

The Monthly Paycheck Blues or Smoothing Cash Flow with Weekly Budgeting

BE Solution: Breaking a budget down to weekly instead of monthly expenses anchors people to a smaller spendable amount and avoids the temptation to overspend when we receive a “windfall” of cash (and a fresh budget).

Background

Especially after a period of scarcity, receiving a monthly lump sum can lead to overspending and inappropriate spending. By providing a member with a weekly instead of a monthly budget, we remove some of the temptation to overspend at the start of the time period. Assigning a weekly suggested budget anchors members on the amounts provided and may adjust their spending accordingly. Bringing the goal closer in time (on a weekly scale instead of monthly) also makes the satisfaction of achieving it more noticeable.

The Common Cents Lab tested weekly vs. monthly budgeting of food purchases for SNAP (Supplemental Nutritional Assistance Program) recipients with Propel. They found weekly budgeting extended the balances by an average of two days per month. For a family depending on SNAP to put food on the table, these changes equaled about 6 extra meals. If your credit union has members who get paid monthly, this project will help them manage their spending.

Project

Understood Productions will assist you in developing materials specific to your organization, implementing the project, and helping at key points throughout the process, including:

1. Developing the budget language and presentation for weekly versus monthly framing.
2. Designating the timing and execution of presenting the budgeting suggestions.
3. Determining the right sample size and the random assignment of members into a treatment group or a control group. The “treatment” group will receive a weekly budget prompt, while the “control” group will experience business as usual (monthly budget).

Outcome

Track the member’s spending per category in each condition for at least one month and preferably for 3 months as well as which members were in the treatment or control groups. After that time, calculate the amount the members spent in a month on average for each group (as well as compare how much members spent in each budget category). Understood Productions will help you conduct the analysis.