



Review by Morgan Peretti

We often hear that much of the world lives on less than two dollars a day. It's a staggering fact that leaves us wondering how people living on so little get by. We wonder how their lives look day-to-day, and what happens when a larger expense is incurred, like medical care. The authors of *Portfolios of the Poor* sought to find the answers to these questions by taking a closer look at how people living in poverty manage their money on a daily basis. The yearlong study of more than 250 families living in Bangladesh, India and South Africa and their "financial diaries" led to some interesting findings as well as some things to consider when trying to provide tools to help them lift themselves out of poverty.

The financial lives of the people in the study could be characterized as something the authors called a "triple whammy," which is when incomes are low, irregular and unpredictable. With so many variables, even the most prepared individual can be greatly affected when these three factors are in play. Cash flows, risk management and the need for large sums of money are extremely important for adjusting and adapting, and good tools to manage these uncertainties are an important step in escaping the effects of the triple whammy.

What I was most surprised to find reading this book was how active the families were with managing their money as well as how many resources they pulled from in a given year from all different sectors: formal, semiformal and informal.

When needing a large sum of money, many of these resources can be pulled from at once. In the case of paying for a South African funeral for example, money was patched together from 12 different sources, ranging from a formal insurance payout, to an informal savings club loan and borrowing from relatives. The lump sum that was patched together included loans as well as savings, products that I realized were more similar than different in the developing world.

It's widely known that people living in poverty have the same needs that people living in the developing world have. However, unlike the developing world, they have fewer tools to help them manage their money. At the end of the book, the authors provide the opportunity to develop these tools. When doing so, they advise to keep in mind the triple whammy in order to make these tools successful and focus on creating tools that are reliable, convenient, with structure and flexibility.

I really enjoyed this book and felt like I got a deep look into the lives of people living in poverty—one that I would not have unless I was able to experience it for myself.

