



Motive For Saving: A Survey Of Why People Save

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Abstract:

The aim of the paper is to contribute to the body of knowledge that exists in the area of savings by examining household saving behaviour and the reasons of saving in Sunyani Township. A sample of 185 respondents selected using convenient sample method was used. Primary data was collected using self designed questionnaire, administered at the work places and places of residence. Results indicated that respondents have good saving behaviours and save for various reasons with the three most important reasons been saving for business, old age and for peaceful mind. Policies to induce savings should focus on demographic and social variables.

Keywords: Saving Motive; Keynes; Precautionary Motive; Life Cycle Motive

Jel Classification: D90; D91; E21

1. Introduction

Savings is considered as the total amount of one's income that is left when the person's personal expenses have been met from the disposable income one earns. This concept is help by economist such as the Keynesian economist.

Some economist considers savings to be positive or negative depending on the source of income to meet personal expenses. If one meets personal expenses from sources such as credit and loans it is characterised by negative savings while those who meet expenses from personal income are characterised by positive savings.

Theorists have explained savings and why people save. The theorists are Keynes, Duesenberry, and Friedman. There have been many empirical studies to test why people save in an economy based on these theorist. Many reasons have been given depending on various factors such as age, gender, educational background, income level, family size, culture, and religion. Researchers are of the view that savings depends on life-cycle as well as income.

The reasons why people save are found in the works of researches such as Fisher and Anong (2012); Mastrogiacomo and Alessie (2012); Börsch-Supan et al. (2009); Ziegelmeier (2009); Schunk (2007); Sommer (2007); Kennickell and Lusardi (2007); Wilson (2003); Canova et al. (2003); Xiao and Fan (2002); Ameriks et al. (2003) and Guariglia and Rossi (2002).

Among the reasons given for saving in the literature are; illness, disaster, consumption during old age, construction, for purchase, expansion, housing-related saving, children's education, children's marriage. Mastrogiacomo and Alessie (2012) established that precautionary savings account for approximately 30% of savings among respondents in the study using both subjective and objective methods of analysis. This results show that precautionary motive contribute to saving decisions of households in the study.

Ziegelmeier (2009) established various factors that significantly affect precautionary motive of saving. These factors are income fluctuations, health risk, longevity risk, current income, education, Household composition, Foreigner, liquidity index, insurance, bequest and old-age provision.

According to Ziegelmeier (2009) Precautionary savings increase by 10.9% for a household with significant income fluctuations compared to a household with no income fluctuations, holding all other factors constant. The results indicated that health risk does not significantly affect precautionary motive of saving. He stated that "poor expectations

about the future health status do not change precautionary savings significantly". It was established that longevity risk has negative effect on savings motive.

From His analysis, one year increase in the expected years left to live reduces precautionary savings by 1%, a results the author commented that it is puzzling since the 'normal' thinking is that "with increasing years left to live precautionary savings would increase due to a longer time horizon for instance in which the household can face different kinds of risks such as health risks" and that the only reason is that "households having more years left to live are healthier households".

He established that an increase in current monthly net by 10%, leads to an increase in precautionary savings by 1.24%. Also education (Undergraduate and Graduate) significantly increase precautionary saving motive. The analysis revealed that undergraduate education results in 47% more precautionary savings compared to high school education, while graduate education results in 29% increase in precautionary savings.

Private insurance coverage increases precautionary savings at around 8%, while the marital status of single, separated or divorced, and widowed lead to at least a 10% reduction of precautionary savings compared to the base group of married and living with husband/wife.

The number of children in a household also increases saving motive. Liquidity index (overdraft limit) shows a significant effect on precautionary savings. He found that higher overdraft limit of €1,000 increases precautionary savings by 2%. Bequest and old-age provision motives significantly affect precautionary motives.

Kennickell and Lusardi (2007) evaluated the importance of precautionary saving motive in wealth creation and indicated that precautionary saving motive influence savings most in relation to the saving behaviour of the respondents in the study but precautionary motive does not lead to high levels of wealth creation in the study ("group of households who are in working years and do not own a business") in US. They indicated that to the order people some risks ("health", "longevity risks", "consumption" risk) matter to them than others.

They commented that the saving behaviour of business owners is different from other household and indicated that "they accumulate wealth for reasons other than to build a buffer to insure against shocks". They again stated that "low-income and low-education families have little precautionary savings" and that "the precautionary saving motive is consistently the most important motive indicated by respondents".

Schunk (2007) found that an increase in the importance of the old-age provision motive is associated with a significantly higher probability of engaging in regular and planned saving. He indicated that age affect the decision to save. That is, different life stages affect savings decisions and that the decision to save is influence by the reasons of saving. He again indicated that his findings contradicts earlier findings in the literature that precautionary motive is based on income.

In Luigina et al. (2005) study respondents (20 people) in their study save to buy something which leads to self-gratification. Others (16 people) save as a precaution which also leads to security, with 72% saving to achieve personal gratification and pleasure. Also 60% save for precaution with 53% saving for security. Their study was based on the theory of Maslow hierarchy of needs.

Hurst et al. (2005) revealed low effect of precautionary saving motive in wealth accumulation in their study. They found that precautionary motives explained less than 10% of total wealth held by households under the age of 50.

In the case of non-business owners, the 95th percentile of the confidence band in the estimation indicates that precautionary motives with respect to labor income risk explain no more than 12% of total wealth accumulation. These indicate that the younger people and business owners do not contribute more to the wealth creation in the economy they examined.

Wilson (2003) estimated the coefficient of risk aversion in his study and reported value of 0.00004 which is significant at the 1% level to support precautionary saving hypothesis. This means respondents with high income volatility save more than those with low income volatility.

Wilson (2003) established that demographic variables and households variables affect precautionary motive to save significantly at 5% level.

Age range of 33 and 39 years according to Wilson (2003) do not significantly affect precautionary motive to save. Respondents with higher level of education also are influenced by precautionary motive. He indicated that life-cycle hypothesis affect precautionary motive to save in the study and that “that as households get closer to retirement, saving begins to take on a more traditional life-cycle role than a precautionary one”.

Wilson (2003) reported from his estimation that “the “high-risk” household is assumed to have a saving rate of 6% with an annual labor income of \$30,000, and the “low-risk” household is assumed to have a saving rate of 10% with an annual labor income of

\$60,000". The respondents in the Wilson (2003) study on the high and low risk were in the age group of 33 and 39 years.

In Horioka et al. (2000) study of bequest in Japan and US, they established that bequest motives are relatively weak in Japan, in both absolutely and relative to the U.S., and that bequests in Japan are primarily unintended bequests arising from lifespan uncertainty. The aged in Japan dissave, and that planned bequests have a negative and significant effect on their rate of decumulation.

Parents' bequest motives and attitudes toward bequest have a strong effect on the coresidence, care, and financial support behavior of their children. They indicated that the life cycle hypothesis is stronger in Japan than in US. The authors concluded that parents and children in Japan are selfish.

Xiao and Fan (2002) found that compared to Americans, Chinese are more likely to report having saving motives for daily expenses, emergencies, children, and investment while less likely to report having saving motives for retirement. The difference in saving for major purchases is statistically insignificant.

They established that in China and US consumers who are at the bottom 30% of the income distribution are more likely to report a saving motive for daily expenses compared to those at the top 25% of the income distribution, whereas consumers in the middle 45% are not different from those at the top 25%. Their analysis revealed that holding other things equal, Chinese households are less likely to report a saving motive for major purchases compared to American households. Small numbers of respondents (25%) who are Chinese have a saving motive for major purchases.

Their estimation revealed that for Chinese respondents, the higher the income, the more likely they are to report a saving motive for major purchases. Xiao and Fan (2002) found other variables such as age, household size, and homeownership to affect a consumer's saving decision to make major purchases. They established that older respondents (Chinese and US) have less saving motive for major purchases and that renter are more likely to save for major purchases than owners of home.

The household size did not affect saving for purchases significantly in their study. Chinese save more (36%) for emergencies than America. It was also revealed that in China the larger the household size, the less likely respondents save for emergencies. Relative income did not affect the saving motive for emergencies in China and America. Americans save more toward retirement than Chinese (30%) and this is influenced by income levels, age, education, presence of dependent children, and home ownership.

Again, the authors reported that in China respondent (42%) save more for the sake of their children than in America and that saving is influenced by gender, household heads, occupation, education and the number of dependency. Xiao and Fan (2002) established that Americans save less for investment as compared to Chinese (22%) which is influenced by factors such as income, presence of children and having a professional occupation.

1.2.Statement Of Problem/Justification/Significance

Ghana cannot be considered as one of the countries with higher saving rate as countries such as Japan. Ghanaians save out of the income they earn for various reasons. But the various reasons why respondents in the study area save are not known in the empirical literature.

The paper therefore explores the various reasons why people save and the various factors influencing their motive using subjective responses. The findings fill the literature gap since there is no known existing literature on the study area in the best knowledge of the authors.

Future researchers will consult the paper as reference material as well as policy makers in planning investment and economic growth. The findings also provide further understanding of theories of saving by providing answers to research questions raised in the paper.

1.3.General objective/Specific Objectives

The global objective is to contribute to the body of knowledge that exists in the area of savings by exploring the various reasons why people save. Specifically, the paper identified the reasons why respondents saved, and the factors that affect saving behaviour.

1.4.Research Questions/Assumptions

The paper provides answers to research questions such as: what are the reasons why respondents save and the factors that influence those reasons. The paper is based on the assumption that people save for many reasons and these reasons are influenced by various demographic variables.

1.5.Limitations/Delimitations

The findings are limited by the use of subjective responses given by respondents. Respondents may be biased in their responses which may affect the reliability of the findings. The used of convenient sample also may affect the external validity of the findings.

The paper does not focus on the saving behaviour in relation to regularity/irregularity of saving as well as the sources of savings. The effect of macro variables on savings is not considered. Hence, only household motive for savings is considered.

2. Methodology

The study is based on explorative quantitative cross-sectional survey of respondents selected using convenient sample method of 200 respondents. Primary data was collected using self designed and self administered questionnaires. Secondary data was collected through archival studies of journals.

The independent variables are demographic variables such as gender, age, income levels, and household size. Dependent variables are various motives to save such as 'saving for children's education and marriage', 'for investment', 'purchase of durables', 'illness', 'leisure', and 'retirement'.

Primary data was analysed using descriptive and inferential statistics and presented using tables and charts. The software for analysis was the SPSS.

3. Results And Discussions

The results are presented and discussed in this section on demographic profile, saving behaviour, reasons of saving and determinants of saving behaviour and reasons of saving.

3.1.Demographic Features Of Respondents

The survey comprises 104(56.2%) males and 80(43.2%) females. Majority 57(30.8%) belong to the age group of 18-22years, followed by 51(27.6%) in the age group of 23-27years, then 25(13.5%) in the age group of 28-32years with 25(13.5%) between 33-37years and 25(13.5%) between 33-37years while 12(6.5%) is between 38-42years and 12(6.5%) is above 42years and 1(0.5%) missing response.

Majority 128(69.2%) of them were Christians, followed by Muslims 26(14.1%) then those who are not in any religious group 14(7.6%) with 13(0.4%) who belong to other faith and 4(2.5%) missing responses.

Respondents belong to various regions in the country. The distribution is as follows; 34(18.4%) of the respondents are Brong Ahafo; Ashanti 68(36.8%). The rest of the distribution are Western region 12(6.5%) and Upper East 10(5.4%) and Eastern 11(5.9%). The other groups are Northern region 8(4.3%), Upper West 6(3.2%), Volta 12(6.5%); Central 3(1.6%); Greater Accra 20(10.8%) with 1(0.5%) missing response.

On educational level, majority 34(18.4%) have attained Higher National Diploma (HND) followed by Senior High School (SHS) 21(11.4%) then Junior High School (JHS) 10(5.4%) with 8(4.3%) haven educational level less than JHS while those with degree is 7(3.8%) and those with post Secondary Training is 5(2.7%).

Of the 185 respondents 78(42.2%) were married followed by those who were never married 72(38.9%) and those who were divorced 17(9.2%) with 9(4.9%) separated and 2(1.1%) missing re4sponse.

The working status of respondents was examined. Most 63(34.1%) respondents are workers followed by students 52(28.1%) then student-worker 36(19.5%); those who are general managers 14(7.6%); Non-workers 14(7.6%); Managers/Supervisors 5(2.7%) and 1(0.5%) missing response.

Most 71(38.4%) respondents work in the public sector followed by the private sector 42(22.7%) with 21(11.4%) been self-employed and 51(27.6%) missing responses. The distributions of responses on the years of employment are as follows: 2-4years is 53(28.6%); 0-1year is 31(16.8%); 5-7years is 26(14.1%); 8-10years is 14(7.6%); 10years is 9(4.9%) and 52(28.1%) missing responses.

The family sizes of respondents were also investigated. Most 69(37.3%) have a family size of 1-3 followed by those without any child 50(27%) then those with 4-6 family size 19(10.3%) and those with family size above 6(4.9%) with 38(20.5%) and missing responses.

The income statuses of the respondents are: medium income 95(51.4%); high income 38(20.5%); low income 20(10.8%); neutral responses 13(7%) and missing responses 19(10.3%). On the health status most 81(43.8%) are of good health followed by those with excellent health 78(42.2%) then those with fair health status 25(13.5%) and those with poor health status 1(0.5%).

3.2. Saving Behaviour Of Respondents

The saving behaviour of respondents was examined. Majority 105(56.8%) save regularly with varying amount. Most 65(35.1%) do not save a fixed amount regularly while 86(46.5%) do not save only if there is money left. Majority 132(71.3%) do have financial capability to save with significant majority 152(82.2%) disagreed that they do not save but rather enjoy life. This means they save and do not only enjoy life with their income. The findings are in line with previous studies (Xiao & Fan (2002; Luigina et al. 2005 and Schunk, 2007) in other economies where it was established that respondent save and do not only spend what they earn.

Statements	Strongly Agreed Freq.%	Agreed Freq.%	Neutral Freq.%	Disagreed Freq.%	Strongly Disagreed Freq.%	Missing Response Freq.%	Total Freq.%
Save a fixed amount regularly	15(8.1%)	42(22.7%)	61(33%)	45(24.3%)	20(10.8%)	2(1.1%)	185(100%)
Save regularly the amount varies	41(34.6%)	31(16.8%)	31(16.8%)	39(21.1%)	9(4.9%)	1(0.5%)	185(100%)
I only save if there is money left	25(13.5%)	30(16.2%)	43(23.2%)	58(31.4%)	28(15.1%)	1(0.5%)	185(100%)
I do not have the financial capability to save	57(30.8%)	75(40.5%)	34(18.4%)	9(4.9%)	9(4.9%)	1(0.5%)	185(100%)
I do not save I rather enjoy life	103(55.7%)	49(26.5%)	26(14.1%)	3(1.6%)	3(1.6%)	1(0.5%)	185(100%)

Table 1: Distribution of Responses on prefer ways of motivation

(Source: field survey; October, 2012)

3.3.Reasons Of Saving

Various reasons of saving were given by respondents. The order of ranking of the reasons is shown in Table 1. The most three important reasons for saving are ‘for Business’; ‘Old age’ and for ‘Peace of mind’. The least three important reasons for saving are for ‘disaster’; ‘Leave as inheritance for family’ and ‘payment of taxes’. These reasons of saving are in line with the findings of previous work in other economies carried out by researchers (Kennickell & Lusardi, 2007; Schunk, 2007; Luigina et al., 2005 and Hurst et al., 2005).

STATEMENTS	PERCENTAGES/FREQUENCIES
Business	150(81.1%)
Old age	149(80.6%)
Peace of mind	142(76.8%)
Reserves in case of unemployment	137(74.1%)
Retirement	130(70.3%)
Illness	129(69.7%)
Education	128(69.4%)
Acquisition of housing	125(67.5%)
Disaster	113 (61.1%)
Leave as inheritance for family	100(54%)
Payment of taxes	68(36.8%)

*Table 2: Ranking of responses on environmental concern
(Source: Field survey, October, 2012)*

Contrary to the findings of previous studies (Schunk, 2007; Canova et al., 2005 and Hurst et al., 2005) on savings in other economies, the respondents in the study do not save due to: Leisure 82(44.3%), Children’s marriage 124(67.1%), Own marriage 80(43.3%) and Purchase of durable goods 90(48.6%).

3.4.One way Analysis of Variance (ANOVA)

One Way analysis (ANOVA) was used to examine the link between demographic/social variables and the mean responses on various statements on saving behaviour and reasons

of savings. This means there is a link between these variables and the reasons of saving and saving behaviour.

These variables are marital status; age; gender; region; religion; year in employment; employment status; family size; sector of employment; educational level; health status and income status. The findings are consistent with findings of previous research works by researchers such as Xiao and Fan (2002) and Horioka et al. (2003). For example Xiao and Fan (2002) found variables such as age, household size, and homeownership to affect a consumer's saving decision to make major purchases. Schunk (2007) established that age affect decisions to save.

For instance Gender significantly affect the mean response on two reasons of saving which are 'saving for own Marriage' ($F=2.928$; $p=0.089$) and 'Saving to pay Taxes' ($F=13.118$; $p=0.000$). The rest of the results are in Table 3 to 13.

STATEMENTS	F	P-Value
Save regularly the amount varies	3.249	0.013
I do not save i rather enjoy life	2.237	0.067
Own Marriage	2.142	0.078
Payment of taxes	3.659	0.007
Business	2.650	0.035
Peace of mind	2.058	0.088
Leave as inheritance for family	2.065	0.087

*Table 3: One Way results on Marital status and saving Behaviour and reasons of Saving
(Source: Researcher's regression results, November, 2012)*

STATEMENTS	F	P-Value
Save a fixed amount regularly	4.025	.009
Save regularly the amount varies	2.825	.041
Own Marriage	5.599	.001
Save for education	4.487	.005
Payment of taxes	4.638	.004
Business	4.365	.006
Disaster	2.251	.085

*Table 4: One Way results on Family size and saving Behaviour and reasons of Savings
(Source: Researcher's regression results, November, 2012)*

STATEMENTS	F	P-Value
Save a fixed amount regularly	2.514	.032
Save regularly the amount varies	2.935	.014
I do not save i rather enjoy life	2.485	.033
Reserves in case of unemployment	3.606	.004
Own Marriage	3.755	.003
Save for education	3.186	.009
Payment of taxes	3.069	.011
whether respondents save du to retirement	2.147	.062
whether respondents save due to ill health	3.728	.003
Disaster	2.009	.080
Leave as inheritance for family	2.436	.037

*Table 5: One Way results on Work status and saving Behaviour and reasons of Savings
(Source: Researcher's regression results, November, 2012)*

STATEMENTS	F	P-Value
I do not save I rather enjoy life	2.441	.091
Payment of taxes	6.515	.002
whether respondents save due to retirement	6.160	.003
whether respondents save due to ill health	5.250	.006
Disaster	6.087	.003
Peace of mind	8.226	.000

*Table 6: One Way results on Sector of employment and saving Behaviour and reasons of Savings
(Source: Researcher's regression results, November, 2012)*

STATEMENTS	F	P-Value
Reserves in case of unemployment	2.859	.011
Leisure	1.910	.082
Own Marriage	7.477	.000
Save for education	5.861	.000
Payment of taxes	2.141	.051
whether respondents save due to ill health	4.493	.000
Disaster	6.390	.000
Peace of mind	2.443	.027

*Table 7: One Way results on Age and saving Behaviour and reasons of Savings
(Source: Researcher's regression results, November, 2012)*

STATEMENTS	F	P-Value
Leisure	2.541	.009
Own Marriage	3.190	.001
Purchase of durable goods	1.671	.099
Payment of taxes	1.818	.068
Business	2.132	.029
whether respondents save due to retirement	2.223	.023
whether respondents save due to ill health	2.107	.031
Disaster	2.350	.016

*Table 8: One Way results on Region and saving Behaviour and reasons of Savings
(Source: Researcher's regression results, November, 2012)*

STATEMENTS	F	P-Value
Save regularly the amount varies	2.121	.053
I do not save I rather enjoy life	2.065	.060
Leisure	2.160	.049
Children marriage	2.415	.029
Own Marriage	3.386	.003
Save for education	5.417	.000
Business	2.455	.026
Disaster	2.366	.032
Old age	1.833	.095

*Table 9: One Way results on Education and Saving Behaviour and reasons of Savings
(Source: Researcher's regression results, November, 2012)*

STATEMENTS	F	P-Value
I do not have the financial capability to save	3.715	.003
I do not save I rather enjoy life	2.567	.029
Reserves in case of unemployment	2.301	.047
Leisure	3.017	.012
Purchase of durable goods	1.885	.099
Business	4.466	.001

*Table 10: One Way results on Religion and Saving Behaviour and reasons of Savings
(Source: Researcher's regression results, November, 2012)*

STATEMENTS	F	P-Value
Save a fixed amount regularly	2.381	.055
Reserves in case of unemployment	3.144	.017
Children marriage	3.762	.006
Own Marriage	7.532	.000
Save for education	4.923	.001
Payment of taxes	5.136	.001
whether respondents save due to retirement	2.287	.064
whether respondents save due to ill health	2.607	.039
Disaster	2.920	.024
Old age	2.187	.074

Table 11: One Way results on Year in Employment and Saving Behaviour and reasons of Savings

(Source: Researcher's regression results, November, 2012)

STATEMENTS	F	P-Value
I only save if there is money left	4.165	.007
I do not have the financial capability to save	6.135	.001
I do not save I rather enjoy life	2.510	.060
Own Marriage	4.518	.004
Save for education	3.632	.014
Payment of taxes	3.529	.016
whether respondents save due to retirement	2.779	.043
whether respondents save due to ill health	2.955	.034
Old age	2.838	.039

Table 12: One Way results on Health and Saving Behaviour and reasons of Savings

(Source: Researcher's regression results, November, 2012)

STATEMENTS	F	P-Value
Save a fixed amount regularly	6.137	.001
Save regularly the amount varies	2.409	.069
Children marriage	2.752	.045
Purchase of durable goods	3.142	.027
Payment of taxes	5.781	.001
Disaster	2.402	.070
Peace of mind	4.148	.007

Table 13: One Way results on Income status and Saving Behaviour and reasons of Savings

(Source: Researcher's regression results, November, 2012)

4. Conclusion And Policy Implications

It has been established in the paper that respondents save part of their income and do not only spent and enjoy life. Respondents save for various reasons with the most three important reasons been business (investment), old age and for peace of mind. Respondents do not save for reasons such as Leisure, Children's marriage, Own marriage and Purchase of durable goods.

Saving decisions and behaviour are influenced by demographic and social variables such as age, gender, family size, years in employment, sector of employment and educational level. Policies to induce saving should take into consideration these variables so that there will be enough savings for investment which will lead to economic growth.

Future research should examine the link between saving motives and actual saving behavior among respondents, since 'reported motives and behaviors may or may not be consistent' according to researchers (Xiao & Fan, 2002).

Future research is recommended to investigate saving behaviour and reasons of saving for the general public in Ghana using national representative data. Causal studies should also be done in future studies using structural modeling. Comparative studies should be done in future to assess if the findings will be replicated.

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