

# When saving \$50 a month brings stress: Families need compassion, not charity

Financial aid for low-income families is welcomed, but programmes tackling the root of poverty must be guided by research findings and a deep understanding of the families' lived experiences.

**Cindy Ng**

A decade ago, I piloted a debt and savings programme to help families restructure their finances in a bid to help them break out of the poverty cycle.

The "how" was sufficiently simple – a matching fund to incentivise regular repayments – but what surprised me was how small differences in implementing the scheme could reap vastly different outcomes.

Nora (not her real name) was referred to my programme when she owed her town council \$2,000 in monthly conservancy fees. According to Nora and her husband, the debt accumulated over four years, often during periods when the family prioritised other expenses.

Some spending arose out of emergencies, which destabilised their finances: a faulty washing machine that required repair, and a late-night visit to a nearby 24-hour clinic. Others were admittedly spontaneous indulgences, such as a decision to have a McDonald's meal on payday.

Living this way was hard for Nora and her husband. His monthly income was \$1,900 and her part-time job paid \$500.

Through our programme, Nora received some financial and coaching support. From there, she decided to work on repaying part of her conservancy debt every month.

Her social worker devised a suitable payment plan with the town council and provided Nora with a dollar-for-dollar matching amount whenever she settled her instalments in full.

Nora and her social worker also discussed the repayment schedule and identified potential barriers. Nora decided she would make payments a week after receiving her monthly salary, so that she could make debt payment a priority.

Doubts nevertheless persisted over what recourse Nora had should a family emergency arise at the end of the month.

With her social worker's assurance that her team would provide a backstop in such situations, Nora committed to the repayment of her debt. Within a year, she had halved her debt and started to form a habit of meeting her repayment schedule.

Nora grew optimistic about managing her finances and began to look to the future. Soon, she began asking her social worker if she could get matching aid if she saved a small amount each month for her family.

## A DIFFERENT STORY

Zoe (not her real name) was another participant in the same programme. Her family of five was in a precarious situation as



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they relied on her husband's full-time gross income of \$2,500 as a technician and her part-time pay of \$400.

Without savings, a small financial emergency or a poor financial decision could plunge the family into debt. Zoe found it increasingly stressful to put aside \$50 a month to earn the matching amount.

This challenge went undetected until I met Zoe one day for a routine follow-up to take stock of her savings plan.

To set aside that sum of money, Zoe experienced the same dilemma as Nora: What if this new action that the social work professionals requested they commit to resulted in a more dire financial situation? Zoe felt judged when she received little empathy for her situation.

During our meeting, Zoe flew into a rage and yelled: "Do you know how difficult it is for me to set aside this \$50? It's a small sum to you but it is a big sum to me! What do you know about my life?" Furious, she stormed out of my session.

After she left, I reflected on what she had said. Zoe was right. I had focused only on trying to get to the desired policy outcome and not on her difficulties. I had seen her as a charity case to be

sorted out instead of a person who was already doing her best.

I contacted Zoe the next day, acknowledging that I knew little about her circumstances and inviting her to share her concerns with me. She said it was a big leap for her family, from saving nothing to making a pledge to save \$50. She worried about the impact of this new commitment on her daily expenses.

Thereafter, we sat down together to review her financial situation, and she decided she would save a lower quantum for the next three months to give her family more of a spending buffer. I also assured her that if her family were to meet with any emergencies, my agency would step in to support their financial needs.

Zoe became hopeful with this new plan and continued to save for the family. At the end of the one-year programme, she had saved \$400, and the programme matched her savings with another \$400.

She renewed her application to continue in the programme. Achieving a modest level of savings gave her a sense of control over her life, which had positive spillover effects. More importantly, she felt compassion and empathy for her own

situation. She wanted to continue saving so she could pay for her teenage daughter's educational expenses when she began her polytechnic studies a year later.

## THE POVERTY TAX

Through the one-year programme, the financial situations of both Zoe's and Nora's families improved, and achieved the debt relief programme's policy objective. More significantly, both women developed the agency and impetus to take action and improve their circumstances.

Poverty casts a shadow on every corner of life. It creates chronic stress that results in a reduction of mental energy needed to stay focused and resist temptations to make good and clear decisions.

Neuroscientists have documented the mental toll poverty exerts on people, as persistent anxiety over resource scarcity hurts their ability to solve problems, set goals and plan for the future. A growing body of research highlights how this cognitive overload can be easily triggered – by a sudden emergency or the shame of not meeting bills.

Poverty traps people in fight-or-flight mode, where they are constantly struggling to make

ends meet and have little bandwidth left over to make important housing, education, healthcare and food choices.

These decisions can have a long-term, cumulative impact on their financial and psychological well-being. Singapore social work researchers Qiyun Ong, Walter Theseira and Irene Ng have studied the impact of chronic debt on the poor. They found that debt causes significant psychological and cognitive impairment and alters decision-making.

University of Chicago behavioural science professor Sendhil Mullainathan and his research team similarly discovered that poverty imposes a mental burden similar to losing 13 IQ points. It is not uncommon to find families in poverty making choices that amplify and perpetuate their financial difficulties.

## BUILDING RESILIENCE

The new ComLink+ scheme announced in November will dole out financial incentives to aid families to take steps to improve their lives by getting stable jobs that make Central Provident Fund payments, sending their children to pre-school, and saving up to buy a home.

The scheme is not alone in its efforts to ignite social mobility. The Methodist Welfare Services' Family Development Programme matches \$2 with every dollar of debt cleared by the participants, and the South Central Community Family Service Centre's Keystart programme provides grants and guidance in budget management to low-income families to achieve home ownership.

While it has details pending further announcement, the ComLink+ scheme has the potential to achieve similar positives for low-income families facing multifaceted challenges. Whether its current financial top-up quantum and multiplier ratio for matched contributions are sufficient requires time to bear out and warrants further review after the launch of the scheme.

But building resilience in families who experience poverty must go beyond providing enticements to encourage changes in behaviour. The use of incentives and rewards risks taking a transactional carrot-and-stick approach towards poverty, which may be seen as unsympathetic at best, and at worst, disincentivise people to sustain positive actions when aid is withdrawn.

Driving long-term change and tackling the root sources of poverty require us to pay special attention to the implementation of such initiatives and how they are communicated to recipients. It requires service providers to understand not just the individual reasons that contribute to poverty, but also the structural factors. It necessitates that service providers extend empathy to service users, interacting with them in a dignifying and respectful manner, and offering them choice and support.

With interactions premised on an appreciation of their hardships and respect for their self-worth, Nora and Zoe began to see social workers and volunteers as allies acting in their best interests. Little by little, as they walked this journey with their social workers, the friendships developed started to fill the void created by poverty and tip the balance.

This is how households are lifted out of poverty – slowly but surely, when people are seen rather than blamed or judged, and as empathy translates into policy. The backstop offered by the programme I was involved in provided a psychological financial floor for the family. The intentional focus on multiplying the effects of their efforts as they contributed to the changes in their financial situation allowed them to see the fruits of their labour.

It is in these experiences that families find hope and motivation to break out of the poverty cycle. It is in these experiences that families in poverty find confidence and validation from society, knowing that they are not left alone to fend for themselves in their time of need.

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