

## West Virginia Rural Retirement Project

### Background

While the national financial implications of an aging population that is not prepared for retirement are staggering, in rural communities the problem is more pronounced. There is less opportunity in the rural economy for workers to have access to an employer-supported retirement plan. Many people, especially women, are self-employed or work in the informal economy, doing work for cash and barter.

In West Virginia, the second most rural state in the U.S., women have the lowest workforce participation in the country\*, compounding the problems during their retirement years. Since 2003, WISER has been experimenting with innovative grassroots efforts to address this issue through its Rural Retirement Project.

### Activities

Between 2012 and 2015, WISER's Rural Retirement Project conducted the **Appalachian Savings Project** with self-employed childcare workers in Appalachian Ohio and West Virginia. The project demonstrates that low- and moderate-income workers interested in saving can accumulate significant savings, especially when they are incentivized to do so.

This project focused on childcare workers in the Appalachian regions of Ohio and West Virginia. Childcare workers-many of whom are self-employed-are among the lowest paid wage earners in the United States. Nationally, childcare workers earn a median hourly wage of \$9.48, or \$19,730 annually. The median hourly wage of childcare workers in West Virginia is \$8.74 (\$18,180 a year), while in Ohio it is \$9.37 (\$19,500 a year).\*\*

The project established incentives for participants to save small amounts with auto-debit purchases of I Bonds via TreasuryDirect, the U.S. Treasury's online site. 2 Participants received a \$50 match to establish an account, and another \$50 if they directed at least \$50 of their tax refund toward the purchase of I-Bonds. The project then matched 50% of savings after a year of participation (up to \$400). This match was used to simulate an expanded and refundable Saver's Tax Credit to measure its effects on savings rates. The Saver's Tax Credit is a federal tax credit that incentivizes retirement savings for lower- to moderate-income households. The credit is currently not refundable and therefore only tax payers with a tax liability can take advantage of it.

The project demonstrated that basic, easy-to-access savings vehicles combined with savings incentives can result in increased savings for lower-income workers who have few other saving and investment options. Participants' total savings including the match averaged \$1,150, estimated to be 5.5% of their average annual incomes, and nearly all respondents agreed that their total savings and investments had increased compared to 12 months earlier. Only two respondents reported an increase in debt over the same period. These findings indicate that the savings that participants accumulated through the program represented a net increase in savings, rather than a shift in existing resources to savings bonds or increased use of debt in order obtain the match.

The Appalachian Savings Project demonstrated that a low-dollar, easily accessible savings vehicle,

combined with a matched incentive to save can produce significant savings by lower-wage earners. Historically, a significant gap has existed in the marketplace for a savings product that meets the needs of lower- and moderate-income workers; one that does not require a large minimum investment to open the account, is low-risk with low fees, can be purchased in small increments, and is available nationally.

For more information on the Appalachian Savings Project, download the reports:

*Savings Matches, Small Dollar Accounts, and Childcare Workers' Decisions to Save: 2012-2015 Appalachian Savings Project* (December 2015)

[Full Report \(pdf\)](#)

[Report Brief](#) (4 Page pdf)

*Creating Opportunity: The Impact of Matched Savings for Childcare Workers* (March 2016)

Summary Report of WISER's Appalachian Savings Project

[Full Report \(pdf\)](#)

NPR featured the Appalachian Savings Project on its program, *All Things Considered*. Listen to the story [here](#).

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[\*] "Self Employment in Rural America: The New Economic Reality", Stephan J. Goetz, Rural Sociological Society, Volume 2, Issue 3, 2008.

\*\*Wage data are available from the Bureau of Labor Statistics. Childcare workers are coded 399011 in the BLS data.

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