, but it also sustains them. JoEllen feels great pride that they are pulling it off against the odds.

In general, people play a very large role in JoEllen's life. She is closely involved with extended family. Despite her financial difficulties, she sends money to her brother, to help with the care of her father, who has been ill. They have a close network of friends who form a mutual aid society on a modest scale. Possessions freely pass to the folks who happen to need them. JoEllen and Vinnie are also on the board of an organization helping people upon their release from the county jail.

Income Streams

JoEllen says, "we used to be well-off." But she can no longer do her former job with special needs children because of her back. The work involves lifting, which she can no longer do. In the downturn, Vinnie, who is in construction, suddenly found himself virtually without work. And then JoEllen was diagnosed with cancer, and their health bills skyrocketed.

Now, Vinnie has a half-time job doing maintenance at a church and is looking for any kind of work he can put his hand to in order to try to plug the hole.

Creative Income Augmentation

JoEllen is applying for scholarships for both herself and her daughter. She is trying to stay away from student loans as much as possible. She participates in any paid research studies that will take her on. She sells non-essential possessions on Craigslist or eBay, including a Victrola and other much-loved family heirlooms she is very sad to part with.

JoEllen trawls Craigslist in search of odd jobs Vinnie can do. Hauling furniture and other large items is one of the jobs they do, making good use of Vinnie's truck. JoEllen frequently accompanies him on this expedition.

Managing Money

JoEllen considered declaring bankruptcy at their lowest point, when their income almost completely dried up and big medical bills needed to be paid. But Vinnie was against it, saying, "we pay our bills!" They have negotiated payment schedules with companies that are willing to negotiate. This includes PG&E and her dentist. Vinnie pays all the utility bills, and he does so in person, having created relationships with the people who accept and process his payments.

JoEllen and Vinnie do not keep a budget for all of their expenses, but they do have a budget for how much they each can spend on non-essentials. For coffee, they each have a $10-per-week limit, which amounts to three cups of coffee. Then they each have $10 per week for entertainment. She goes to the movies once; if she goes to the matinee, she can even buy popcorn. He goes to local basketball games. They sometimes loan their entertainment money to each other.

Spending Patterns

JoEllen and Vinnie seem to be very disciplined about their spending and are very resourceful with what they have. She has made a lot of changes in her shopping habits, for instance, now shopping primarily in the discount section at Safeway for meat and vegetable past their prime. She gets free bread from a local store when it throws out stock past its best-used-by date. And she shops at Goodwill for clothes.

JoEllen asks herself, "Why didn't I always do this?" And then she answers herself: "Because it's degrading." It was especially difficult to stand in line for the free turkey at the food pantry at Thanksgiving. People handing them out were Vinnie's customers, creating great social awkwardness. When things get better, that is the very first thing JoEllen will stop doing.

Savings

Throughout their current crisis, JoEllen and Vinnie have managed to leave their retirement savings intact, and so they anticipate being able to retire on schedule.

Debt

Keeping a tight lid on their spending, JoEllen and Vinnie have managed to avoid significant debt. They have:

- A significant debt for gas and electric with PG&E, which is on a payment schedule now.
- A $500 personal loan from one of JoEllen's friends, which they are in the process of paying off.
- A maxed-out credit card with a $500 credit limit. They are not able to pay it back in full and are, instead, paying the minimum each month, which has raised the APR to 25%.
- A car loan, because Vinnie needs a truck to be able to work. They have only seven payments left on it.

Marietta

61 years old

Single (her son and his wife live with her)

Patient manager, receptionist

Marietta describes herself as a "finagler" and as someone "carefree" and "happy-go-lucky," a combination of traits that enables her to figure out what to do to live up to her responsibilities and make her life work, despite serious challenges. One important skill is not to worry about money in the midst of her troubles—even though that creates some troubles in its turn. When Marietta has some money, she pays her bills. When she does not have money, she does not worry about it and goes to play tennis where she works. Overall, she is finding ways to recover from serious financial setbacks and to smile while making significant personal sacrifices.

Pursuing Her Dreams

Marietta has spent some time in prison in the past, for an undisclosed offense. She says she has "made some bad decisions in the past." She has "had a hard life, but it has taught me wisdom." While incarcerated, Marietta vowed that when she was released (about ten years ago) she would do whatever it took "to keep the family together as a unit." This means her son and her daughter in particular. She has succeeded in realizing her dream, and it still keeps her going now. She continues to shoulder a lot of responsibility as a parent, caring for both children in different ways. She also helps her 90-year-old mother, who lives in a home nearby.

She is thinking about retirement, but that may be a dream more difficult to realize. Her obligations to her children in her estimation will require her to keep earning. Another more distant dream is to open a teashop where old people can come and tell stories. She has dreamed about it enough to be able to describe it in some detail: the shop has an eclectic decor, with a pot-bellied stove, and uses all different crockery. She has in fact made a start on this dream by collecting the crockery and teacups.

Family and Social Network

Marietta's grown-up children are still the center of her life, especially since her 41-year-old son, Austin, and his wife live with her. They are considered too irresponsible to live on their own. (An experiment in independent living was conducted a few years before. When Austin set his porch on fire, however, Marietta gave up and arranged for them to live with her again.) They pay rent, at least when Austin has work. Marietta's 40-year-old daughter Wilma is married to a banker, and they do not always spend wisely. Wilma frequently comes by to borrow money.

Marietta appears to accept her improvident children as the normal course of events, or at least, it lies in the general line of expectation. As Marietta puts it, "It's all on my shoulders. I'm the mom." She refers to her children as "just kids." She also mentions several times that her daughter's irresponsibility is due to being "her mother's daughter." She has tried to tell them that they need to think about what if she is not there anymore, but "it's in one ear and out the other."

Marietta is also close to her mother, who is in a home nearby. She visits her twice a week, does her laundry, and manages her money. She occasionally "borrows" small sums from her mother and then puts the money back as soon as she can.

Income Streams

Marietta has a full-time job as a patient manager at a large health clinic. In addition, she works 30 to 35 hours a week as a receptionist/membership manager at a health club. She says it does not bother her to work this much. She has a lot of energy and likes to stay busy. (In between our visits, she has rearranged her living room, something she likes to do regularly.)

Creative Income Augmentation

Marietta is very creative with regard to income augmentation. She rents out the guest bedroom and temporarily rented out her own bedroom, to help her recover from the financial setbacks she suffered when Austin was out of work. In addition, she occasionally helps out on catering gigs. And she participates in paid research studies, like this study.

Managing Money

Marietta does not really manage money. Mostly, she lets things go until there is a crisis, and then she deals with that. As she keeps the FAIR Money diary, she comes to realize that she does not actually know when any of her bills are due. Although she says this is the consequence of being happy-go-lucky, there is some suggestion that she is in fact so anxious about money that she cannot bring herself to deal with it unless she absolutely must. She sometimes misses her service cut-off deadline and then has to pay the reconnection fees.

She started writing down what her obligations are, trying to figure out how to juggle everything, but then the paper disappears. She has not figured out a better system yet, than just juggling things in her head.

Marietta is making arrangements to receive more paper bills. She says that she does not really pay attention when she gets an email, so she is requesting paper copies for many of her bills and hoping that she will be reminded more forcefully that money is expected of her.

Her real system is that when she has some money, she pays her bills. When she does not have the money, she does not worry about it and goes to play tennis at the health club where she works.

Spending Patterns

Marietta is quite frugal, carefully watching what she spends on food. She shops at Goodwill for clothes. Most of her expenses go to bills, reconnecting utilities, and servicing and paying off her debts. There is also a fair amount of gift giving in the family, both for birthdays and holidays, and also without official occasions. Her son might buy her a CD, for example, for no other reason than that he knows she will like the music. Marietta also likes to give small items for charitable purposes, and does so even as she finds herself in difficult financial waters. It makes her feel good to do something for someone else.

Savings

Marietta has various retirement accounts, so she knows she is going to be okay, but she does not expect to be able to retire soon.

She has a private "stash" of cash in the house, as safety in case of emergencies. It is not entirely clear whether she had her "stash" even as she took out payday loans. Wilma knows that she has it and is always trying to "make deals" to borrow it. Marietta has come to be extremely cautious of such deals, as Wilma does not always appear to fulfill her end of the bargain.

Debts

- Modest credit card debt
- Several overdrawn bank accounts she has abandoned
- Back taxes
- Title loan
- Multiple payday loans

Marietta has a credit card and purposefully only has a $1,000 limit. Currently, she has a $900 balance on it. She tries to pay a little bit more than the minimum. She expects to start using it again when she pays down the balance. She has all her bills lined up in her head and pays off what she has to pay off and tries to negotiate payment plans where she can (PG&E is particularly good about this). She does not really trust banks and says she has gotten in trouble with checking accounts in the past being overdrawn.

Her son lost his job (and did not qualify for unemployment benefits), which made hers the only income in the household. She could not pay her bills and took out a title loan on her car. Subsequently, she needed to borrow more money and found payday loan stores through the Internet. She eventually took out loans with four different loan stores, getting one loan to pay off another. The total amounts were $300, $300, $600, and $700 respectively, rolled over several times at least. (She says she did it because she thought she would be able to pay it right back. When asked what she would have done if she had realized she would not be able to pay it right back, she said she would still have done the same.) By the time she is done paying it off, she thinks she will have paid double the total amount borrowed, but she does not know the exact numbers. She has paid off two of the loans and is hopeful that she can get out of the hole soon.

Marietta neglected to pay her taxes for a few years, just having "blown it off." Now she is on a payment plan with the IRS, trying to pay back what she owes. She will pay $500 per month, but she is not sure exactly for how long. She thinks it will take her about four years to pay it off.

Marietta mentions having walked away from several car notes in the past. She has paid off only one car in her life, she explains. She has had overdrawn accounts with Chase and Wells Fargo some considerable time ago that were never paid off. They have just started calling her again, to see if they can collect from her now. She adds that "there might be other things out there" that she does not remember. She estimates that it might take a month of working full-time to truly sort out all of her financials.

Marietta is the one participant in this study who has experimented with a strategy of abandoning obligations as they became too overwhelming. She has given up that strategy now, as it turns out that she cannot truly leave any of her debts behind.

Appendix

Methodology

Fair Money conducted fieldwork in Silicon Valley from December 2012 through March 2013.

Our method consisted of a pair of two-hour interviews conducted in the participants' home, bracketing a 30-day spending diary, which asked the participants to record all of their expenditures during the 30-day period. Interviews conducted during the initial home visit followed a standard protocol, while the return visit questions were formulated from a combination of data from the initial visit and the diary study. During the return visit the participants were asked to draw a map of their financial relationships. The interviews were video taped and each member of the research team either participated in or viewed every interview.

We used Craigslist as a recruiting tool using a list of criteria then codified into a screener. The original criteria are listed below:

- 12 participants on a limited budget who currently have an outstanding payday loan or have taken out a payday loan in the past 12 months and paid it off.
- 6 participants on a limited budget who have not taken out payday loans in the past 3 years.
- 60% female, 40% male (in accordance with an overrepresentation of low-income women among payday loan recipients).
- At least 50% of participants to have one or more children under 10 in the household.
- All participants to live in or near Redwood City, CA. (Including Menlo Park, San Carlos, Belmont, and San Mateo), with a racial/ethnic distribution to be representative of local demographics.
- All participants to be able to participate in the electronic diary component, either by computer or smartphone.
- Mix of ages, as follows:
- 18-25: 3 participants
- 26-45: 6 participants
- 46-65: 6 participants
- 65 and over: 3 participants

From a pool of 223 potential participants, we recruited 10 respondents to participate in our study. The ease of attracting potential participants was underscored by comments from several of our participants, who informed us that they often sign up for paid research studies for extra income. Participants were compensated for their time with gift cards.

We have used pseudonyms for all our participants throughout the report to protect their privacy. The drawings that accompany the stories are not "of" the participants, but they do resemble the drawings.

A Review of the Literature on Poverty

The most emblematic anthropological foray into research on those living in poverty is found in the work of Oscar Lewis[13] and those who translated his work into the policy sphere.[14] Lewis, and his consociates, began with a simple enough assumption: those who participate in the economy will share in its abundance. This, of course, is a version of the American myth, told in countless ways over the last 200 years, that anyone can make it in America if they try. The darker assumption, which accompanies this myth,

[13] Lewis formulated a programmatic statement about his work in "The Culture of Poverty," Scientific American 215: 19–25, 1966.

[14] The exemplar here is Patrick Moynihan's "The Negro Family: The Case For National Action," Office of Policy Planning and Research United States Department of Labor, 1965.

is that anyone who cannot "make it" must be in some way damaged.

In Lewis' formulation, and in the policy recommendations flowing from his work, poverty was a case of individual impoverishment. The poor were literally less than their middle class counterparts; they had less self-control; led less moral private lives; experienced less rich intellectual lives. In a programmatic article published in Scientific American, Lewis described the culture of poverty thus:

"That is why I have described it as a subculture of the Western social order. It is both an adaptation and a reaction of the poor to their marginal position in a class-stratified, highly individuated, capitalistic society. It represents an effort to cope with feelings of hopelessness and despair that arise from the realization by the members of the marginal communities in these societies of the improbability of their achieving success in terms of the prevailing values and goals. Many of the traits of the culture of poverty can be viewed as local, spontaneous attempts to meet needs not served in the case of the poor by the institutions and agencies of the larger society because the poor are not eligible for such service, cannot afford it or are ignorant and suspicious. Once the culture of poverty has come-into existence it tends to perpetuate itself. By the time slum children are six or seven they have usually absorbed the basic attitudes and values of their subculture. Thereafter they are psychologically unready to take full advantage of changing conditions or improving opportunities that may develop in their lifetime."

The sense of lack and disorganization continues in the belief that poverty has long term damaging effects on the ability of those struggling in poverty to leave poverty. The effect here, as in Lewis' culture of poverty, is that an external condition, struggling through poverty, transforms itself into an internal state, being poor.

In viewing the culture of poverty as a modern subculture (with the prefix sub- indicating under, beneath or secondary to a wider culture) Lewis placed himself in a genre extending back as far as Mayhew's *London Labour and the London Poor*.[15] Mayhew's book is filled with ethnographic vignettes and suspect statistics linked to area maps aimed at showing the intensity of crime, ignorance (illiteracy) and illegitimacy among the working poor of mid 19th century London. Much as with Lewis' work one hundred years on, Mayhew's work put narrative flesh on bare numerical bones. In doing so, Mayhew inaugurated a genre of writing about those in poverty, which places pathos front and center and regulates the quiet dignity of those laboring under difficult circumstances to make do with insufficient resources to the background. Few and far between are studies, such as *All Our Kin,*[16] which begin with assumptions counter to this prevailing position or explicitly highlight the productive work of those faced with difficult circumstances.

There has always been a temporal element to the Culture of Poverty argument which claims the deeply impoverished live in the past and will never catch up to the middle class due to their backwards character traits. It has always been an argument about motion, and more specifically about the class elevator, both in America and in those places touched by American institutions. One key to this argument is the historic role of the public school in American life and the importance afforded education in rising out of poverty into the middle class. The close association between knowledge and economic achievement (despite a line of ethnographic thought running counter) parallels the close association between ignorance and economic backwardness found in the Culture of Poverty argument and the Human Development Index.

[15] Henry Mayhew, *London Labour and the London Poor*, Penguin Classics, 1986 [1865].

[16] Carol Stack, *All Our Kin: Strategies for Survival in a Black Community*, Harper, 1983.

Poverty in Silicon Valley

That knowledge leads to economic mobility was a powerful argument when the economy was on an ever-upward trajectory. But, that is no longer the case. In the current economic climate the class elevator now runs downwards not upwards.

Financial literacy sits in the tradition of impoverishment by assuming that the poor are incapable of governing their financial lives, in the same way Lewis and Moynihan conceptualized the poor as unable to govern their private lives. In both cases the end result is the same - a look at those struggling with poverty, which elides the tremendous amount of work and skill necessary to simply maintain a toehold against a receding tide.

A typical financial literacy schema can be found at mymoney.gov:[17]

1) **Earn**
2) **Save and Invest**
3) **Protect**
4) **Spend**
5) **Borrow**

The financial literacy approach assumes that those in poverty do not know how to handle money in a responsible manner. In a real sense, the financial literacy approach to poverty plays on many of the conceptions of the "culture of poverty" which views the poor as immoral and/or irresponsible when compared to middle class norms. It also plays on the older distinction between those who would work, but cannot and those who can work but will not. The assumption, in both cases, being that to work a full day is to earn an adequate income: an income which, if properly managed, will necessarily lead to economic security and all that comes with it.

The first assumption here is the most devious: people have an income large enough to allow a surplus of money. Earning comes first in the financial literacy pillar and allows for the surplus, which the other elements rely upon for support. Absent earning power, any theory of financial literacy falls on its face. Borrow here refers to "good" debt like home loans and educational loans. Most of our participants were not earning enough money to allow the other tenants to work and hence, cannot be said to be "financially literate," despite being "good with money."

Instead, our participants invert the financial literacy tenants by supplementing their income through borrowing. They borrow and spend to protect, instead of earning and saving. Yet, they are "good with money" and good at bending, extending and employing money to ends of pressing importance in their lives. Those struggling in poverty know an immense amount about money. Where financial literacy misses the mark is in assuming that a surplus of money can be accumulated. In this way, the gulf between financial literacy and being "good with money" measures the distance between the American dream and everyday life in America.

Financial literacy speaks to a larger pattern in American life of producing educational initiatives as solutions to social problems, which they cannot possibly solve. Education is most often the reflexive reaction to any sort of social problem in America, and in those places where American NGOs and government organizations have exported education as a sure and necessary path to economic development. As the American education historian Lawrence Cremin[18] wrote, "One of my friends likes to remark that in other countries, when there is a profound social problem there is an uprising; in the United Stated

[17] A plethora of financial literacy resources, including a lengthy exposition of this schema, can be found at: http://www.mymoney.gov/mymoneyfive/Pages/mymoneyfive.aspx

[18] Lawrence Cremin, *The Genius of American Education*, Vintage Books, 1966.

we organize a course!" Similarly, Willis[19] has recently argued that financial literacy courses, despite their demonstrated ineffectiveness, serve to prevent effective financial regulation by using an educational initiative as a stand-in for political action.

Today, the effects of organizing a course in financial literacy, rather than organizing explicit political action over a narrow issue, are disabling for those in the grips of poverty. This is a double bind, as for those without earning power, it is impossible to be financially literate. In turn, this fact leads to an increase in the "need" to organize more financial literacy courses.

Two problems are important here. First, phrasing social problems in educational terms too often collapses what is a complex social phenomenon into the heads of isolated individuals who either learn their lessons, or refuse to learn them. Second, the closed circle inscribed by the demands of accumulation leaves outside its bounds an increasingly large segment of the population. What is needed is a return to the rough ground over which financial lives unfold. The first step towards this goal is an accurate description of the conditions people face.

[19] Lauren E. Willis, "The Financial Education Fallacy," SSRN Scholarly Paper, ID 1869323. Rochester, NY: Social Science Research Network, 2011.

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