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Fisher: Single mom saves in age of big spender

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In a culture that values designer labels, easy credit and instant gratification, Ana Dominguez buys the things she wants the old-fashioned way. She saves for them. "It takes patience, but you can do it if you try," she said.

Dominguez, a single mother who runs a home day care in Gilroy, had an annual income of \$36,000, a mountain of credit card debt and a history of bankruptcy four years ago when she signed up for a remarkable program that helps low-income families move into the middle-class by teaching them how to save for the future - and then by rewarding them with a generous matching grant.

The Assets for All program, a joint effort by the Silicon Valley Community Foundation and Lenders for Community Development, makes a pretty tempting offer to families who qualify: If they attend 20 hours of classes in money management and deposit at least \$20 each month into a savings account, the program will match every dollar they deposit with \$2 more. After three years, if they have saved the maximum of \$2,000, the match would be \$4,000. That's a \$6,000 nest egg to be put toward a college education, retirement or buying a home.

Dominguez took her \$6,000 and what she learned about saving and went on to accumulate more than \$10,000 for a down payment on her first home. "I never thought I would be able to buy a house of my own," she said. "I dreamed about it forever and a day."

Americans are better at borrowing than saving. More than 15 percent of us have zero or negative net worth. Back in 1985, we saved about \$11 out of every \$100 we earned. Today we save only 50 cents out of every \$100, and the rate has dipped into negative numbers a couple of times in the past couple of years.

As hard as it is for anyone to save, low-income families have the hardest time building up assets - and not just because they struggle to meet basic living expenses. Our tax system rewards saving - but only for middle- and upper-income families.

"Lower-income people don't pay income taxes, they pay payroll taxes," said Eric Weaver, executive director of Lenders for Community Development. "So they don't have access to 401Ks, home mortgage interest deductions and the other huge tax subsidies. It's scandalous."

To make matters worse, most government programs designed to help lower-income families, such as CalWORKS and MediCal, actually penalize them for saving. A working poor family of three, for example, would be kicked off MediCal if they had \$4,000 in a savings account.

In order to make the Assets for All program work, Weaver said, the participants - who have an average annual income of less than \$24,000 - are exempt from the government asset limits while they are enrolled.

Even after they leave the program, however, the research shows that they continue to save. A study released last week found that two years after graduating, more than three-quarters of the families were saving \$3,000 a year. More than half had a financial plan and expanded investments.

Dominguez said she threw away her credit cards when she started the program and still keeps her plastic purchases to a minimum. She and her two sons, now 16 and 11, stopped eating out - "We'd spend \$30 on dinner when we could buy groceries for three days on that" - and the boys went without video games and other stuff that kids today just *have* to have.

"It's about learning the difference between what you want and what you need," she said. "Once you get the hang of it, saving becomes a habit. It's a habit that I hope my boys will have forever."