FINANCIAL ATTITUDES, BEHAVIORS, AND SATISFACTION OF LIMITED AND MIDDLE INCOME HOUSEHOLDS IN VIRGINIA

by

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A thesis to be submitted to the Faculty of

Virginia Polytechnic Institute and State University

in partial fulfillment of the requirements

for the degree

of

Master of Science

in

Housing, Interior Design, and Resource Management

Virginia Polytechnic Institute and
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December, 1994

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(ABSTRACT)

This study was designed to compare the financial attitudes, financial behaviors, and financial satisfaction of limited income households and middle income households. Deacon and Firebaugh's family resource management systems theory was used as the theoretical model for this study. Measures of financial attitudes concerned the areas of planning, credit, spending, saving, insurance, financial responsibility, and expectations. Measures of financial behaviors concerned the areas of planning, spending, saving, credit, insurance, taxes, and financial responsibility. Measures of financial satisfaction concerned satisfaction with standard of living and amount of money saved or invested.

The respondents were a sub-set of an existing data base, Financial Attitudes and Practices of Virginia Citizens, Form A, (N=529). Forty-one respondents who reported a 1989 income below 125% of the poverty guidelines were included as the limited income sample. One hundred eight respondents who reported an income in 1989 between

$30,000 and $44,999 were included as the middle income sample.

Descriptive statistics were used for demographic items. T-tests and chi-square tests were used to compare responses to the individual measures by income group. A t-test compared the mean summed scores for the measures of financial attitudes using a Likert type response scale.

There was a significant difference in the financial attitudes of limited income households and middle income households ($p = .00$). Using the same method for the measures of financial behaviors and financial satisfaction, it was found that there also were significant differences in the financial behaviors ($p = .00$) and financial satisfaction of limited income households and middle income households ($p = .00$).

DEDICATION

This thesis is dedicated to my parents, Earl and Shirley Midkiff, for their endless support and encouragement. Without their love and support, my success as a professional and a student would never have occurred.

This thesis is also dedicated to my sister, Carolyn. Her love and support were always there when I needed them the most.

This thesis is dedicated in memory of my brother, Edward Earl Midkiff. His death on June 24, 1994 has forever changed me. His undying support and love for me will never be forgotten. I miss you and love you.

ACKNOWLEDGEMENTS

The study would not have been completed without the contributions of many. The author expresses sincere appreciation and many thanks to:

--Dr. Irene E. Leech, Assistant Professor in Housing, Interior Design, and Resource Management, for guidance, references, patience, confidence, and concern throughout the entire graduate program and Extension career; and for the encouragement to continue when the goal did not seem reachable.

--Dr. Rebecca P. Lovingood, Professor in Housing, Interior Design, and Resource Management, for years of advice, patience, references and encouragement through undergraduate and graduate programs.

--Dr. Constance Young Kratzer, Assistant Professor in Housing, Interior Design, and Resource Management for assistance in obtaining references and assistance in completing the thesis.

--Dr. Ruth H. Lytton, Associate Professor in Housing, Interior Design, and Resource Management for assistance with the proposal and sharing her expertise of the data base.

--Elizabeth DeMerchant, for assistance with problems, both technical and non-technical. Friends like Elizabeth are difficult to find, and I am privileged to call her my friend.

--Virginia Cooperative Extension for opportunities and understanding during my graduate program.

--Friends, colleagues, and family who encouraged me to finish after many delays and who made my darkest days much brighter.

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CHAPTER I

INTRODUCTION

Educators know that the better they understand their students, the better they can meet those students' needs. When teachers understand the situations in which students live, their expectations, and aspirations, the education they offer can be targeted to the specific concerns of the students.

Cooperative Extension is part of the land grant universities in each state whose mission it is to share research based information with local citizens. Those citizens are the students of Cooperative Extension educators.

Extension programs are designed to target the specific needs of citizens. The recession, military "downsizing", business reorganization, and other factors have caused many families to experience financial stress in recent years. Many communities have become aware that the segment of their population that can be considered a "limited resource audience" is growing. Better serving these citizens has become an Extension goal. While all local Extension goals are not state or national goals, serving limited resource citizens more effectively continues to be a national goal (<u>Reaching Limited Resource Audiences</u>, 1991). However, many

Extension educators recognize that their understanding of the needs, expectations, and aspirations of limited resource citizens is inadequate.

Schuchardt, Marlowe, Parker, and Smith (1991) stated that Extension has primarily focused on programming for reaching middle income audiences. They reasoned that it may be easier for Extension staff to understand the audience when the leader and participants have similar values, beliefs, and economic backgrounds. Most Extension staff is middle income.

Extension has some programs, such as the Expanded Food and Nutrition Education Program (EFNEP), which are targeted to limited resource audiences. EFNEP employs technicians from the targeted audience as teachers. These technicians tend to understand the audience since they are from the targeted audience. Some financial management education is included in the curriculum which emphasizes nutrition education.

Extension's definition of limited resource audiences includes more than income, as noted in the report, Reaching Limited Resource Audiences.

> Limited resource audiences include those individuals and families with limited income and/or limited education struggling to maintain supportive environments. They do so with the burden of limited access to adequate nutrition, affordable

health care, quality housing and child care, and transportation alternatives.

Limited income is defined as less than a designated percentage of the median family income for the state or county. The specific percentage is determined by the relative economic disadvantages of a geographic area.

Limited education is defined as anything less than a high school diploma and functional literacy. (Reaching Limited Resource Audiences, 1991, p. 1)

Schuchardt et al. (1991) believed that Extension can be a leader in educating limited resource consumers if educators realize that what works for middle income consumers will not necessarily work for those who have limited resources. They maintain that understanding the audience is a priority in planning, developing, and implementing programs. Without this understanding, these programs will continue to fail to fully meet the needs of the limited resource audience.

Although Extension recognizes that limited resource households may lack more than income, income is a major determinant of the situations in which many households find themselves, and it is worthwhile to study its influence. The financial attitudes, behaviors, and satisfaction of any household, whatever its income, also are related to the situations in which households find themselves. If, for example, limited income households feel that they are not in control of their finances, a financial management educator should certainly teach them differently than if they were middle income households who feel they control their own destinies.

There is a perception that households with lower incomes have different financial attitudes, behaviors, and satisfaction from their counterparts with middle incomes. For example, Deacon and Firebaugh (1988) believed that low income households "have a sense of readiness to meet demands rather than a specific plan to meet demands" (p. 255). They also contended that some low income families exist in a world of "what will be, will be," and this can affect planning considerations. As a result, these households may see no reason to try to plan.

Justification

The researcher became aware of the need for this research as more and more requests for financial management education came to her local Cooperative Extension office. The response from limited income audiences to existing materials was often "This does not apply to my financial situation. This is for rich folks."

Cooperative Extension has recognized the importance of reaching limited income households. Schuchardt and

Baugher (1992) reported that the middle income group is shrinking as a result of lower middle income households experiencing hardships and falling into poverty. Lower income households also tend to get trapped in minimum wage jobs which means the families may spend a greater part of their life span in poverty. Families who are in poverty become a burden to those not in poverty as they rely on government assistance programs supported through taxation. Clearly, the limited income audience will continue to represent a sizable part of the population which needs the education that Cooperative Extension offers and which may help families escape poverty.

Many people do not recognize Cooperative Extension as a source of information on financial management (Pounds, 1985). However, several successful programs have been implemented by Cooperative Extension throughout the nation. A National Impact Study (1987) of some of those programs showed that 62% of the respondents felt that their financial situations were better as a result of participating in an Extension financial management program. Another impact determined from the study was that 79% of the respondents felt their ability to handle their finances improved as a result of the Extension program. There is increased emphasis on implementing these programs because of the importance of helping families make financial decisions in an uncertain environment (National Impact Study: Financial Planning and Management Programs, 1987).

Schuchardt and Baugher (1992) noted that, to be successful with limited income audiences, Cooperative Extension must provide programs that are client centered. Client centered programs are those that consider the needs and wants of the clients or participants. Schuchardt and Baugher further explained that programming for this audience will take more time and different approaches than work with more advantaged audiences. Programming with limited income audiences tends to require more preparation time for teaching and more hands-on teaching methods. Often more teaching sessions are scheduled with limited income audiences in order to achieve the same outcome because of lower educational levels of this audience. Those with lower educational levels often find it difficult to retain knowledge unless the teaching is more repetitious and incorporates the use of hands-on teaching methods.

Purpose

This study was designed to help those persons developing and delivering financial management curriculum understand some of the differences and similarities between limited and middle income households. This knowledge can be incorporated into curriculum which will meet the needs of both of these audiences. Specifically, the purpose of this study was to compare the financial attitudes, behaviors, and satisfaction of limited income and middle income households.

Uses of the Study

The results of this study will be most useful for financial management educators, especially those educators who teach limited income audiences. Those involved in writing financial management curriculum for both income groups also will be able to incorporate the implications from this study into the curriculum. Decision makers involved in public policy concerning limited income households may find the results very useful in making more informed decisions. Financial counselors who work with limited income households also may find the results will increase their understanding of their clients.

Research Questions

The basic questions to be addressed in this study were:

1. What are the similarities and differences in financial attitudes of limited income and middle income households?
2. What are the similarities and differences in financial behaviors of limited income and middle income households?

3. What are the similarities and differences in financial satisfaction of limited income and middle income households?

The following null hypotheses were tested:

1. There is no significant difference in the financial attitudes of limited income households and those of middle income households.
2. There is no significant difference in the financial behaviors of limited income households and those of middle income households.
3. There is no significant difference in the financial satisfaction of limited income households and those of middle income households.

Theoretical Model

The theoretical foundation for this study was Deacon and Firebaugh's (1988) family resource management systems theory. The elements of the system include input, throughput, and output (Figure 1). Several researchers have used this model to investigate similar topics. Davis and Helmick (1985) investigated the impact of reference points on family financial satisfaction. Davis and Schumm (1987) compared low and high income groups in saving behavior and satisfaction with savings. Godwin and Carroll (1985) studied spouses' financial attitudes and behaviors using this model. Hira (1987) studied satisfaction with finances,

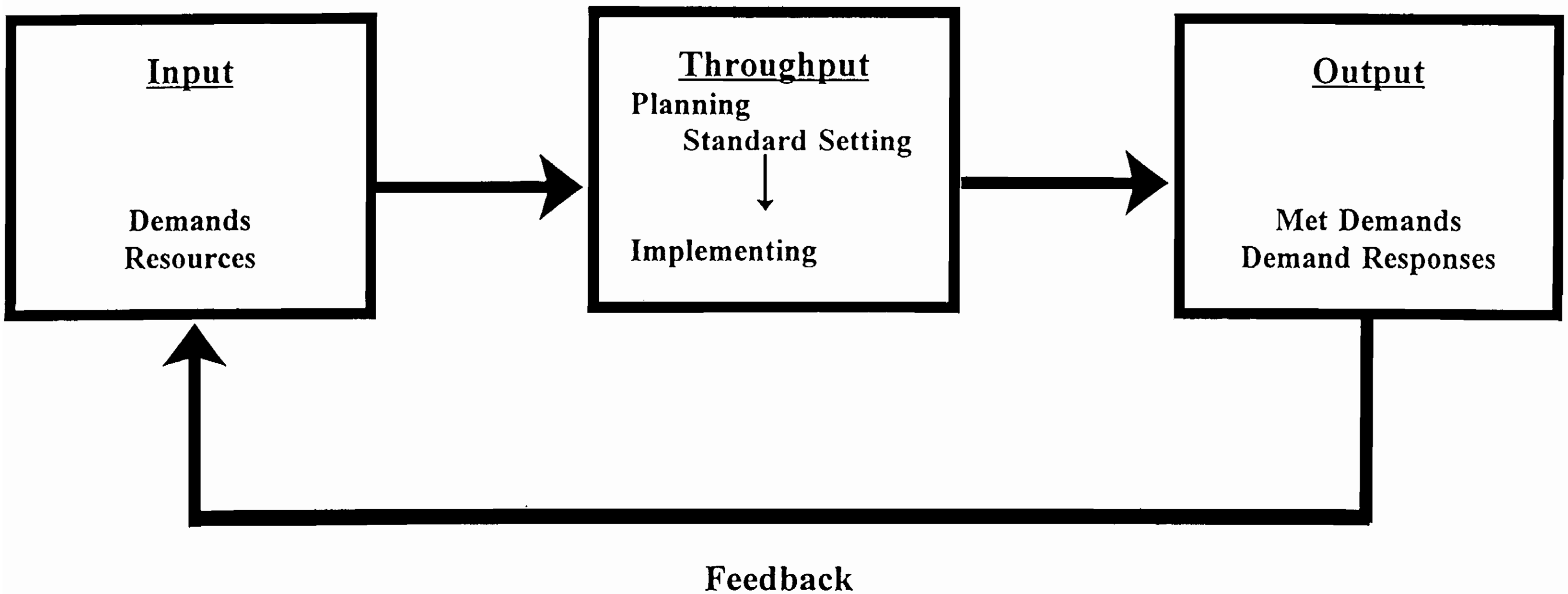

Figure 1. Theoretical Model - Deacon and Firebaugh's Systems Model (1988)

and Jeries and Allen (1991) studied wives' satisfaction with financial management of families. Mugenda, Hira, and Fanslow (1990) also studied satisfaction with particular emphasis on satisfaction with financial status and quality of life.

As defined in the model, input includes demands and resources of the family. Demands can be defined as goals or events that necessitate action. As the number of goals increases, the financial management of the family becomes more complicated because of the increased demand on the families' resources. Resources are means by which the demands placed on the family by goals or events can be met. The resources in the family include the skills, abilities, and knowledge of the individuals in the family and the material resources, such as the tangible goods, including income, available for consumption and the savings and investments of the family. The input answers the questions of why, what, and whether in the family finances. For example, analyzing the input should answer why resources are allocated in a given way or what resources are allocated (Deacon & Firebaugh, 1988).

Deacon and Firebaugh (1988) defined throughput as the process of transforming the inputs of the system into outputs. The activities of planning and implementing are included as throughput in the management system. Planning is a series of decisions about future standards and/or actions. Implementing is actuating plans and procedures and controlling the actions. The throughput answers the questions of how, how much, how well, when, and where. For example, a part of the throughput would concern where the family would buy their children's clothing for school.

The output of the system includes demand responses and resource changes. Output is defined as the "matter, energy, and/or information produced by a system in response to input and from throughput processes" (Deacon & Firebaugh, 1988, p. 12). Demand responses are the output from managerial actions relating to values and satisfaction. For example, a family's satisfaction with its level of saving would be considered a demand response. Resource changes are the output from managerial actions relating to human and material resources. For example, the clothes the family purchased for the children would be considered a resource change.

The empirical model (Figure 2) illustrates those variables that were investigated in this study. The input, income, is a resource that the family can use to fulfill its demands.

The activities of financial attitudes and financial behaviors are measures of planning and implementing

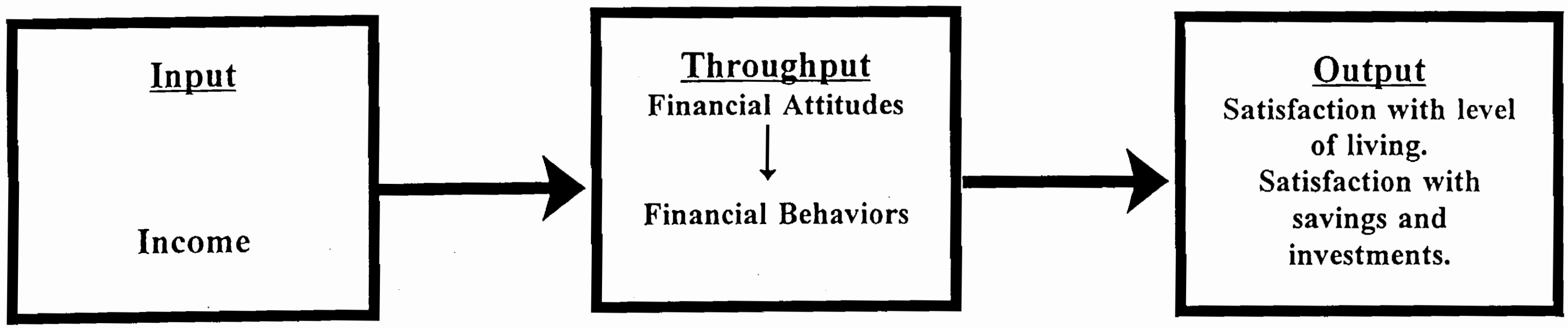

Figure 2. Empirical Model (Deacon and Firebaugh, 1988)

included as throughput in the management system. According to Deacon and Firebaugh (1988), a component of planning is standard setting. Standards are influenced by the feelings one has about a certain topic. Attitudes concern one's state of mind or feelings, thus financial attitudes are included in this part of the model. Financial attitudes investigated in this study were related to goals and values, spending, credit, planning, and expectations.

Attitudes precede and affect any behavior including financial behavior (Fishbein, 1975). Other marketing researchers also have considered the concept that attitudes precede behaviors. Rosenberg (1960) found that there are three classes of responses to attitudes. One of these is behavioral, which indicates that attitudes do precede behaviors. The behavior is the response to the attitude.

The other component of the throughput, implementing, also was investigated in this study. Since implementing is defined by Deacon and Firebaugh (1988) as actuating plans and procedures and controlling the actions, financial behaviors were used to test this part of model. The financial behaviors that were investigated include credit usage, banking services usage, financial responsibility, spending and saving behavior, and record keeping practices.

Financial satisfaction is the demand response that was investigated in this study. The measures of satisfaction considered were satisfaction with the level of living of the household and satisfaction with the amount of money saved or invested.

Delimitations

The study was delimited to those households who filed Virginia state income taxes in 1989. The limited income sub-sample included only those respondents who reported a range of income that was no more than 125% of the 1989 poverty income guidelines adjusted for family size (Appendix A). The income for this sub-sample ranged from under $10,000 for a household of one to $25,000 for a family of eight people. The middle income sub-sample included only those respondents who reported an income of 80% to 120% of the median income in Virginia in 1989, which was $38,213; therefore, the middle income range was $30,000 to $44,999 regardless of household size.

Limitations

The limitations of this study lie in the use of an existing data base. As a result, the study was limited to the questions and variables included in the survey instrument. Particularly limiting were questions relating to financial satisfaction. Only questions concerning satisfaction with present level of living and satisfaction with the amount of money invested or saved were included. The survey instrument also did not elicit the respondents' exact amount of income. The respondents reported a range of income in $5,000 increments. As a result, the identification of the limited income sample and the middle income sample were not as specific as would be ideal.

Since the population list originated with the Virginia Department of Taxation, individuals or households whose income was below the level required for filing of income taxes were not included. As a result, those in the lowest income group were not considered in this study.

Definitions

Definitions are included to increase the understanding of the variables used in the study.

Limited income households. Those who report a gross income that is no more than 125% of national poverty guidelines according to family size (Appendix A).

Middle income households. Those who report a gross income from 80% to 120% of the median family income in Virginia. (Census of Population and Housing, 1990).

Financial attitudes. State of mind or feeling about one's finances and financial situation in reference to goal-setting, budgeting, record keeping and saving, perceptions of debt burden, credit usage, insurance coverage, and financial responsibility, and expectations of financial well-being. (The definition of attitudes was based on The American Heritage Dictionary, 1985.)

Financial behaviors. Financial management practices relating to goal setting, budgeting, record keeping, saving, credit usage, insurance coverage, and investment. (The definition of behaviors was based on Godwin and Carroll, 1986.)

Financial satisfaction. The measure of the difference between one's desired and actual financial situation in reference to present level of living and the amount of money invested or saved (Lown & Ju, 1992).

Household. Individual or group of people who were financially dependent on the same sources of income.

Summary

This study was designed to compare the financial attitudes, behaviors, and satisfaction of limited income and middle income households. The remainder of the thesis is organized in the following chapters. Chapter II is a discussion of the review of literature. Chapter III describes the methodology of the study. Chapter IV is a discussion of the findings. Chapter V includes a summary, recommendations, and implications.

CHAPTER II

REVIEW OF LITERATURE

The purpose of this study was to compare the financial attitudes, behaviors, and satisfaction of limited income and middle income households. Other researchers have studied financial attitudes, financial behaviors, and financial satisfaction of limited income and middle income households. This chapter includes a review of previous published research on financial attitudes, behaviors, and satisfaction of limited income and middle income households.

Financial Attitudes of Limited Income Households

Financial attitudes are defined as the state of mind or feeling regarding one's financial situation. To investigate the financial attitudes of limited income households, it is important to look at more than just finances. Attitudes relating to goals and values, planning, credit, locus of control, perceived adequacy of income, and expectations also must be studied.

Irelan and Besner (1971) suggested in a review of the literature on the topic that limited income households usually have feelings that are unique to their group. It is important to examine these feelings, since attitudes are defined, for the purposes of this study, to be the state of mind or feelings about one's finances. These feelings include powerlessness, meaninglessness, isolation, and anomia.

In historical research, Merton (1949) defined anomia as a condition that is probably the result of certain behaviors failing to lead to expected goals. An example of this behavior would be that the limited income person may be taught that economic success is the most important thing in life, but finds that he or she is barred from achieving this success through legal means. The limited income person may begin to believe that illegal behavior is necessary to achieve this goal.

Paolucci, Hall, and Axinn (1977) defined anomia as "rootlessness, of being cut off, or not belonging to other parts of society" (pp. 49-50). They also believed that anomia is a reflection of the confusion that results when one feels unable to identify with the norms and values of society.

Goals and Values

The goals and values of limited income households may not, however, be different from those of middle income households. Irelan and Besner (1971) stated that limited income households strive to achieve and value the same things as other Americans, but they also believed that the reality of having a low income led to "the lower class version of American dreams and designs" (p. 85). A definition of what they considered to be limited income households was not included in their review.

The low income consumer also was interested in improving his or her status. An example given by Irelan and Besner was that a lower income teenager had more pressing, material reasons for wanting a better future. The major reason for wanting this was that the teen's present had many insufficiencies due to having a lower income. As a result, the teen had attempted to leave deprivation, rather than attempting to attain a better life (Irelan & Besner, 1971).

According to Irelan and Besner (1971), the most basic value held by the limited income person is the need for security. This value influences the goals of limited income households. Historically, limited income households, as well as some who have higher incomes, often have sought security instead of advancement (Centers, 1949).

Planning

By surveying 199 randomly selected families reporting a mean income of $9,000 in 1980, Mullis and Schnittgrund (1982) found that limited income households generally felt that few families managed their money well. The respondents tended to think that people too often spent money on the spur of the moment. Using the same sample, Schnittgrund and Baker (1983) concluded that the majority of limited income households had the attitude that most families did not plan their purchases, but overwhelmingly agreed that families would be more satisfied if their purchases were planned.

Credit

When investigating attitudes concerning credit and its use with a sample selected from various types of consumer credit accounts, Gunnell and Noyes (1980) found that the majority of the 813 respondents at all income levels thought credit was more of a necessity than a convenience. They also found that a majority of respondents felt that credit was a valuable tool. The percentage of respondents with this attitude was higher for the limited income population which was defined as households with a gross income of less than $5,000. A majority of respondents in all income groups also believed it was better to pay cash than to use credit.

Credit use in the United States grew in the 1980's and contributed to the severity of the recession in the early 1990's. While this experience may have discouraged some households from using credit, it appears that Americans are still heavily dependent upon credit. In fact, growth of consumer credit use is one measure of consumer confidence in the economy (Leech, personal communication, 1994).

Locus of Control and Perceived Adequacy of Income

Research on planning among limited income families has emphasized the concepts of locus of control and dyadic consensus. A sample of 240 individuals enrolled in the Expanded Food and Nutrition Program, a Cooperative Extension program targeting limited income families, were surveyed. The respondents reported a mean family income of $5,000 - 6,999. Approximately 32 percent reported incomes below $5,000. It was determined that those families with higher incomes reported feeling they had more control over their lives than did those with lower incomes (Brown, Heltsley, & Warren, 1982).

Danes, Rettig, and Bauer (1991) identified perceived adequacy of income as the highest predictor of internal locus of control. They defined internal locus of control as "the measure of the extent to which an individual believes that reinforcements in his/her environment are under his/her control and are contingent upon his/her behavior" (p. 85). Their sample included 337 respondents who had experienced financial stress. The respondents, who were all farm men and women, completed mailed questionaires. Regression analysis was used to analyze the data.

Expectations

Expectations also have been researched to gain more understanding of financial attitudes. Bailey and Lown (1992) found that American citizens, unlike British citizens, had different expectations based on income. The American respondents were divided into four income groups: low - less than $15,000; middle - $15,000-$24,999; upper middle - $25,000-$49,999; and high - $50,000 and above. The lowest income groups were the most positive about the expectations for their financial situation in five years, while the highest income groups were the most negative. Members of the low income group, however, were most worried about losing their job or savings, not being able to maintain their level of living, not being able to make ends meet, and not being able to provide what they wanted for their families. As income increased, worry concerning these items decreased.

Financial Attitudes of Middle Income Households

Few studies have been specifically concerned with the financial attitudes of middle income households. Instead, middle income households often have been included in broader samples as illustrated by the following studies.

Saving

Godwin and Carroll (1986) investigated financial attitudes of couples including 73 husbands and 73 wives whose mean income was $25,163. Using a self-administered survey, they found that over 90% of the spouses agreed on the importance of saving.

Credit

Godwin and Carroll (1986) also found that over 90% of the spouses agreed that there was a need to worry about the length of time it takes to pay off debts even if monthly payments are met. It appeared that many credit card holders were concerned about meeting their monthly payments.

Brobeck (1992) studied consumers' attitudes toward credit cards. A telephone survey of 1,006 adults selected as representative of the nation's adult population was used. Most questions were asked of only the 715 respondents who had at least one credit card. Although having a card does not guarantee use, the credit is available, and it could be used. Brobeck determined that credit card holders who carried outstanding balances had the most concern about credit. Nearly two-thirds of the respondents with balances were concerned, while two-fifths of respondents without balances were worried about credit.

It has also been found that attitudes toward credit and household income are positively related. In a study of household money managers, Danes and Hira (1986) conducted 201 personal interviews and used path analysis to analyze the data. They concluded that as income increased, the attitude toward credit was more favorable.

Financial Behaviors of Limited Income Households

Financial management practices such as credit usage, saving money, and using a budget are financial behaviors. These behaviors are based on feelings and experiences in life. Often limited income households have been deprived of many things in their lives, and this deprivation affects their financial behaviors. The financial behaviors of limited income households often seem irresponsible and/or irrational to others (Williams, 1993).

Spending Behaviors

A spending behavior associated with limited income households is shopping at stores that offer store credit. These stores charge higher prices to compensate for the services they provide (Williams, 1993). Lack of transportation often forces limited income households to shop at stores located closest to their homes instead of at those stores offering the best values.

Lewis and Godwin (1994) have stated that limited income consumers tend to shop at expensive rent-to-own stores more than the general population, and are likely to be taken advantage of by salespersons who market high-cost, low-quality goods and services. Although rent-to-own stores technically do not charge interest, payments are generally much higher than those of credit contracts so in reality, limited income households pay much more for a product than if they purchased the same item in another type of retail store. Limited income households often become overextended by this type of credit and become inextricably indebted to others. Swagler and Wheeler (1989) found that one third of the 61 respondents in their study reported having problems or not understanding the contract. These 61 respondents had the advantage of receiving some education through a program of the Consumer Credit Counseling Service. Most of the respondents were low income women with a mean income of $13,000.

Credit

Limited income households usually do not have problems with credit cards, bank loans, or installment contracts because they are not eligible to get them. Often they use the lay-away service at department stores. They also use finance companies for credit instead of banks (Williams, 1993).

Lai and Zhong (1992) used the 1983 Consumer Finance Survey data to study the effects of regional differences on the debt burden of 1,568 respondents aged 25-44 years old. They defined consumer debt as including revolving charge debt, total closed-end consumer debt, total regular payment (installment) debt, and total non-regular payment (noninstallment) debt that was outstanding. They found that as income decreased, the burden of debt increased. Lai and Zhong defined burden of debt as total outstanding consumer debt divided by total gross income.

Another problem often characteristic of limited income households is that credit is misunderstood, and mistakes occur (Lewis, personal communication, 1994). An example of this misunderstanding might be not knowing the interest rate. A family that thinks the interest is lower than it really is can easily become overextended. Because of this overextension, credit is not available when it is needed (Lewis, personal communication, 1994).

Financial Problems

Financial problems are commonplace among limited income households. Research by Williams, Nall, and Deck (1976) showed that the lower a family's economic position, based on both an income index and family income, the more likely the family was to have a greater number of financial problems. The income index was defined as an objective measure of income adequacy or well-being. The researchers interviewed 363 homemakers from disadvantaged areas whose mean disposable income was $7,560. Chi-square and analysis of variance were used to analyze data and the results indicated that families with steady incomes had fewer and less extreme financial problems than families with undependable and fluctuating incomes. This was especially true in reference to the problems of paying the rent or house payment and paying other large bills.

Saving

Limited income households generally are not future oriented because their future is so uncertain (Williams, 1993). These households may not be able to save to make purchases at a later date because their current needs are so great; or limited income households may save for a short period and then spend the money for emergencies or a special occasion. These households tend to want satisfaction immediately, which they may feel is deserved.

Morgan (1964) found that savings rates were higher in low and high income families than in middle income families. In his study, low income and high income groups were not defined by a certain range of income. His sample was a panel survey conducted by the Survey Research Center in 1960-62 that included 1,059 interviews.

Saving for emergencies often is not possible, so credit must be used to purchase goods and services. Davis and Schumm (1987) used data from a regional project to study the savings behavior of 1,739 married couples in low and high income households. Low income was defined as those households who reported an income of less than $9,000, and high income households were those who reported an income of more than $9,000. They reported that it appeared that couples in the low income group simply could not afford to save very much. For most low income couples, the amount of money for savings was less than $500 per year. There was a significant linear relationship for the higher income couples; as income increased, the amount saved increased.

Schnittgrund and Baker (1983) investigated the financial behaviors of a multiracial sample of limited income households. The sample included 60 Mexican American households, 69 white households, and 70 black households. The mean incomes ranged from a low of $8,893 for the Mexican American households to a high of $12,023 for white households. Schnittgrund and Baker found that 32% of the respondents never saved.

Banking Services

A study of Virginians by Leech, Scott, and Fox (1989) found that younger, poorer, minority consumers were less likely to have checking accounts. Although the researchers did not specify an income level for respondents, 70% of the respondents had incomes below the 1989 poverty guidelines, with 20% reporting an income of less than $416 monthly before taxes. These results were consistent with those of Lewis (personal communication, 1994) who reported that limited income households generally do not have access to low cost banking services.

Budgeting

Schnittgrund and Baker (1983), in a study with a multi-racial sample of 199 low-income urban families in Phoenix, Arizona, found that budgeting was a financial behavior that some limited income households practiced. The most common type of budget cited by the respondents was having a "general idea in my mind." They were more likely to keep track of their expenditures than to budget. Ways that respondents kept track of their expenditures included simply remembering their expenditures, writing down their expenditures, or using check books.

Spending Habits

Using a sample of low income black consumers, Bankston (1973) found that these consumers exhibited qualities of "good" consumers. Most families purchased their necessities first. They used both their household production and planning abilities, before they shopped, as a way of saving money. The families in this low income sample had incomes below the poverty level or were experiencing a lower level of living than middle income households.

Financial Responsibility

A study in Britain by Wilson (1987) which included a sample of respondents from a wide range of income levels found that married women in limited income households (less than 80 English pounds per week or $120 American dollars) were more likely than women in other income groups to have complete responsibility for the level of living of their households. Wilson also found that many limited income men took a higher proportion of the total household income for their own personal spending needs than did men at higher income levels. Thus Wilson concluded that limited income women and children were worse off if men took financial control of household expenditures. Limited income women were projected to be better off if they took responsibility for the finances rather than allowing men to have control.

Financial Behaviors of Middle Income Households

Very little research has specifically focused on financial behaviors of the middle income group. However quite a few researchers have included middle income households in larger samples when examining financial behaviors.

Credit

One study by Brobeck (1992) examined the use of credit cards. The sample of 1,006 adults was representative of the nation's population. The researcher found that 75% of the respondents had a credit card, with 25% having more than five cards. Fifty-five percent of the respondents carried over a balance from month to month (Brobeck, 1992).

Hira (1987) conducted a study that involved a sample of 198 randomly selected money managers from all income groups in a midwestern town in the United States with a population of 27,000. She sought to determine the factors that influenced satisfaction with various aspects of the households' finances. She concluded, through frequency analysis, that 69% of the respondents had a credit card, with 42% of respondents indicating they used two to four credit cards.

Budgeting

It appeared that the behavior of reviewing and evaluating household expenses was one practiced by a majority of respondents in the Hira (1987) study. Thirty-three percent of the respondents indicated that the review was done on a yearly basis. Another 33% of the respondents reported that the review was either monthly or bimonthly.

Goals

A majority of the respondents in the Hira (1987) study also were able to verbally identify a financial goal. The goals mentioned most frequently included financial security, retirement income, home ownership, and college education.

Financial Satisfaction

Many people believe that limited income households can not be satisfied with their financial life because of their lack of income. However, this belief is not always supported by the research findings. For example, in a study using a sample of 199 limited income (mean income of $9,000) urban families in Phoenix, researchers included several statements concerning satisfaction. Responses on a five point Likert scale ranged from very satisfied to very dissatisfied. Overall, families expressed a sense of satisfaction. Sixty percent of these families were satisfied with the material goods they possessed. Fifty-four percent of the families were satisfied with the degree to which they were achieving success and getting ahead. Fifty-seven percent of the families were satisfied with the head of the family's job (Schnittgrund & Baker, 1983).

In a study on financial satisfaction, Davis and Helmick (1985) found that family income was not a strong predictor of financial satisfaction. The sample included all income groups in three states. When there was a correlation between income and satisfaction, it was negative. Hafstrom (1981) did not agree with this finding entirely. Through multiple regression analysis, the data from her study supported the conclusion that as family income increased, the satisfaction with level of consumption also increased. The sample included 107 wives and 77 husbands from an urban area and 101 wives and 82 husbands from a rural area from all income groups. Jeries and Allen (1991) surveyed a random sample of 990 households including all income groups and used multiple regression analysis to conclude that "wives from high income families are less likely to be satisfied with their financial management practices than wives from lower income families" (p. 52).

Two studies investigated the concept of the perception of the adequacy of income and its relation to financial satisfaction. Both found that as the perception of the adequacy of income increased, the level of financial satisfaction increased (Greninger, Hampton, & Kitt, 1982; Hafstrom & Dunsing, 1973).

Greninger, Hampton, and Kitt (1982) studied 300 married couples who were described as being moderately well-off. Respondents completed a written survey, and researchers used Pearson correlation coefficients to determine that as perceived adequacy of income increased, the level of satisfaction increased.

Hafstrom and Dunsing (1973) implemented a study to determine the factors that influenced a homemaker's satisfaction with the family's level of living. Their sample included 488 "typical" families and 191 "disadvantaged" families. The typical sample was selected from random households based on the head's occupation using the census classifications. The disadvantaged sample was randomly selected from low income housing areas. Through multiple regression analysis, the data supported the conclusion that as the perception of the adequacy of income increased, the level of financial satisfaction increased. This was true among both groups.

Another strong predictor of financial satisfaction is the ability to be prepared for emergency expenses. The Jeries and Allen (1991) study that was previously discussed came to this conclusion. This conclusion concurred with a study by Davis (1986). Using a sample of 672 households whose mean income was between $20,000 and $25,000, she determined from a mail survey that their ability to meet emergency expenses was a strong predictor of financial satisfaction. Perceptions of preparedness to meet an emergency expense were positively correlated with the level of satisfaction.

It would appear that a limited income household would not be able to meet emergency expenses as well as a middle income household. However, studies previously discussed have shown that both income groups are dissatisfied with their ability to save (Hira, 1987; Schnittgrund & Baker, 1983). In a study in which the sample of 123 money managers with an average net worth of $100,824 were personally interviewed, Mugenda, Hira, and Fanslow (1990) found that if a person saves, satisfaction with financial status increases. A majority (71%) of the respondents reported they had no financial difficulties.

Summary

Previous research reports that financial attitudes of limited income households include goals and values which tend not to be different from middle income households (Centers, 1949; Irelan & Besner, 1971). Research, for the most part, also indicates that financial behaviors of limited income and middle income households are different (Davis & Schumm, 1987; Leech, Scott, & Fox, 1989; Lewis, 1994; Williams, Nall, & Deck, 1976; Williams, 1993; Wilson, 1987). The data in one study supported the conclusion that income is not a strong predictor of financial satisfaction (Davis & Helmick, 1985), while data in another study supported the conclusion that income is a strong predictor of satisfaction (Hafstrom, 1981). Perceived adequacy of income and the ability to be prepared for emergency expenses are stronger predictors of financial satisfaction than income (Davis, 1986; Greninger, Hampton & Kitt, 1982; Hafstrom & Dunsing, 1973; Jeries & Allen, 1991).

No similar study comparing financial attitudes, behaviors, and satisfaction of limited income households and middle income households was found in the literature. A direct comparison of the limited income households and middle income households using the same measures with more current data will be the most helpful to financial management educators since the economic climate has changed since the previous research was completed. A direct comparison will also allow these educators to understand the differences between the two groups more easily.

CHAPTER III

METHODOLOGY

This chapter describes the methodology and procedures that were used in this study of the financial attitudes, behaviors, and satisfaction of limited income and middle income households. The purpose of this chapter is to provide a discussion of the population and sample, instrument development, data collection methods utilized, data analysis, and operational definitions.

Population and Sample

To conduct the study from which the data for this study were obtained, Lytton and Garman (1990) sought a large, heterogenous population in order to increase the generalizability of the research results. The Virginia Department of Taxation data base was selected because it best met the established criteria.

There were 2.5 million residents in Virginia earning enough income to make it necessary to file a state income tax return in 1988. This number of tax filers represented 41% of the total population of Virginia in 1988 (U.S. Bureau of the Census, 1991). The population list furnished by the Department of Taxation included individuals and married couples who filed a state income tax return in 1988. Those on the list were either an individual at least 17 years of age with minimum personal income of $5,000, or a couple with an income of $8,000 or more. The original sample included 3,000 Virginia tax filers randomly selected from this population.

For the purposes of this study, the sample that was identified as limited income households included 41 respondents who reported their income to be no more than 125% of the poverty threshold adjusted for family size in 1989. [See Appendix A for the 1989 Poverty guidelines according to size of family unit for all states in published in the Federal Register (1989)]. The sample that was identified as middle income households included 108 respondents who reported their income to be 80% to 120% of the 1989 median family income in Virginia.

Instrument

The original instrument included several areas that related to financial management: 1) personal financial behaviors, attitudes, and values; 2) perceived financial well-being; and 3) selected demographic characteristics of the respondents (Lytton & Garman, 1990). Other areas which were investigated included individual preferences for financial management education programs, perceived competence of financial management advisors, and willingness to discuss financial concerns. Data related to these factors were not considered in this study.

The data collection instrument was entitled Financial Practices and Attitudes of Virginia Citizens.

Fifteen hundred taxpayers were asked to complete Form A of the data collection instrument. Another 1500 taxpayers were asked to complete Form B. The two forms were similar in layout, design, and length. Thirty-one items and the demographic questions were included on both forms. Only the data gathered from respondents completing Form A were used in this study because the items in Form A were more closely related to the purpose of this study.

Data Collection

A modified Total Design Method (Dillman, 1978) was used to collect the data. The data were collected from October of 1989 through January of 1990. Each taxpayer was mailed a copy of the survey instrument with a cover letter. The instrument was to be completed by the major "financial decision maker" as determined by the taxpayers. Each taxpayer who received a copy of the survey instrument also received a follow-up postcard that thanked the respondent for participating or reminded the respondent to participate. A total of 529 Form A surveys were returned, a 36.5% return rate (Lytton & Garman, 1990). Of these, 506 Form A surveys (96%) were useable.

Operational Definitions

Operational definitions are presented to increase the understanding of the definitions of the concepts that were applicable to this particular study.

Limited income households. Those respondents who reported a range of income that was no more than 125% of poverty guidelines in 1989. The following were used:

Household size	Income
1	Less than $10,000
2	Less than $10,000
3	Less than $15,000
4	Less than $15,000
5	Less than $20,000
6	Less than $20,000
7	Less than $25,000
8	Less than $25,000

Middle income households. Those respondents reporting a range of income from 80% to 120% of the median family income in Virginia of $38,213 in 1989 (Census of Population and Housing, 1990). Using the existing data base, the respondents reporting an income range of $30,000 to $44,999 were used.

Standard of living. The present view toward the items the households purchased such as housing, food, transportation, and recreation (Lytton & Garman, 1990)

Attitudes

This study included 25 items as indicators of financial attitudes (Table 1). Financial attitudes tend to be more qualitative in nature than are financial behaviors. The items relating to financial attitudes each had a qualifier (e.g., having a will is a behavior, but qualifying that the will is current and up-to-date makes this item represent an attitude.). Respondents reacted to 16 items using a four-point Likert scale with the responses of "disagree", "tend to disagree", "tend to agree", and "agree". These items were scored from 1 "disagree" to 4 "agree". Respondents also could answer "not applicable". When this response was selected, the item was omitted in data analysis. Items 4, 10, 11, and 13 were scored in reverse to allow positive responses to receive a higher score similar to other items.

Responses on a three point scale, "probably be worse", "be the same", and "probably be better" applied to eight items. The scale was scored from 1 "probably be worse" to 3 "probably be better".

One item concerning perception of adequacy of income was multiple choice. The responses were "not at all adequate" (scored 1), "can meet necessities only" (scored 2), "can afford some of the things I want" (scored 3), "can afford about everything I want" (scored

Table 1

Attitude Measures

D = DISAGREE = 1

TD = TEND TO DISAGREE = 2

TA = TEND TO AGREE = 3

A = AGREE = 4

NA = NOT APPLICABLE = omitted in data analysis

Item number from Lytton & Garman (1990)		Scoring
F 2	1. My total income is enough for me to meet my monthly living expenses.	1 2 3 4 NA
F 3	2. I have developed a sound plan that should enable me to achieve my financial goals.	1 2 3 4 NA
F 4	3. I have enough savings and reserve funds to maintain my present lifestyle if I lost my income for a period of 3 to 6 months.	1 2 3 4 NA

Table 1

Attitude Measures, continued

Item number from Lytton & Garman (1990)		Scoring
F 5	4. I am concerned about the total amount I have to repay on my debts each month, such as on credit cards, car payments, and other loans.	1 2 3 4 NA*
F 6	5. I would be able to handle a financial emergency that would cost $500 to $1000.	1 2 3 4 NA
F 7	6. Both spouses should share equally in managing and handling the family finances.	1 2 3 4 NA
F 8	7. A husband should be responsible for making most major family financial decisions.	1 2 3 4 NA
F 10	8. My home, car, and other personal property is adequately insured.	1 2 3 4 NA
F 11	9. I probably will have a financially secure retirement.	1 2 3 4 NA
F 12	10. I cannot save as much as I would like to save.	1 2 3 4 NA*
F 13	11. No matter how fast my income goes up, I never seem to get ahead.	1 2 3 4 NA*
F 14	12. I do not worry about being able to meet my normal monthly living expenses.	1 2 3 4 NA

Table 1

Attitude Measures, continued

Item number from Lytton & Garman (1990)		Scoring
F 15	13. I would have trouble borrowing $2,000 cash if I needed it.	1 2 3 4 NA*
F 16	14. I have a legal will that is current and up to date.	1 2 3 4 NA
F 17	15. Financial decisions can be made just as well by either men or women.	1 2 3 4 NA
F 18	16. I have a sufficient amount of life insurance on myself.	1 2 3 4 NA
	PROBABLY BE WORSE = 1 BE THE SAME = 2 PROBABLY BE BETTER = 3	
H 22	17. In five years, I expect my total amount of income will	1 2 3
H 23	18. In five years, I expect my ability to save and invest will	1 2 3
H 24	19. In five years, I expect my ability to meet large emergency expenses will	1 2 3
H 26	20. In five years, I expect my retirement "nest egg" will	1 2 3

Table 1

Attitude Measures, continued

Item number from Lytton & Garman (1990)		Scoring		
H 25	21. In five years, I expect the amount of debt I have will	1	2	3
H 28	22. In five years, I expect my total financial situation will	1	2	3
H 29	23. In five years, I expect my insurance coverage will	1	2	3
H 25	24. In five years, I expect my standard of living, the things I purchase, such as housing, food, transportation, and recreation will	1	2	3

*Reverse coded

Total of all Scores = Participant Attitude Score

E 4 25. What is your perception regarding the adequacy of your family income?

1. not at all adequate
2. can meet necessities only
3. can afford some of the things I want
4. can afford about everything I want
5. can afford everything I want and still save money

4), and "can afford everything I want and still save money" (scored 5).

Behaviors

This study used 25 items as measures of financial behaviors (Table 2). For 23 of the items, the respondents considered a five-point Likert scale with responses of "not typical of yourself" to "very typical of yourself." The scale was scored from 1 "not typical of yourself" to 5 "very typical of yourself". Items 4, 6, 8, 10, 13, 14, 15, 18 and 20 were scored in reverse to allow positive scores to receive a higher score like the other items.

Two items concerning financial responsibility were multiple choice. The responses were "I am responsible" scored 1, "done by my spouse (or another)" scored 2, "divided with spouse (or another)" scored 3, and "shared with spouse (or another)" scored 4.

Satisfaction

This study used two items to measure financial satisfaction (Table 3). Respondents reacted to the items using a four-point Likert scale with the responses of "disagree," "tend to disagree," "tend to agree," and "agree". These items were scored from 1 "disagree" to 4

Table 2

Behavior Measures

NOT TYPICAL OF YOURSELF = 1
= 2
= 3
= 4
VERY TYPICAL OF YOURSELF = 5

Item from Lytton & Garman (1990)			Scoring				
B 1	1.	I have a weekly or monthly budget that I follow.	1	2	3	4	5
B 2	2.	I have an overall plan that will enable me to reach my financial goals.	1	2	3	4	5
B 3	3.	My checking account pays me interest.	1	2	3	4	5
B 4	4.	I usually do not pay the total balance due on my credit card, but instead just make a partial payment.	1	2	3	4	5*
B 5	5.	I never write bad checks or ones with insufficient funds.	1	2	3	4	5

Table 2

<u>Behavior Measures</u>, continued

Item number from Lytton & Garman (1990)			Scoring				
B 6	6.	In the recent past, I have received overdue notices because of late or missed payments.	1	2	3	4	5*
B 7	7.	I regularly set money aside for savings.	1	2	3	4	5
B 8	8.	I often spend more money than I have.	1	2	3	4	5*
B 9	9.	I do not deduct something on my taxes unless I have a receipt.	1	2	3	4	5
B 10	10.	Overall, I am more in debt than this time last year.	1	2	3	4	5*
B 11	11.	In the past year I made a financial contribution to a private retirement program, such as an IRA or 401-K.	1	2	3	4	5
B 12	12.	I usually fill out my own income tax forms.	1	2	3	4	5
B 13	13.	I have trouble meeting monthly health care expenses, including premiums for health insurance.	1	2	3	4	5*
B 14	14.	In the recent past, I have obtained cash advances to pay money toward other credit balances.	1	2	3	4	5*

Table 2

Behavior Measures, continued

Item number from Lytton & Garman (1990)		Scoring				
B 15	15. I often make financial decisions without much analysis.	1	2	3	4	5*
B 16	16. I have some specific financial goals for the future (for example, to buy a new car in two years).	1	2	3	4	5
B 17	17. This year, I invested some money in stocks, bonds, or mutual funds.	1	2	3	4	5
B 18	18. I rarely discuss my personal financial matters with family or friends.	1	2	3	4	5*
B 19	19. I have a legal, written will.	1	2	3	4	5
B 20	20. My auto is adequately insured.	1	2	3	4	5*
B 21	21. I usually itemize my income tax deductions.	1	2	3	4	5
B 22	22. I have a homeowner's or renter's insurance policy.	1	2	3	4	5
B 23	23. Compared to a year ago, my use of credit has increased.	1	2	3	4	5
Total of All Scores = Participant Behavior Score						

Table 2

Behavior Measures, continued

Item from Lytton & Garman (1990)	
E 1	24. Who is responsible for managing and handling financial management tasks? a. I am responsible b. done by my spouse (or another) c. divided with spouse (or another) d. shared with spouse (or another)
E 2	25. Who is responsible for making major financial decisions? a. I am responsible b. done by my spouse (or another) c. divided with spouse (or another) d. shared with spouse (or another)

Table 3

Satisfaction Measures

D = DISAGREE = 1

TD = TEND TO DISAGREE = 2

TA = TEND TO AGREE = 3

A = AGREE = 4

NA = NOT APPLICABLE = omitted from data analysis

Item from Lytton & Garman			Scoring
F 1	1.	I am satisfied with my present standard of living, that is, the things that I purchase such as housing, food, transportation, and recreation.	1 2 3 4 NA
F 9	2.	I am satisfied with the amount of money that I am able to save and invest each year.	1 2 3 4 NA

Total of all Scores = Participant Satisfaction Score "agree". Respondents also could select "not applicable". When this response was selected, the item was omitted in data analysis.

Data Analyses

Demographic Items

Descriptive statistics were used for demographic items to enable the reader and the researcher to better understand the characteristics of the respondents in the sample. Demographic measures included gender, race, marital status, respondent's educational level, spouse's educational level, respondent's employment status, and spouse's employment status.

Individual items were analyzed in this study to explore the relationship of individual attributes of financial attitudes, financial behaviors, and financial satisfaction.

Attitudes

To investigate attitudes, the individual items (Table 1) were studied first. When the data for the individual items were nominal, the chi-square test which is based on the X^2 distribution were used. Nominal data are defined as data that were not in any progression. Chi-square was used when the researcher was determining whether two variables were independent of each other. Data from Item 25 (Table 1) were used in a chi-square test to determine whether the responses to this variable are independent of income. The probability level was set at .05.

The three- and four-point Likert type response scales (Items 1 - 24) were assumed to be continuous data (Blalock, 1968). A t-test is a statistical test that compares two means, and this test was used for items with continuous data. The probability level was set at .05.

The first hypothesis states that there is no significant difference in the financial attitudes of limited income households and those of middle income households. To test the first hypothesis, the scores for the measures of attitudes that use a Likert response scale were summed in order to establish a single score for attitudes. The items included are shown in Table 1. Each participant's responses for attitudes were summed so that each participant who responded to all attitude items has a summed attitude score. If a participant did not respond to all attitude items, a summed attitude score was not calculated for that participant. Those measures scored on a three point scale were weighted so that those scores could be summed with the measures that were scored on a four point scale. A mean of the summed scores for all limited income participants and a mean of the summed scores for all middle income participants was calculated. A t-test was used to determine if there was a significant difference between limited income households and middle income households in their financial attitudes.

Behaviors

To investigate behaviors, the individual items were studied first. When the data were nominal as with items 24 and 25 (Table 2), a chi-square test was used. When the data were continuous as with items 1-23 (Table 2), the study used a t-test. The probability level was set at .05.

The second hypothesis states that there is no significant difference in the financial behaviors of limited income households and those of middle income households. To test the second hypothesis, the scores for the measures of behaviors that use a Likert response scale were summed in order to establish a single score for behaviors. The items included are shown on Table 2.

Each participant's responses for behaviors was summed so that each participant who responded to all behavior items has a summed behavior score. If a participant did not respond to all behavior items, a summed behavior score was not calculated for that participant. A mean of the summed scores for all limited income participants and a mean of the summed scores for all middle income participants was calculated. A t-test was used to determine if there was a significant difference between limited income households and middle income households in their financial behaviors.

Satisfaction

To investigate satisfaction, the individual items (Table 3) were studied first. The items have four-point Likert type response scales, which are assumed to be continuous data; therefore a t-test was used (Blalock, 1968). The probability level was set as .05. The third hypothesis states that there is no significant difference in the financial satisfaction of limited income households and those of middle income households. To test this hypothesis, the scores for the measures of satisfaction were summed in order to establish a single score for satisfaction. The items included are shown in Table 3.

Each participant's responses for satisfaction were summed so that each participant who responded to all satisfaction items has a summed satisfaction score. If a participant did not respond to all satisfaction items, a summed satisfaction score was not calculated for that participant. A mean of the summed scores for all limited income participants and a mean of the summed scores for all middle income participants was calculated. A t-test was used to determine if there is a significant difference between limited income households and middle income households in their financial satisfaction.

Generalizability

The Virginia Department of Taxation data base was selected for this study because it was the only available population list that met the criteria of a large heterogenous population for increased generalizability of the research results to other populations similar to that of Virginia (Lytton & Garman, 1991). However, this sample did not include the very lowest income households in Virginia. The findings of this study should be generalized to other populations with caution.

Summary

This chapter described the methodology for this study. Items from the data collection instrument Financial Practices and Attitudes of Virginia Citizens were used to investigate the financial attitudes, financial behaviors, and financial satisfaction of limited income households and middle income households. Data analyses included descriptive statistics, chi-square tests, and t-tests. An attitude score, a behavior score, and a satisfaction score were calculated for each participant who responded to all questions for the particular category. The means of the limited income subsample and the middle income subsample were used in t-tests to test the three hypotheses. Individual items also were investigated in this study to assist those interested in understanding the attributes of individuals related to financial attitudes, financial behaviors, and financial satisfaction.

CHAPTER IV

FINDINGS AND DISCUSSION

This study was undertaken to investigate the differences in financial attitudes, financial behaviors, and financial satisfaction between limited income and middle income households. In this chapter, the data concerning these financial attributes of both groups are presented. Descriptive demographic statistics of the samples and the results of statistical analysis are presented and discussed.

Personal Characteristics

Demographic Characteristics of the Sample

The sample consisted of 41 limited income respondents and 108 middle income respondents who were selected from the total pool of 529 respondents because they met the criteria explained in Chapter III. The limited income households reported incomes that were no more than 125% of the poverty guidelines based on family size in 1989. The middle income households reported an income in the $30,000 to $44,999 range. Table 4 presents the gender and race of the limited income and middle income respondents.

A larger percentage of the limited income households reported having a female respondent than did the middle income households. In the limited income sub-sample, 26 (63%) of the respondents were female, and

Table 4

Demographic Characteristics of Respondents

	Limited income		Middle income	
Characteristic	*n*	%[a]	*n*	%[a]
Gender	(N=41)		(N=108)	
Male	15	36.6	44	40.7
Female	26	63.4	64	59.3
Race	(N=41)		(N=108)	
Caucasian	29	70.7	90	83.3
Black	11	26.8	11	10.2
Hispanic	1	2.4	3	2.8
Native American	0	0.0	4	3.7

[a]Percentages may not add to 100 due to rounding.

15 (37%) of the respondents were male. In the middle income sub-sample, 64 (59%) respondents were female, and 44 (41%) were male.

The majority of respondents of both sub-samples were Caucasian. The limited income respondents were 71% Caucasian, 27% Black, and 2% Hispanic. The middle income respondents were 83% Caucasian, 10% Black, 3% Hispanic, and 4% Native American.

Middle income households reported more education than did the limited income households (Table 5). Respondents from 25% of the limited income households reported having less than a high school diploma, whereas 30% of the middle income households reported having earned a bachelor's degree and/or a graduate degree. The differences were even greater for spouses. Half of the low income spouses had less than a high school education.

A majority (75%) of the middle income sub-sample reported being employed full-time (Table 6). Of the limited income sub-sample, only 47% were employed full-time. Eleven percent of the limited income sub-sample were unemployed, and the middle income sub-sample had no respondents that were unemployed.

Limited income respondents were more likely to report skilled, semi-skilled, or unskilled occupations (Table 7). Middle income respondents were

Table 5

Education of Respondents and Spouses

Educational level	Limited income n	Limited income %[a]	Middle income n	Middle income %[a]
Respondent's Education	(N[b]=40)		(N=108)	
Less than High School	10	25.0	5	4.6
High School Diploma	12	30.0	33	30.6
Trade/Vocational	2	5.0	10	9.3
Some College	11	27.5	17	15.7
Bachelor's Degree	3	7.5	30	27.8
Graduate/Prof. Degree	2	5.0	13	12.0
Spouse's Education	(N[c]=24)		(N[c]=81)	
Less than High School	12	50.0	9	11.1
High School Degree	5	20.8	31	38.3
Trade/Vocational	1	4.2	6	7.4
Some College	5	20.8	18	22.2
Bachelor's Degree	1	4.2	12	14.8
Graduate/Prof. Degree	0	0.0	5	6.2

[a]Percentages may not add to 100 due to rounding.

[b]Number of respondents may not add to 41 due to non-response.

[c]Number of respondents may not add to 41 and 108 due to non-response and non-applicable.

Table 6

Employment Status of Respondents

Employment	Limited income		Middle income	
	n	%[a]	n	%[a]
Respondent	(N^b=38)		(N^b=107)	
Full-time	18	47.4	80	74.8
Part-time	8	21.1	11	10.3
Unemployed	4	10.5	0	0.0
Full-time homemaker	2	5.3	6	5.6
Student	3	7.9	1	1.0
Retired	3	7.9	9	8.4

[a]Percentages may not add to 100 due to rounding.

[b]Number of respondents may not add to 41 and 108 due to non-response.

Table 7

Occupation of Respondents

Occupation	Limited income		Middle income	
	n	%	n	%
Respondent	(N^a=40)		(N^a=107)	
Not employed	10	25.0	15	14.0
Exec., Lg. Bus. Owner	0	0.0	5	4.7
Manager, Med. Bus. Owner	0	0.0	23	21.5
Adm. Personnel, Sm. Bus	2	5.0	18	16.8
Clerical, Sales, Tech.	3	7.5	19	17.8
Skilled Manual Employees	10	25.0	20	18.7
Machine Operators	6	15.0	7	6.5
Unskilled	9	22.5	0	0.0

[a]Number of respondents may not add to 41 and 108 due to non-response.

more often considered their occupations executive, managerial, skilled, clerical, or administrative.

Financial Attitudes

The 25 items that measured financial attitudes were divided into seven categories. The categories are planning, credit, spending, saving, insurance, financial responsibility, and expectations. The findings of this study concerning financial attitudes, behaviors, and satisfaction were compared to similar studies. Where there is no comparison mentioned, there was no study available from which to make a comparison. The frequency analysis has been cited more in the discussion more because the targeted audience of readers, Cooperative Extension financial management educators would find the discussion easier to understand than a discussion focusing means and standard deviations. Respondents reacted on a four-point Likert scale with responses of "disagree", "tend to disagree", "tend to agree", and "agree".

Planning

Two measures of attitudes were related to planning. The respondents were asked if they had a "legal will that is current and up to date" (Table 8). The t-test indicated that the difference between the limited income households and middle income households was statistically significant (p =.00). Ninety-two percent

Table 8

Financial Attitudes of Respondents: Planning

Attitude		Limited n	Limited %[a]	Middle n	Middle %[a]	t	df	p[b]
Planning								
I have a legal will that is current and up to date.								
		(n^c=36,M=1.2,SD=.8)		(n^c=105,M=1.9,SD=1.3)				
Disagree	1	33	91.7	71	67.6			
	2	0	0.0	4	3.8			
	3	1	2.8	3	2.9			
Agree	4	2	5.6	27	25.7	3.57	106.2	.00*
I have developed a sound plan that should enable me to achieve my financial goals.								
		(n^c=36,M=2.0,SD=1.1)		(n^c=105,M=2.7,SD=1.0)				
Disagree	1	15	41.7	19	18.1			
	2	11	30.6	21	20.0			
	3	4	11.1	38	36.2			
Agree	4	6	16.7	27	25.7	3.25	139	.00*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with $p<.05$ considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

of the limited income households disagreed with the statement, while 29% of the middle income households agreed or tended to agree. Limited income households often have so few possessions that they may believe that a legal will is unneccessary.

The respondents were asked if "they had developed a sound plan that should enable them to achieve their financial goals" (Table 8). Limited income households tended to respond on the disagree end of the scale (72%). Middle income households more frequently responded on the agree end of the scale (62%). Using a t-test to compare the groups, there was a significant difference between limited income and middle income households on planning ($p = .00$). This finding concurs with Schnittgrund and Baker's (1983) conclusion that limited income households did not plan.

Spending

Four measures of attitudes were related to spending. The respondents were asked if "they worry about being able to meet normal monthly living expenses" (Table 9). More of the limited income households reported that they worry more than the middle income households. Danes, Rettig, and Bauer (1991) identified perceived adequacy of income as the highest predictor of internal locus of control. Limited income households are more likely to have external locus of control

Table 9

Financial Attitudes of Respondents: Spending

		Limited		Middle				
Attitude		n	%[a]	n	%[a]	t	df	p[b]
Spending								
I do not worry about being able to meet my normal living expenses.								
		(n^c=40,M=1.9,SD=1.1)		(n=108,M=2.8,SD=.9)				
Disagree	1	19	47.5	18	16.7			
	2	10	25.0	27	25.0			
	3	6	15.0	26	24.1			
Agree	4	3	12.5	37	34.3	4.12	146	.00*
No matter how fast my income goes up, I never seem to get ahead.								
		(n^c=39,M=1.9,SD=1.1)		(n^c=104,M=2.4,SD=1.1)				
Disagree	1	5	12.8	21	20.2			
	2	7	18.0	28	26.9			
	3	5	12.8	23	21.2			
Agree	4	22	56.4	32	30.8	2.34	141	.02*
My total income is enough for me to meet my monthly living expenses.								
		(n^c=38,M=2.2,SD=1.3)		(n=108,M=3.4,SD=.9)				
Disagree	1	17	44.7	5	4.7			
	2	5	13.2	13	12.0			
	3	6	15.8	22	20.4			
Agree	4	10	26.3	68	63.0	5.25	49.7	.00*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with p<.05 considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

(O'Neil, 1994). This feeling could cause limited income households to worry more because they would feel out of control of the situation. Seventy-three percent of the limited income sub-sample either disagreed or tended to disagree with the statement that they do not worry, whereas 41% of the middle income sub-sample either disagreed or tended to disagree. The limited income households and middle income households were shown to be significantly different when tested with a t-test ($p = .00$). It would appear that as income increases, the worry of meeting normal monthly living expenses decreases.

Respondents also were asked if "they felt that their total income was enough for them to meet monthly living expenses" (Table 9). Using a t-test, the limited income households and middle income households were shown to be significantly different ($p= 0.00$). The limited income households (58%) felt that their income was not sufficient for them to meet monthly living expenses, while the middle income households (83%) felt that their income was enough for them to meet monthly living expenses.

Respondents also reacted to the statement "No matter how fast my income goes up, I never seem to get ahead" (Table 9). Although the limited income households and middle income households were significantly different according to the t- test (p = .02), a majority of both groups agreed or tended to agree with the statement (69% of limited income households and 52% of the middle income households). Schnittgrund and Baker's (1983) findings did not concur. In their sample of limited income households, only 54% of the respondents were satisfied with their success and the rate at which they were getting ahead.

Respondents also were asked to indicate their perception regarding the adequacy of family income (Table 10). Sixty-five percent of the middle income respondents reported they "could afford some of the things they wanted," while an additional 25% of the middle income respondents reported "they could afford everything they wanted" or "they could afford everything they wanted and still save". Fifty-nine percent of the limited income respondents felt their "income was not adequate at all" or "they could meet their necessities only". The fact that limited income households were more likely to be unemployed (25%) could partially explain the difference, since no middle income households were unemployed. A t-test supported the conclusion that there was a significant difference between the limited income households and middle income households. As one would expect, as income decreased, the likelihood of the income being perceived as adequate decreased which concurs with the findings of Bailey and Lown (1992).

Table 10

Financial Attitudes of Respondents: Spending

	Limited		Middle				
Attitude	n	%[a]	n	%[a]	t	df	p[b]
Spending							
What is your perception regarding the adequacy of family income?							
	(n[c]=39)		(n=108)				
Not at all adequate	14	35.9	1	1.0			
Can meet necessities	9	23.1	10	9.3			
Can afford some of the things I want	15	38.5	70	64.8			
Can afford about everything I want	1	2.6	15	13.9			
Can afford everything I want and still save	0	0.0	12	11.1	7.45	145	.00*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with $p<.05$ considered significant.
[c]Number of respondents may not add to 41 due to non-response.

Credit

Two measures of attitudes were related to credit. Respondents were asked if "they would have trouble borrowing $2,000 if they needed it" (Table 11). Over half (54%) ofthe limited income households agreed or tended to agree that they would have trouble borrowing $2,000 cash, while 87% of the middle income households disagreed or tended to disagree that they would have trouble borrowing $2,000 cash. A t-test showed signficant differences between the limited income and middle income households (p = .00). One reason that this might be true is that limited income households often do not have access to credit (Williams, 1993).

Respondents were asked if "they were concerned about the total amount they have to repay each month on debts, such as on credit cards, car payments, and other loans" (Table 11). A majority of both sub-samples were worried about the total amount they have to repay on their debts. A larger percentage of limited income households than the middle income households were concerned, but the difference was not significant. The finding concurred with the finding of Bailey and Lown (1992). They concluded that the limited income group was more worried about not making ends meets than were higher income groups.

Saving

Four measures of attitudes were related to saving.

Table 11

Financial Attitudes of Respondents: Credit

		Limited		Middle				
Attitude		n	%[a]	n	%[a]	t	df	p[b]
Credit								
I would have trouble borrowing $2,000 cash if I needed it.								
		(n[c]=39, M=2.3, SD=1.3)		(n[c]=105, M=3.5, SD=.9)				
Disagree	1	11	28.2	72	68.6			
	2	7	18.0	19	18.1			
	3	3	7.7	5	4.8			
Agree	4	18	46.2	9	8.6	5.16	52.8	.00*
I am concerned about the total amount I have to repay on my debts each month, such as credit cards, car payments, and other loans.								
		(n[c]=36, M=2.2, SD=1.2)		(n[c]=100, M=2.5, SD=1.2)				
Disagree	1	9	25.0	30	30.0			
	2	3	8.3	13	13.0			
	3	11	30.6	29	29.0			
Agree	4	13	36.1	28	28.0	.98	134	.32

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with p<.05 considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

Respondents were asked to react to the statement "I cannot save as much as I would like to save" (Table 12). Eighty-five percent of the middle income households and 84% of the limited income households agreed or tended to agree with the statement. The responses of limited income households and middle income households were not significantly different. Morgan's (1964) study did not concur with this finding. He found that the saving rates of low income households were higher than those of middle income households.

The middle income households (73%) tended to believe that they would probably have a financially secure retirement, while only 40% of the limited income households tended to believe that they would have a financially secure retirement (Table 12) ($p = .00$). Middle income households often have greater accessibility to retirement plans offered by their employer or their bank, and they are more likely to use individual retirement strategies as a finding of this study indicates.

One aspect of saving investigated in the study related to the ability of the household to be "able to handle a financial emergency that would cost $500 to $1000" (Table 12). Fewer limited income households (69%) than middle income households (81%) believed or tended to believe that they would be able to handle a financial emergency. There was a significant difference

Table 12

Financial Attitudes of Respondents: Savings

Attitude		Limited n	Limited %[a]	Middle n	Middle %[a]	t	df	p[b]
Savings								
I cannot save as much as I would like to save.								
		(n^c=38, M=1.6, SD=.9)		(n^c=107, M=1.8, SD=.9)				
Disagree	1	3	7.9	9	8.4			
	2	3	7.9	8	7.5			
	3	7	18.4	38	35.5			
Agree	4	25	65.8	52	48.6	1.02	143	.31
I probably will have a financially secure retirement.								
		(n^c=35, M=2.2, SD=1.1)		(n^c=103, M=2.9, SD=1.0)				
Disagree	1	12	34.3	12	11.7			
	2	9	25.7	15	14.6			
	3	8	22.9	44	42.8			
Agree	4	6	17.1	32	31.1	3.59	136	.00*
I would be able to handle a financial emergency that would cost $500 to $1000.								
		(n^c=39, M=1.9, SD=1.4)		(n^c=107, M=3.7, SD=1.0)				
Disagree	1	25	64.1	12	11.2			
	2	2	5.1	8	7.5			
	3	1	2.6	16	15.0			
Agree	4	11	28.2	71	66.4	5.92	54.8	.00*
I have enough savings and reserve funds to maintain my present lifestyle if I lost my income for a period of 3 to 6 months.								
		(n^c=37, M=1.6, SD=1.1)		(n^c=105, M=2.4, SD=1.2)				
Disagree	1	28	75.7	35	33.3			
	2	2	5.4	22	21.0			
	3	2	5.4	22	21.0			
Agree	4	5	13.5	26	24.8	3.61	140	.00*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with p<.05 considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

between the limited income households and the middle income households in their ability to handle an emergency (p =.00). This finding is similar to that of Davis and Schumm (1987) who reported that couples in the low income group simply could not afford to save very much.

Respondents also were asked if they believed that they "had enough savings and reserve funds to maintain their present lifestyle if they lost their income for a period of 3 to 6 months" (Table 12). The limited income households (81%) disagreed or tended to disagree with the statement, while the middle income households (46%) agreed or tended to agree with the statement. There was a significant difference between the limited income households and the middle income households (p= 0.00).

<u>Insurance</u>

Two measures of attitudes were related to insurance. Respondents were asked if they felt they had a sufficient amount of life insurance on themselves (Table 13). A larger percentage of the limited income households believed or tended to believe that they did not have a sufficient amount of life insurance than did the middle income households. Only nine percent of the middle income households believed or tended to believe that they did not have a sufficient amount of life insurance. Life insurance policies, like retirement plans, are often provided as an employee benefit. They

Table 13

Financial Attitudes of Respondents: Insurance

		Limited		Middle				
Attitude		n	%[a]	n	%[a]	t	df	p[b]
Insurance								
I have a sufficient amount of life insurance on myself.								
		(n^c=35,M=2.7,SD=1.4)		(n^c=106,M=3.3,SD=1.0)				
Disagree	1	12	34.3	9	8.5			
	2	1	2.9	13	12.3			
	3	6	17.1	20	18.9			
Agree	4	16	45.7	64	60.4	2.28	46.5	.02*
My home, car, and other personal property is adequately insured.								
		(n=41,M=3.2,SD=1.6)		(n^c=107,M=3.6,SD=.7)				
Disagree	1	7	17.1	2	1.9			
	2	3	7.3	6	5.6			
	3	7	17.1	20	18.7			
Agree	4	24	58.5	79	73.8	2.46	50.8	.03*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with $p<.05$ considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

are more likely to be available to people in skilled and professional positions (those held by more of the middle income group) than to those in unskilled positions (those held by more of the limited income group). Also more limited income respondents were unemployed and thus unlikely to have such benefits. The t-test showed a significant difference between the limited income and middle income households ($p = .03$).

Respondents also were asked if they felt "their home, car, and other personal property were adequately insured" (Table 13). Although a majority of both groups agreed with the statement, more of the limited income households (24%) disagreed or tended to disagree with the statement. Only 8% of the middle income households disagreed or tended to disagree. One reason for the higher percentage may be the likelihood of the limited income household not being able to afford the insurance. A t-test showed a significant difference in the responses of the limited income households and the middle income households ($p = .02$.)

<u>Financial Responsibility</u>

Three measures of attitudes were related to financial responsibility. The t-test showed that the limited income and middle income households were significantly different on only one statement.

The respondents were asked if they felt "financial decisions could be made just as well by either men or

Table 14

Financial Attitudes of Respondents: Financial Responsibility

Attitude		Limited n	Limited %[a]	Middle n	Middle %[a]	t	df	p[b]
Financial Responsibility								
Financial decisions can be made just as well by either men or women.								
		(n^c=40, M=3.8, SD=0.6)		(n=108, M=3.6, SD=0.8)				
Disagree	1	1	2.5	6	5.6			
	2	0	0.0	2	1.9			
	3	6	15.0	18	16.7			
Agree	4	33	82.5	82	75.9	-1.23	94.1	.22
A husband should be responsible for making most major family financial decisions.								
		(n^c=40, M=2.3, SD=1.2)		(n^c=101, M=1.9, SD=1.0)				
Disagree	1	16	40.0	48	47.5			
	2	8	20.0	30	29.7			
	3	9	22.5	13	12.9			
Agree	4	7	17.5	10	9.9	-1.66	139	.09
Both spouses should share equally in managing and handling the family finances.								
		(n^c=35, M=3.2, SD=1.1)		(n^c=101, M=3.5, SD=0.8)				
Disagree	1	4	11.4	6	5.9			
	2	5	14.3	4	4.0			
	3	7	20.0	21	20.8			
Agree	4	19	54.3	70	69.3	2.06	134	.04*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with $p<.05$ considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

women" (Table 14). The difference between the limited and middle income households was not significant. Eighty-three percent of the limited income households and 77% of the middle income households agreed with the statement.

Another statement concerned whether "a husband should be responsible for making most major family financial decisions" (Table 14). Sixty percent of the limited income households and 77% of the middle income households either disagreed or tended to disagree with the statement. There was not a significant difference in the responses of the limited income households and the middle income households. In previous research, Wilson (1987) concluded it was probably better for the limited income household if the husband was not responsible for the financial decisions since the limited income man took a higher proportion of the total household income for personal spending needs than did men at higher income levels.

Ninety percent of the middle income households agreed or tended to agree that spouses should share equally in managing and handling the family finances, whereas only 74% of the limited income households felt the same way (Table 14). A significant difference was found between the responses of the two groups for the item concerning whether both spouses should share equally in managing and handling family finances (p= 0.04).

Expectations

Eight statements were related to financial expectations. Respondents were asked to react on a scale of 1 "probably be worse", 2 "be the same", and 3 "probably be better". There were some expectations that were significantly different for limited income and middle income households. More limited income households expected that their total financial situation (22%) and their total income (19.5%) would probably be worse than did the middle income households (6% and 4%, respectively) (Table 15). In contrast, Bailey and Lown (1992) found that the lowest income groups were most positive about their expectations of their financial situation. Middle income households tended to expect their total financial situation (78.7%) and their total income (90.7%) would probably be better in five years (Table 15).

When asked to react to their expectations about the "amount of debt they will have in five years" (Table 15), only 7% of the middle income households expected their amount of debt to probably be worse, whereas 24% of the limited income responded the same way. There was a significant difference between the limited income and middle income households (p =.05). One reason for this difference may be that middle income households are more likely to have savings and emergency funds.

Table 15

Financial Attitudes of Respondents: Expectations

Attitude	Limited n	Limited %[a]	Middle n	Middle %[a]	t	df	p[b]
Expectations							
In five years, I expect the amount of debt I have will	(n=41,M=2.2,SD=0.8)		(n[c]=107,M=2.5,SD=0.6)				
Probably be worse	10	24.4	7	6.5			
Be the same	12	29.3	39	36.5			
Probably be better	19	46.3	61	57.1	2.01	58.3	.05*
In five years, I expect my retirement "nest egg" will	(n=41,M=2.1,SD=0.9)		(n=108,M=2.7,SD=0.6)				
Probably be worse	14	34.2	7	6.5			
Be the same	8	19.5	23	21.3			
Probably be better	19	46.3	78	72.2	3.53	54	.00*
In five years, I expect my ability to meet large emergency expenses will	(n=41,M=2.2,SD=0.9)		(n=108,M=2.5,SD=0.6)				
Probably be worse	12	29.3	9	8.3			
Be the same	9	22.0	32	29.6			
Probably be better	20	48.8	67	62.0	2.28	57.5	.03*
In five years, I expect my ability to save and invest will	(n[c]=40,M=2.3,SD=0.8)		(n=108,M=2.6,SD=0.6)				
Probably be worse	9	22.5	6	5.6			
Be the same	10	25.0	30	27.8			
Probably be better	21	52.5	72	66.7	2.20	54.7	.03*
In five years, I expect my total amount of income will	(n=41,M=2.4,SD=0.8)		(n=108,M=2.9,SD=0.4)				
Probably be worse	8	19.5	4	3.7			
Be the same	7	17.1	5	4.6			
Probably be better	26	63.4	91	99.7	3.32	48.7	.00*
In five years, I expect my standard of living, the things I purchase, such as housing, food, transportation, and recreation will	(n=41,M=2.2,SD=0.9)		(n=108,M=2.5,SD=0.6)				
Probably be worse	13	31.7	7	6.5			
Be the same	5	12.2	43	39.8			
Probably be better	23	56.1	58	53.7	1.47	54.4	.14
In five years, I expect my insurance coverage will	(n=41,M=2.3,SD=0.7)		(n[c]=107,M=2.3,SD=0.6)				
Probably be worse	6	14.6	4	3.7			
Be the same	16	39.0	62	57.9			
Probably be better	19	46.3	41	38.3	0.23	58.7	.81
In five years, I expect my total financial situation will	(n=41,M=2.4,SD=0.8)		(n=108,M=2.7,SD=0.6)				
Probably be worse	9	22.0	6	5.6			
Be the same	8	19.5	17	15.7			
Probably be better	24	58.5	85	78.7	2.61	54.3	.01

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with $p<.05$ considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

Respondents also were requested to react to their expectations about their retirement "nest egg" (Table 15). Thirty-four percent of the limited income households expected their retirement "nest egg" to probably be worse in five years, whereas only 7% of the middle income households responded the same way. There was a significant difference between the limited income and middle income households (p = .00.) It would appear that middle income households would have more trust in the availability of their retirement "nest egg" with an employer offered program that is often not available to many limited income households. More limited income households will probably be dependent on Social Security, which may be less adequate as their primary source of retirement income. Middle income households would be likely to have more sources of retirement income which would increase their confidence in the availability of the retirement "nest egg".

There also was a significant difference between limited income and middle income households in their expectations of "their ability to meet large emergency expenses in five years" (p =.03) (Table 15). Sixty-two percent of the middle income households felt their ability to meet these expenses would probably be better in five years, whereas only 49% of the limited income households felt it would probably be better.

Expectations about the "ability to save and invest" were also significantly different for limited income and middle income households (p = .03) (Table 15). Twenty-three percent of the limited income households believed that their ability to save and invest would probably be worse, whereas only 6% of the middle income households believed the same way.

There also was a significant difference in their expectations about their "total amount of income" (p = .00) (Table 15). Ninety-one percent of the middle income households expect their income to probably be better in five years, while only 63% of the limited income households responded their income would probably be better.

The finding that the expectations of the limited income households for their situation to be worse in five years for several items concurs with that of Irelan and Besner (1971). Through their review of literature, they indicated that limited income households often believe that they are powerless. Limited income households may feel that they have no power to improve what they expect to happen financially in five years.

Fifty-six percent of the limited income households and 54% of the middle income households anticipated their standard of living would probably be better in five years. The standard of living refers to the items that the households purchase such as housing, food, transportation, and recreation. There was no significant difference in the expectations of limited income and middle income households about their "standard of living in five years" (Table 15).

There also was no significant difference in their expectations about insurance coverage (Table 15). Forty-six percent of limited income households and 39% of the middle income households believed that their insurance coverage would probably be better in five years.

When asked about their expectations concerning their "total financial situations", there was a significant difference between limited income households and middle income households ($p = .01$). Twenty-two percent of the limited income households felt their total financial situation would probably be worse in five years, whereas only 6% of the middle income households felt this way.

Attitude Hypothesis Test

All scores of the items relating to attitudes that were on a Likert response scale were summed to obtain an attitude score for each participant who responded to all items. Twenty five respondents (61%) from the limited income group and 81 respondents (75%) from the middle income group were included. Because more than one third of the limited income households and only one fourth of middle income households could not be included, this may have affected the final outcome. Since the measures had different response scales, scores on the three point Likert scale were weighted to equalize the two scales for the attitude score.

To test the first hypothesis, the mean scores of the limited income group and the middle income group were compared by a t-test. The first hypothesis states that there will be no significant difference in financial attitudes of the limited income households and the middle income households. The hypothesis was rejected because there was a significant difference between the two groups ($p < .05$). The mean summed scores of the attitude measures were higher for middle income households than for limited income households which would indicate that the middle income households have more positive financial attitudes than limited income households (Figure 3).

Financial Behaviors

The measures of financial behaviors were 25 statements separated into seven categories. The items addressed were planning, spending, saving, credit, insurance, taxes, and financial responsibility. Respondents reacted to the statements using a five point Likert scale which ranged from 1 "not typical" to 5 "very typical". Two items required a response in the categories of "done by myself", "shared with spouse", "divided with spouse" or "done by another".

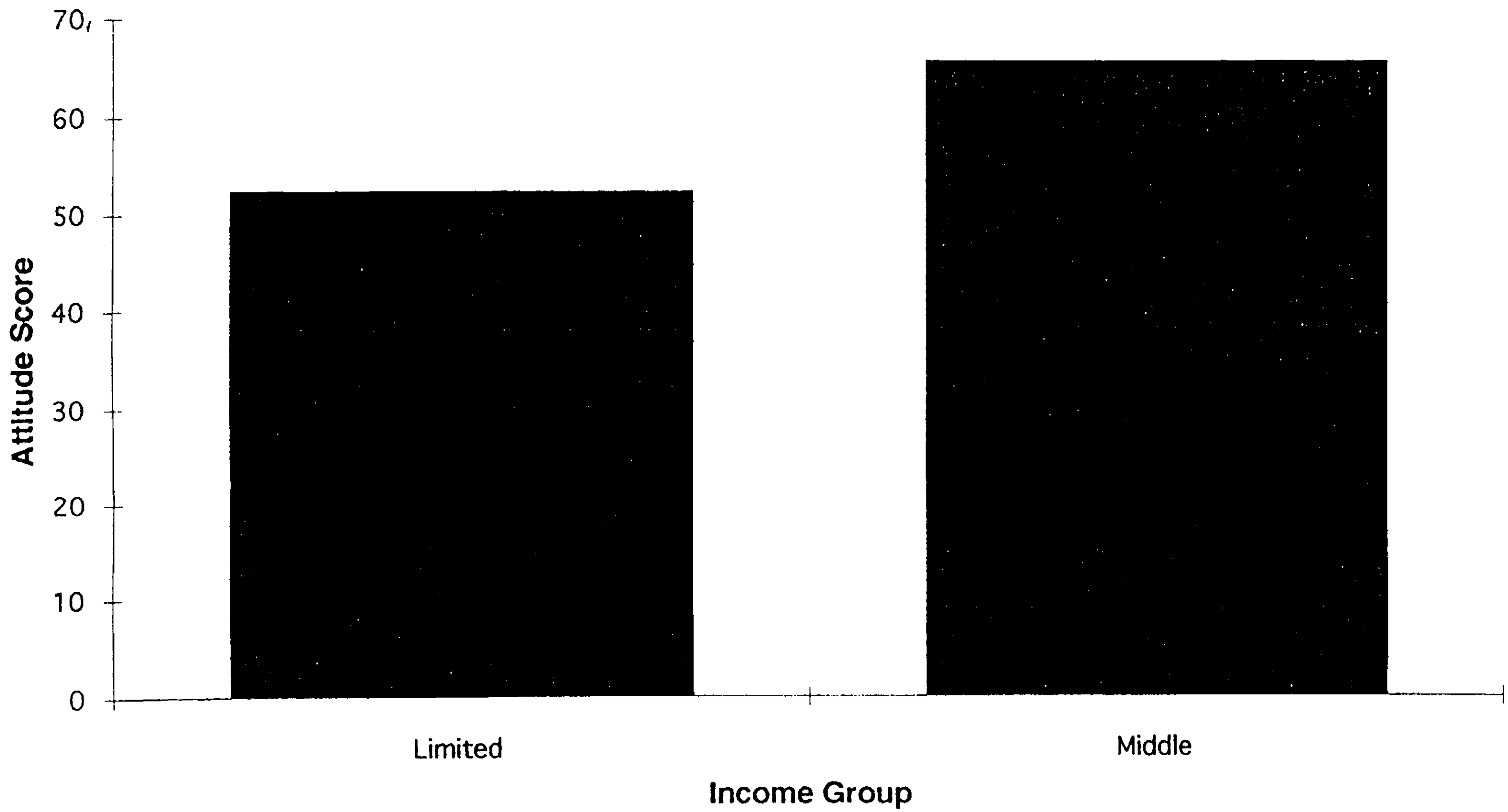

Figure 3. Mean Summed Scores of Attitude Measures

Planning

Four measures were related to planning behavior. The t-test indicated that the difference between the limited income and middle income households was significant for only one behavior. When asked if they had a "legal, written will", more middle income households (28%) responded "very typical", whereas only 8% of the limited income households responded in the same matter (p=0.00). (Table 16) Limited income households may feel it is not necessary, and many of these households may believe that there is a substantial cost to preparing a legal will.

The two sub-samples were not significantly different in their goal-setting, planning, and budgeting (Table 16). Although the middle income households (40%) were more likely than limited income households (29%) to respond that they have an overall plan to reach financial goals, they were not significantly different.

The frequency analysis showed small differences between the two groups concerning the financial behavior of having specific goals for the future (Table 16). In contrast, Williams (1993) reported that one of the unique characteristics of the limited income households is that they are not future-oriented. The finding of this study would appear to imply that neither group is future-oriented. This analysis also indicated that the middle income households were slightly more likely to

Table 16
Financial Behaviors of Respondents: Planning

Behavior		Limited n	Limited %[a]	Middle n	Middle %[a]	t	df	p[b]
Planning								
I have some specific financial goals for the future (for example, to buy a new car in two years).								
		(n=41,M=2.9,SD=1.7)		(n=108,M=3.4,SD=1.4)				
Not Typical	1	15	36.6	18	16.7			
	2	3	7.3	12	11.1			
	3	6	14.6	21	19.4			
	4	5	12.2	24	22.2			
Very Typical	5	12	29.3	33	30.6	1.75	147	.08
I have a legal, written will.								
		(n=41,M=1.5,SD=1.1)		(n=108,M=2.3,SD=1.8)				
Not Typical	1	34	82.9	69	63.9			
	2	1	2.4	5	4.6			
	3	3	7.3	2	1.9			
	4	4	0.0	2	1.9			
Very Typical	5	3	7.3	30	27.8	3.17	112.6	.00*
I have an overall plan that will enable me to reach my financial goals.								
		(n=41,M=2.6,SD=1.4)		(n[c]=107,M=3.1,SD=1.3)				
Not Typical	1	12	29.3	15	14.0			
	2	9	22.0	25	23.4			
	3	8	19.5	24	22.4			
	4	6	14.6	25	23.4			
Very Typical	5	6	14.6	18	16.8	1.70	146	.09
I have a weekly or monthly budget that I follow.								
		(n=41,M=2.9,SD=1.4)		(n=108,M=3.3,SD=1.4)				
Not Typical	1	10	24.4	15	13.9			
	2	7	17.1	18	16.7			
	3	8	19.5	27	25.0			
	4	9	22.0	21	19.4			
Very Typical	5	7	17.1	27	25.0	1.36	147	.17

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with $p<.05$ considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

follow a weekly or monthly budget with 25% reporting it was a very typical behavior, whereas 17% of limited income households reported that it was very typical. However, Schnittgrund and Baker (1983) found that most of the limited income households practiced budgeting.

Spending

Four measures of behaviors were related to spending, and there were significant differences in the limited income and middle income households for three of the measures. Respondents reacted to the statement "I never write bad checks or ones with insufficient funds." (Table 17). Twenty percent of the middle income households reported this behavior was not typical, whereas only 45% of the limited income households responded in this matter (p =.00). One of the reasons that the limited income households might report a lower occurrence of this behavior is the fact that limited income households are less likely to have a checking account (Leech, Scott, & Fox, 1989).

Over one-third (34%) of the middle income respondents reported that it was very typical to have a checking account that paid interest, whereas only 15% of the limited income households responded in the same matter. There was a significant difference related to the respondent's checking account paying interest (p= 0.01) (Table 17).

The limited income households and the middle income

Table 17
Financial Behaviors of respondence: Spending Behaviors

		Limited		Middle				
Behavior		n	%[a]	n	%[a]	t	df	p[b]
Spending Behaviors								
I never write bad checks or ones with insufficient funds.								
		(n[c]=40,M=2.9,SD=1.9)		(n[c]=107,M=3.9,SD=1.6)				
Not Typical	1	18	45.0	21	19.6			
	2	3	7.5	5	4.7			
	3	1	2.5	5	4.7			
	4	1	2.5	9	8.4			
Very Typical	5	17	42.5	67	62.6	3.15	145	.00*
I often make financial decisions without much analysis.								
		(n=41,M=3.6,SD=1.5)		(n=108,M=4.0,SD=1.2)				
Not Typical	1	17	41.5	50	46.3			
	2	7	17.1	22	20.4			
	3	6	14.6	24	22.2			
	4	5	12.2	6	5.6			
Very Typical	5	6	14.6	6	5.6	1.61	147	.11
I often spend more money than I have.								
		(n=41,M=3.6,SD=1.6)		(n=108,M=4.2,SD=1.2)				
Not Typical	1	19	46.3	63	58.3			
	2	4	9.7	16	14.8			
	3	7	17.1	17	15.7			
	4	4	9.7	7	6.5			
Very Typical	5	7	17.1	5	4.6	2.12	58.3	.04*
My checking account pays me interest.								
		(n=41,M=1.9,SD=1.5)		(n=108,M=2.7,SD=1.9)				
Not Typical	1	29	70.7	55	50.9			
	2	2	4.9	3	2.8			
	3	2	4.9	5	4.6			
	4	2	4.9	8	7.4			
Very Typical	5	6	14.6	37	34.3	2.57	147	.01*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with $p<.05$ considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

households were significantly different when asked questions concerning spending more money than they have ($p= 0.04$). More limited income households (17%) responded that it was very typical to often spend more money than they have than did the middle income households (5%). Bankston (1973) found that limited income households are "good" consumers. Most families in her study had purchased their necessities first. They also used their household production and planning abilities as a way of saving money. Even with these spending strategies, it would still be a real possibility that the households would spend more money than they had if their needs were greater than their income.

The only item in the category of spending behaviors for which the groups were not significantly different concerned making financial decisions without much analysis. The limited income households (15%) were more likely than the middle income households (6%) to respond that it was very typical for this behavior to occur. The small percentage of limited income households reporting this behavior as very typical is different from Williams' (1993) findings. She reported that the limited income households tend to be irresponsible and irrational in reference to financial behaviors.

Saving

T-tests revealed significant differences between the limited income and middle income households for the three measures related to saving. Respondents were asked if money was set aside regularly for saving, and the difference between the groups' responses was statistically significant ($p = .01$) (Table 18). Forty percent of the middle income households and 23% of the limited income households responded that this behavior was very typical. Thirty-seven percent of the limited income households and 18% of the middle income households responded that this behavior was not typical. Williams (1993) like Schnittgrund and Baker (1983) and Davis and Schumm (1987) also reported that limited income households may not be able to save for later purchases.

A significant difference between the limited income households and middle income households was found for the financial behavior of making a financial contribution to a private retirement program, such as an IRA or 401-K ($p = .00$) (Table 18). Only 5% of the limited income households and 32% of the middle income households reported that this behavior was very typical. Often the 401-K programs are available to employees in managerial, executive, administrative, and clerical positions held typically by middle income households. Limited income households also are less likely to have the minimum deposits required for these investments at banks and investment firms.

Table 18

Financial Behaviors of Respondents: Savings

		Limited		Middle				
Behavior		n	%[a]	n	%[a]	t	df	p[b]
Savings								
I regularly set money aside for savings.								
		(n[c]=40, M=2.8, SD=1.6)		(n=108, M=3.5, SD=1.5)				
Not Typical	1	15	37.5	19	17.6			
	2	2	5.0	11	10.2			
	3	9	22.5	20	18.5			
	4	5	12.5	15	13.9			
Very Typical	5	9	22.5	43	39.8	2.47	146	.01*
In the past year, I made a financial contribution to a private retirement program, such as IRA or 401-K.								
		(n=41, M=1.4, SD=1.0)		(n=108, M=2.6, SD=1.8)				
Not Typical	1	34	82.9	56	51.9			
	2	2	4.9	4	3.7			
	3	2	4.9	5	4.6			
	4	1	2.4	8	7.4			
Very Typical	5	2	4.9	35	32.4	5.11	124	.00*
This year, I invested some money in stocks, bonds, or mutual funds.								
		(n=41, M=1.6, SD=1.2)		(n=108, M=2.3, SD=1.7)				
Not Typical	1	32	78.1	64	59.3			
	2	1	2.4	6	5.6			
	3	4	9.8	2	1.9			
	4	1	2.4	11	10.2			
Very Typical	5	3	7.3	25	23.2	2.91	102.3	.00*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with p<.05 considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

Less than 25% of both groups reported that they invested money in stocks, bonds, or mutual funds. Only 23% of the middle income households and 7% of the limited income households reported that this behavior was very typical. The difference was significant (p=0.00) (Table 18). Few limited income households have savings (Leech, Scott, & Fox, 1989). Therefore it is logical that they would not have enough money for purchases of these investments such as stocks, bonds, or mutual funds.

Credit

Five measures of behaviors were related to credit, and there were significant differences between the limited income and middle income households for four of those measures. One statement concerned whether respondents had "in the recent past received overdue notices because of late or missed payments" (Table 19). Twenty-nine percent of the limited income households and only 6% of the middle income households reported this behavior as very typical. A significant difference was found between the two groups (p = .00).

Respondents reacted to the statement concerning debt level (Table 19). Thirty-nine percent of the limited income households and 12% of the middle income households reported it was very typical that overall they were more in debt than the previous year.
There was a significant difference in the groups

Table 19

Financial Behaviors of Respondents: Credit

		Limited		Middle				
Behavior		n	%[a]	n	%[a]	t	df	p[b]
Credit								
In the recent past, I have received over due notices because of late or missed payments.								
		(n=41,M=3.4,SD=1.8)		(n[c]=107,M=4.3,SD=1.2)				
Not Typical	1	20	48.8	72	67.3			
	2	2	4.9	13	12.2			
	3	4	9.8	9	8.4			
	4	3	7.3	7	6.5			
Very Typical	5	12	29.3	6	5.6	3.06	54.6	.00*
Overall, I am more in debt than this time last year.								
		(n=41,M=2.9,SD=1.8)		(n=108,M=3.9,SD=1.4)				
Not Typical	1	15	36.6	49	45.4			
	2	0	0.0	25	23.2			
	3	7	17.1	16	14.8			
	4	3	7.3	5	4.6			
Very Typical	5	16	39.0	13	12.0	3.17	58.5	.00*
In the recent past, I have obtained cash advances to pay money toward other credit balances.								
		(n=41,M=3.9,SD=1.6)		(n=108,M=4.5,SD=1.1)				
Not Typical	1	25	61.0	84	77.8			
	2	3	7.3	9	8.3			
	3	3	7.3	6	5.6			
	4	4	9.8	4	3.7			
Very Typical	5	6	14.6	5	4.6	2.29	54.9	.03*
Compared to a year ago, my use of credit cards has increased.								
		(n[c]=37,M=4.1,SD=1.5)		(n[c]=107,M=3.9,SD=1.3)				
Not Typical	1	25	67.6	52	48.6			
	2	2	5.4	15	14.0			
	3	4	10.8	19	17.8			
	4	1	2.7	14	13.1			
Very Typical	5	5	13.5	7	6.5	-1.00	142	.32
I usually do not pay the total balance due on my credit card, but instead just make a partial payment.								
		(n[c]=38,M=3.8,SD=1.5)		(n[c]=106,M=3.2,SD=1.7)				
Not Typical	1	20	52.6	42	39.6			
	2	3	7.9	8	7.6			
	3	7	18.4	11	10.4			
	4	3	7.9	14	13.2			
Very Typical	5	5	13.2	31	29.3	-2.03	142	.04*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with p<.05 considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

(p = .00).

Respondents also reacted to the statement concerning "obtaining cash advances to pay other credit balances." Fifteen percent of the limited income households reported that this behavior was very typical, whereas only 5 percent of the middle income households responded in the same matter. The responses of the two groups were shown to be significantly different (p = .03) (Table 19).

Another statement concerned whether respondents "typically paid the total balance due or if a partial payment was made" (Table 19). Twenty-nine percent of the middle income households and 13% of the limited income households reported that it was very typical for them to make a partial payment instead of paying the total balance. This difference was shown to be significantly different (p = .04) Williams (1993) reported that credit is not always available to the limited income household.

The only measure related to credit for which the groups' responses were not significantly different concerned the use of credit cards (Table 19). However, more of the limited income households (13%) responded that it was very typical that their use of credit cards had increased in the past year than did the middle income households (7%).

Insurance

Statistical tests of all three measures related to insurance revealed significantly different responses between the limited income and middle income households. Respondents' reaction to the statement that "my automobile is adequately insured" were significantly different (p =.02.) (Table 20). Eighty-nine percent of middle income households and 74% of limited income households reported that this was very typical behavior for them. Fifteen percent of the limited income respondents and only 2% of the middle income respondents reported that this behavior was not typical. Limited income respondents may be less likely to own an automobile.

A significant difference (p= 0.00) was found for "have a homeowner's or renter's policy" (Table 20). Only 33% of the limited income households reported that it was very typical to have a homeowner's or renter's policy, whereas a large majority of the middle income households (80%) responded in this manner. Fifty-nine percent of limited income respondents reported that it was not typical to have these policies. As previously stated in the discussion about financial attitudes, often limited income households feel they do not have enough possessions to insure with a homeowner's policy, and they may believe they cannot afford one. Only 14% of the middle income household respondents indicated

Table 20

Financial Behaviors of Respondents: Insurance

Behavior		Limited n	Limited %[a]	Middle n	Middle %[a]	t	df	p[b]
Insurance								
My auto is adequately insured.								
		(n[c]=39,M=4.2,SD=1.5)		(n=108,M=4.8,SD=0.7)				
Not Typical	1	6	15.4	2	1.9			
	2	1	2.6	1	1.0			
	3	2	5.1	0	0.0			
	4	1	2.6	9	8.3			
Very Typical	5	29	74.4	96	88.9	2.53	43.2	.02*
I have a homeowner's or renter's insurance policy.								
		(n[c]=39,M=2.5,SD=1.9)		(n=108,M=4.3,SD=1.4)				
Not Typical	1	23	59.0	15	13.9			
	2	1	2.6	2	1.9			
	3	1	2.6	0	0.0			
	4	1	2.6	5	4.6			
Very Typical	5	13	33.3	86	79.6	5.59	54.3	.00*
I have trouble meeting monthly health care expenses, including premiums for health insurance.								
		(n[c]=40,M=3.3,SD=1.7)		(n=108,M=4.3,SD=1.1)				
Not Typical	1	18	45.0	73	67.6			
	2	2	5.0	14	13.0			
	3	5	12.5	10	9.3			
	4	4	10.0	6	5.6			
Very Typical	5	11	27.5	5	4.6	3.48	52	.00*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with p<.05 considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

that it was not typical to have these policies.

Respondents reacted to the statement concerning "have trouble meeting monthly health care expenses, including premiums for health insurance" (Table 20). Twenty-eight percent of the limited income households reported that it was very typical to have trouble meeting monthly health care expenses, while only 5% of the middle income households responded this way. The limited income and middle income households were shown to be significantly different (p = .00.)

More limited income households than middle income households have access to public health programs, such as Medicaid. Programs such as Head Start that target limited income households often provide dental care and access to medical care because of the awareness that the care may not be accessible if it were not part of the program.

Taxes

Three measures of behaviors were related to taxes. The groups were found to be significantly different for only one of the measures, itemizing income tax deductions (p= 0.00) (Table 21). Fifty-nine percent of middle income respondents reported that this behavior was very typical, whereas only 18% of limited income respondents responded in the same manner. With current tax laws, it would appear that few limited income households would have enough deductions to be eligible

Table 21

Financial Behaviors of Respondents: Taxes

Behavior		Limited n	Limited %[a]	Middle n	Middle %[a]	t	df	p[b]
Taxes								
I usually itemize my income tax deductions.								
		(n[c]=39,M=2.0,SD=1.6)		(n=108,M=3.8,SD=1.7)				
Not Typical	1	26	66.7	23	21.3			
	2	2	5.1	5	4.6			
	3	3	7.7	4	3.7			
	4	1	2.6	12	11.1			
Very Typical	5	7	18.0	64	59.3	5.97	145	.00*
I usually fill out my own income tax forms.								
		(n=41,M=2.7,SD=1.9)		(n=108,M=3.3,SD=1.9)				
Not Typical	1	22	53.7	41	38.0			
	2	0	0.0	2	1.9			
	3	2	4.9	4	3.7			
	4	1	2.4	2	1.9			
Very Typical	5	16	39.0	59	54.3	1.71	147	.08
I do not deduct something on my taxes unless I have a receipt.								
		(n=41,M=3.5,SD=1.7)		(n[c]=107,M=3.9,SD=1.5)				
Not Typical	1	11	26.8	15	14.0			
	2	0	0.0	8	7.5			
	3	7	17.1	11	10.3			
	4	3	7.3	10	9.4			
Very Typical	5	20	48.8	63	58.9	1.41	146	.16

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with p<.05 considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

to itemize.

A majority of the middle income group (59%) and a large number (49%) of the limited income group responded that they "do not deduct something on their taxes unless" they have a receipt. This behavior was not significantly different among the two groups.

Respondents were asked if they "fill out their own income tax forms." Fifty-five percent of the middle income households reported that it was very typical to fill out their income tax forms, and 38% of the limited income households reported likewise. This behavior was not shown to be significantly different among the two groups.

Financial Responsibility

Three measures of behaviors related to financial responsibility, and the groups were significantly different for two of those measures. Because the type of data included nominal and continuous data, a chi-square test was used to compare the groups for two of the items, and a t-test was used for the other item. However, the chi-square test may be invalid because the cell counts were less than five in several of the cells.

A t-test did not show a significant difference in the groups for the behavior of "discussing personal financial matters with family or friends" (Table 22). A larger percentage of limited income households (39%) reported that it was very typical to discuss personal

Table 22

Financial Behaviors of Respondents: Financial Responsibility

		Limited		Middle				
Behavior		n	%[a]	n	%[a]	t	df	p[b]
Financial Responsiblity								
I rarely discuss my personal financial matters with family or friends.								
		(n=41,M=2.7,SD=1.6)		(n=108,M=3.1,SD=1.5)				
Not Typical	1	10	24.4	30	27.8			
	2	3	7.3	14	13.0			
	3	7	17.1	20	18.5			
	4	5	12.2	20	18.5			
Very Typical	5	16	39.0	24	22.2	1.39	147	.17

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with p<.05 considered significant.

financial matters, whereas only 22% of middle income households responded in the same way.

Respondents also were asked who made the financial decisions in the home. Sixty-six percent of the limited income respondents reported that they were responsible. Fifty percent of the middle income respondents reported that they shared the decision making with their spouse. There was a significant difference between the two groups (p= 0.01) (Table 23).

The majority of limited income respondents (87%) also reported managing and handling financial management tasks themselves, whereas only 2.7% reported sharing this task with a spouse. The majority of middle income respondents (57%) also reported being responsible for handling financial management tasks, but a sizeable number (23%) shared the task with a spouse. There was a significant difference between the two groups (p= 0.00) (Table 23).

Behavior Hypothesis Test

All the scores of the measures of behavior that were scored with Likert response scales were summed so that each participant who responded to all behavior items had a behavior score. Thirty-three respondents (80%) from the limited income households and 102 respondents (94%) from the middle income households were included. To test the second hypothesis, the means of the behavior scores for each group were compared in a t-

Table 23

Financial Behaviors of Respondents: Financial Responsibility

Attitude	Limited n	Limited %[a]	Middle n	Middle %[a]	p[b]
Financial Responsibility					
Who is responsible for making major financial decisions?					
	(n^c=39)		(n^c=106)		
I am responsible	26	66.7	42	39.6	.01*
Done by my spouse	2	5.1	3	2.8	
Divided w/spouse	3	7.7	7	6.6	
Shared w/spouse	8	20.5	54	50.9	
Who is responsible for managing and handling financial management tasks?					
	(n^c=37)		(n^c=106)		
I am responsible	32	86.5	60	56.6	.00*
Done by my spouse	2	5.4	3	2.8	
Divided w/spouse	2	5.4	7	6.6	
Shared w/spouse	1	2.7	36	34.0	

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by chi-square test analysis with $p<.05$ considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

test. The second hypothesis states there is no significant difference in the financial behaviors of limited income households and middle income households. The hypothesis was rejected since the t-test indicated that there was a significant difference between the two groups ($p = .00$) The mean summed score for the behavior measures is higher for the middle income households which would indicate more positive financial behaviors being implemented by middle income households than limited income households (Figure 4).

Financial Satisfaction

Two statements were used as measures of satisfaction. Respondents reacted to the statements on a four point Likert type scale with "disagree," "tend to disagree," "tend to agree," and "agree." Using a t-test, both measures were shown to be significantly different.

Respondents were asked if "they were satisfied with their present standard of living (including housing, food, transportation, and recreation)" (Table 24). Eighty percent of middle income respondents agreed or tended to agree with the statement, whereas 46% of limited income households agreed or tended to agree with the statement. The difference was significant ($p =.00$.) A slightly larger percentage of the respondents (60%) in the Schnittgrund and Baker (1983) were satisfied with the material possessions. These findings would imply

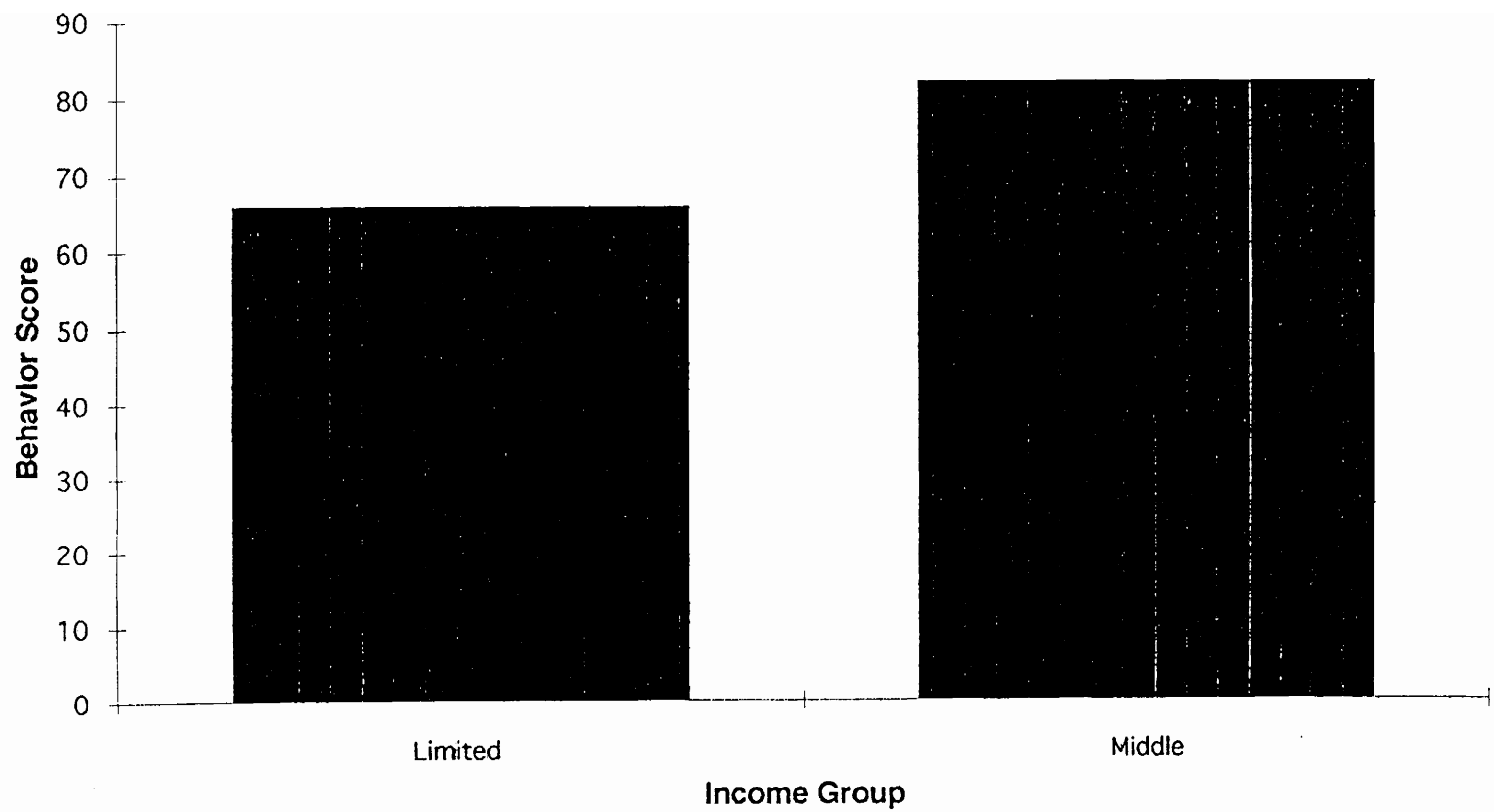

Figure 4. Mean Summed Scores of Behavior Measures

Table 24

Financial Satisfaction of Respondents

		Limited		Middle				
Satisfaction		n	%[a]	n	%[a]	t	df	p[b]
I am satisfied with the amount of money that I am able to save and invest each year.								
		(n^c=38, M=1.8, SD=1.2)		(n^c=107, M=2.3, SD=1.1)				
Disagree	1	22	57.9	37	34.6			
	2	7	18.4	25	23.7			
	3	2	5.3	25	23.7			
Agree	4	7	18.4	20	18.7	1.95	143	.05*
I am satisfied with my present standard of living, that is, the things that I purchase such as housing, food, transportation, and recreation.								
		(n^c=38, M=1.8, SD=1.2)		(n^c=107, M=2.3, SD=1.1)				
Disagree	1	11	29.7	9	8.5			
	2	9	24.3	13	12.3			
	3	7	18.9	41	38.7			
Agree	4	10	27.0	43	40.6	4.56	141	.00*

[a]Percentages may not add to 100 due to rounding.
[b]Level of significance determined by t-test analysis with p<.05 considered significant.
[c]Number of respondents may not add to 41 and 108 due to non-response.

that income may be a predictor of satisfaction with standard of living. Davis and Schumm (1987) found that income is not a strong predictor of financial satisfaction.

The other measure of satisfaction related to the respondents' "satisfaction with the amount of money saved and invested." Forty-four percent of the middle income respondents agreed or tended to agree that they were satisfied. Only 23% of limited income respondents agreed or tended to agreed that they were satisfied. Fifty-seven percent of limited income respondents disagreed with the statement. Using a t-test, it was determined that their responses were significantly different ($p= 0.05$). This finding would concur with that of Schnittgrund and Baker study (1983). They found a majority of limited income households were not satisfied with their ability to save.

All scores of the measures of satisfaction were summed so that each participant who responded to both items had a satisfaction score. Thirty-six respondents (88%) from the limited income households and 105 respondents (97%) from the middle income households were included. To test the third hypothesis, the means of summed scores for the limited income households and the middle income households were compared in a t-test. The third hypothesis states that there is no significant difference in the financial satisfaction of the limited income households and the middle income households. The null hypothesis was not supported by the data since the t-test indicated that the difference was significant ($p = .00$). The mean summed score of the satisfaction scores were higher for the middle income households which would indicate more satisfaction with their finances among middle income households than among limited income households (Figure 5).

Summary

This chapter included findings and discussion. Using the t-test and chi-square test, there were significant differences between limited income and middle income households for most of the measures of attitudes, behaviors, and satisfaction. Many of the conclusions of the study are supported by previous research such as planning and saving attitudes, concern about making ends meet, and saving behaviors (Danes, Rettig, & Bauer, 1991; Davis & Schumm, 1987; Schnittgrund & Baker, 1983). The conclusions of this study concerning limited income households being powerless is supported in other literature (Irelan and Besner, 1971). Conclusions concerning satisfaction with saving and investments also are supported in other literature references (Davis & Schumm, 1987; Williams, 1993). The findings of this study that did not concur with previous research included expectations about the future and attitude toward the rate of success of

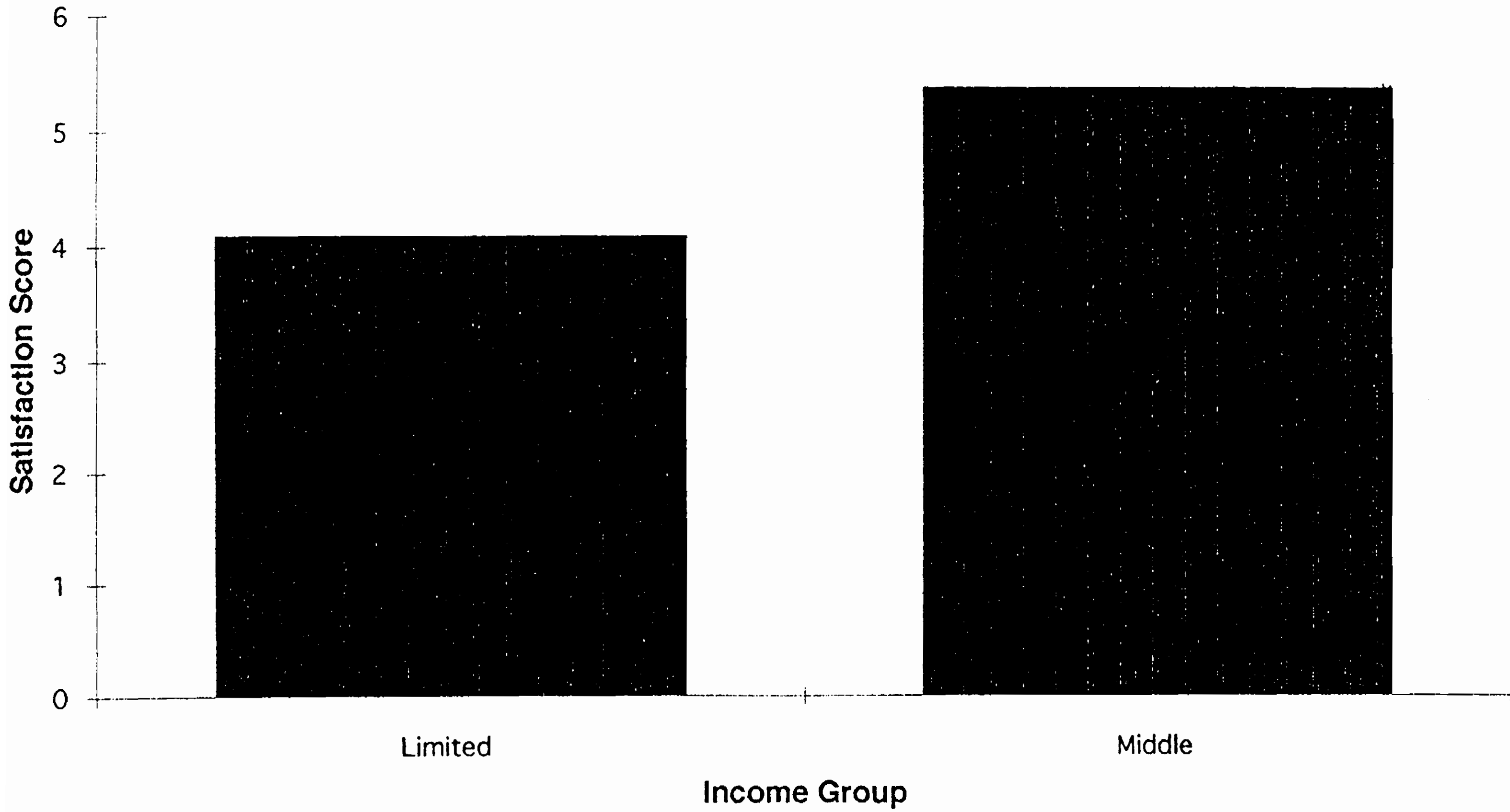

Figure 5. Mean Summed Scores of Satisfaction Measures

getting ahead (Bailey & Lown, 1992; Schnittgrund & Baker, 1983). Although the finding that income is a predictor of financial satisfaction concurs with another study (Hafstrom, 1981), there are also studies that do not support this finding (e.g., Davis & Schumm, 1987).

CHAPTER V

SUMMARY AND CONCLUSIONS

This chapter will include a summary of the entire study, the major findings, conclusions, and implications of this study. A profile of the limited and middle income households for financial attitudes, behaviors, and satisfaction also will be included.

The purpose of this study was to compare the financial attitudes, behaviors, and satisfaction of a random sample of 41 limited income and 108 middle income households in Virginia. This study was developed because of the need for financial management educators to have a better understanding of their audiences which include middle income households and limited income households.

Those items in the empirical model based on Deacon and Firebaugh's (1988) systems theory were investigated. The conclusion of this study is that the input of income affects the outcome of satisfaction. Limited income households are less satisfied than middle income households. Lower income households planned less (financial attitudes) and implemented fewer financial behaviors) and experienced less satisfaction with finances.

This study included three null hypotheses, all of which were rejected with t-test analyses.

Hypothesis 1: There are no significant differences in the financial attitudes of limited income households and those of middle income households.

Hypothesis 2: There are no significant differences in the financial behaviors of limited income households and those of middle income households.

Hypothesis 3: There are no significant differences in the financial satisfaction of limited income households and those of middle income households.

Conclusions

The mean summed scores for the measures of financial attitudes of the limited income households (57.2) and the middle income households (72.2) were found to be significantly different (p=0.00). The scale could range from 24 to 96. The mean summed score for the measures of financial attitudes was higher for the middle income households than for the limited income households, which indicates that middle income households have more optimistic financial attitudes than do limited income households. The measures of the financial attitudes were related to seven categories planning, credit, spending, saving, insurance, financial responsibility, and expectations.

The mean summed scores for the measures of financial behaviors of the limited income households (66.1) and the middle income households (82.4) were found to be significantly different (p= 0.00). The scale could range from 23 to 115. The mean summed score for the measures of financial behaviors was higher for middle income households than for limited income households, which indicates that middle income households implement more optimistic financial behaviors than do limited income households. The measures of financial behaviors were related to seven categories planning, spending, credit, insurance, taxes, and financial responsibility.

The mean summed scores for the measures of financial satisfaction of the limited income households (4.1) and the middle income households (5.4) were found be significantly different (p= 0.00). The scale could range from 2 to 8. The mean summed score for the measures of financial satisfaction of the middle income households was higher than the limited income households, which would indicate that middle income households are more satisfied with the financial situation than limited income households. The measures of financial satisfaction related to satisfaction with present standard of living and satisfaction with the amount of money saved or invested.

Discussion

As stated earlier, Deacon and Firebaugh (1988) contended that limited income households exist in a world of "what will be, will be", which indicates that limited income households are different in that these households feel out of control and less optimistic about their financial attitudes, behaviors, and satisfaction. The findings of this study concur with this statement.

Financial Attitudes

The financial attitudes of limited income and middle income households were found to be similar when the measure related specifically to the repayment of debt, ability to save, financial decision making in the home, and expectations concerning insurance coverage and standard of living. The financial attitudes of limited income and middle income households were found to be different when the measure related specifically to planning, spending, availability of credit, expectations about a secure retirement, ability to handle financial emergencies, insurance coverage, financial responsibility in the home, and expectations about future income and future debt.

Limited income households were less likely to have a will or to have a sound financial plan. Limited income households also tended to worry more about making ends meet than did middle income households. Limited income households generally felt that their total income was insufficient. Limited income households believed they would have trouble borrowing money and they would have a financially secure retirement. They were less likely to feel that they could handle a financial emergency. Limited income households tended to have adequate insurance. They also tended to have less positive expectations about their futures.

Middle income households were more likely to feel that their total income was enough to meet expenses. They believed that they could meet necessities and were likely to feel they could afford some of the things they wanted. Middle income households tended not to believe they would have trouble borrowing money, but they were concerned about the amount of money that they repaid each month. They could not save as much as they would have liked, but they did believe they could handle a small ($500 to $1000) financial emergency.

Financial Behaviors

The financial behaviors of limited income households and middle income households were found to be similar when the measure was related specifically to goal-setting, planning, budgeting, making financial decisions, use of credit cards, completing income tax forms and discussing financial matters with others. The financial behaviors of limited income households and middle income households were found to be different when the measure related specifically to having a will, spending, saving, repayment of credit balances, insurance coverage, and financial decision making in the home.

Limited income households were less likely to have goals, a will, and a financial plan. They tended not to have checking accounts that paid interest. They were not likely to participate in retirement plans or invest in stocks, bonds, or mutual funds. Limited income households were more likely to have received overdue notices and less likely to have homeowner's insurance. Money managers in limited income households also were less likely to share financial responsibility with another person.

Middle income households were less likely to write bad checks, and they were not as likely to spend more money than they had. Most middle income households did not invest in stocks, bonds, or mutual funds. They were not likely to have received overdue notices on payments or to obtained cash advances. Their homes and automobiles were adequately insured, and they were not having trouble meeting health care expenses.

Financial Satisfaction

Significant differences were found between the groups in both of the measures of financial satisfaction. The limited income households and middle income households were significantly different in terms of satisfaction with their present standard of living and satisfaction with the amount of money saved or invested.

Limited income households were less likely to be satisfied with the level of living and the amount of money that was saved or invested. Middle income households were more likely to be satisfied with their present standard of living than with the amount of money they had saved or invested.

Implications

The findings of this study would be useful for any one who is in a position that requires an understanding of how limited income households are similar and different from middle income households with respect to their financial attitudes, behaviors, and satisfaction. Even though this study has been very limited in scope, knowledge of those differences would be useful for financial management educators, especially in the Cooperative Extension system, who can use the findings as a means to educate themselves about limited income audiences. Generally, Extension has targeted the middle income audience, and staff has been more knowledgeable about that audiences' financial attitudes, behaviors, and satisfaction since the staff are typically in that income group.

It is important to note that the data for this study were collected five years ago in 1989. Many changes in our society have taken place such as a recession which may affect the current financial attitudes, behaviors, and satisfaction of all households.

Financial management educators must acknowledge the similarities and differences of limited income and middle income households concerning financial attitudes, behaviors, and satisfaction, and teach each audience the content that is the most appropriate and the most beneficial. For example, a finding of this study is that limited income households are less likely to have a sound financial plan. In teaching limited income audiences, it would be important to explain why a plan is necessary and how the household could benefit from a plan before teaching how to obtain a plan. A middle income audience would probably already have an understanding of the importance of a sound plan. In changing the content of the teaching, Cooperative Extension could accomplish a client-centered program as Schuchardt and Baugher (1992) noted would be needed in order to be successful with limited income audiences.

In planning programs and writing curriculum for limited and middle income households, educators need to spend considerable time on saving and credit. A finding of this study was the saving rates of both groups was lower than educators in Cooperative Extension recommend.

Both groups also indicated increased use of credit.

In planning programs and writing curriculum for limited income households, educators need to explain the necessity of financial management education, but they should also reinforce the concept of internal locus of control by providing the tools to enable these households to gain control of their finances. Tools, such as a budget box for households to keep receipts would give the households the confidence they need. Unless these households develop an internal locus of control and not the attitude of "what will be, will be", financial management education efforts will be futile.

This attitude of "what will be, will be" indicates less planning. A finding of this study was that less planning leads to implementing fewer financial behaviors. The educators need to reinforce this idea in teaching that there is a continium between attitudes and behaviors and not two unrelated topics in teaching.

In planning programs and writing curriculum for middle income households, educators need to spend considerable time on another aspect of credit. Middle income households need a clear understanding of the consequences of credit and the possible overextension of credit.

Recommendations

This study was limited in scope. There are many opportunites for further research to overcome limitations in this study, to compare other populations, and to address topics pertinent to financial management education.

Alleviating Limitations of this Study

1. A study should be designed to include more measures of financial satisfaction. Ideally, financial satisfaction should be defined to include more than satisfaction with present standard of living and satisfaction with the amount saved or invested. Other measures could include satisfaction with success, satisfaction with level of consumption, and satisfaction with adequacy of income. By including more measures, educators would have a better understanding of overall financial satisfaction of the households.

2. A study should be designed to include the households with incomes below that which is required for filing of income taxes. By using the existing data base from Virginia Department of Taxation, those not filing income taxes could not be included in this study. These households can be reached through local Community Action agencies and Social Services Departments. These poorest households are also included in the audiences of financial management educators, yet their views of financial attitudes, behaviors, and satisfaction have not been included in this study. Since findings of this

study indicate a more optimistic relationship between these variables and income as income increases, an understanding of the relationship as income decreases also is important.

<u>Other Populations To Be Studied</u>

1. Investigate populations in addition to the state of Virginia, including those in larger metropolitan areas. Several researchers have investigated the differences in urban and rural poverty, but none have examined the financial attitudes, behaviors, and satisfaction in depth. Most Cooperative Extension educators tend to target either urban or rural households, depending on their geographic assignment. The findings would assist them in understanding more specifically any differences between urban and rural poverty.

2. Compare financial attitudes, behaviors, and satisfaction of limited income households who have been on public assistance on a long term basis (several generations) and a short term basis. Extension educators already have noted a difference between these two groups as they work with them on a day-to-day basis. It would be very helpful to increase the educators' understanding by providing research based information on the differences in households who have been on public assistance on a long term basis and a short term basis.

3. Compare financial attitudes, behaviors, and satisfaction of limited income households in various stages of the life cycle (e.g. young families vs. senior citizens). Previous research has already indicated differences in access to banking services (Leech, Scott, & Fox, 1989). Some CooperativeExtension audiences are exclusively young families such as EFNEP clients or Head Start parents while other groups include senior citizens. In order to have a more client centered program, differences at various stages of the life cycle need to be investigated.

Financial Management Education

1. A study should be designed to include a comparison study of financial attitudes, behaviors, and satisfaction of limited income households before and after intensive financial management education. The purpose of financial management education in Cooperative Extension is to enable households to meet their goals concerning their financial attitudes, behaviors, and satisfaction. Using the same methodology used in the present study, Cooperative Extension could evaluate the success of the financial management education program.

2. A study should be undertaken to investigate the data from the Lytton and Garman study on the preferences for educational programs for the limited income households and middle income households.

Education only occurs when the learner is receptive to the teaching. Not only it is important to be client centered in teaching content, but it is also important to be client centered in teaching method. Since that data is available in this data set, it should be used.

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Appendix A: 1989 Poverty Income Guidelines for All States

1989 Poverty Income Guidelines for All States

Size of family unit	Poverty guideline
1	$5,980
2	8.020
3	10,060
4	12,100
5	14,140
6	16,180
7	18,220
8	20,260

Source: Federal Register, February 16, 1989.

VITA

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