

CITIZENS LEAGUE MIND OPENER

Saving and Winning: Promoting Savings in a Non- Saving Culture

MIND OPENER – saving and winning

How does the Citizens League find and develop good policy solutions?

- The Citizens League is a civic organizing agency.
(framing, proposing, sustaining, generations)
(strategies)
- Operating principles govern our work.
(guidelines, disciplines, skills)
(values of building human capacity and civic infrastructure)
(determines processes and practices)

MIND OPENER – saving and winning

What Citizens League projects recommend savings promotion raffles?

- Pathways to Prosperity Project
(part of a broad group of tools that support family prosperity and decision-making)
- Long-Term Care Collaborative
(part of the mix of incentives and financial products needed for more self-responsibility and participation)

MIND OPENER – saving and winning

Advancement: What needs to happen?

- **Enabling legislation in Minnesota**
(to allow what is allowed federally for savings promotion raffles)
(federal law allows credit unions, state law would allow for credit unions and banks)
- **Build civic infrastructure**
(Check in with all who have been involved in the two projects and define their roles)
(Gauge support and possible opposition)

MIND OPENER – saving and winning

So let's find out more about saving and winning:

- “Savings promotion raffles” under state law
- “Prize-linked savings” is the general policy term



Prize-Linked Savings

Minnesota Financial Fitness Network

March 2011

Doorways to Dreams (D2D) Fund

Mission:

Strengthen the financial opportunity and security of low and moderate income consumers by innovating, incubating, and stimulating new financial products and policies

- Boston (Roxbury) based, non-for-profit
- Founded in 2000 by Harvard Business School professor Peter Tufano
- Focus on scale, sustainability
- Record of linking private sector capabilities to public (non-profit) ideals

Why Saving Matters

- **Children of low-income, high-saving parents are more likely to experience upward income mobility.**
 - + Children of low-saving, low-income parents are significantly less likely to be upwardly mobile than children of high-saving, low-income parents.
 - + 71% of children born to high-saving, low-income parents move up from the bottom income quartile over a generation, compared to only 50% of children of low-saving, low-income parents.
- **Higher personal savings also promotes greater upward mobility of individuals within their own lifetimes.**
 - + Among adults who were in the bottom income quartile from 1984-1989, 34% left the bottom by 2003-2005 if their initial savings were low, compared with 55% who left the bottom if their initial savings were high.



Pew Charitable Trusts Report – A Penny Saved is Mobility Earned Nov 2009

But Saving is Hard

Challenges lower-income savers face:

- + **Limited income** – a minimum wage worker makes \$15K a year.
- + **Consumerism** – pressure to buy is everywhere.
- + **Family & friends** – are often in need, creating pressure to share resources.
- + **Few opportunities** – most people save with structured help (e.g., 401(k) plans), but LMI people get little or no such help.



Can Saving be Fun?

Quick Poll – What’s More Exciting?



3022-21
1610

1Your
First
Bank *Anytown, USA*

DATE _____

SIGN HERE IN TELLER'S PRESENCE
FOR CASH RECEIVED

DEPOSIT SLIP

:9124 6027 486586519 30937 3620000 108

CASH	CURRENCY		
	COINS		
LIST CHECKS SINGLY			
TOTAL FROM OTHER SIDE			
TOTAL			
LESS CASH RECEIVED			
NET DEPOSIT			

Gaming & Saving?

38% of those with incomes below \$25,000 think that winning the lottery represents the most practical way for them to accumulate several hundred thousand dollars.

- 2006 Consumer Federation of America study*

Lottery players may seek:

 entertainment

 financial planning / wealth building

Can we strengthen #2 without losing #1?

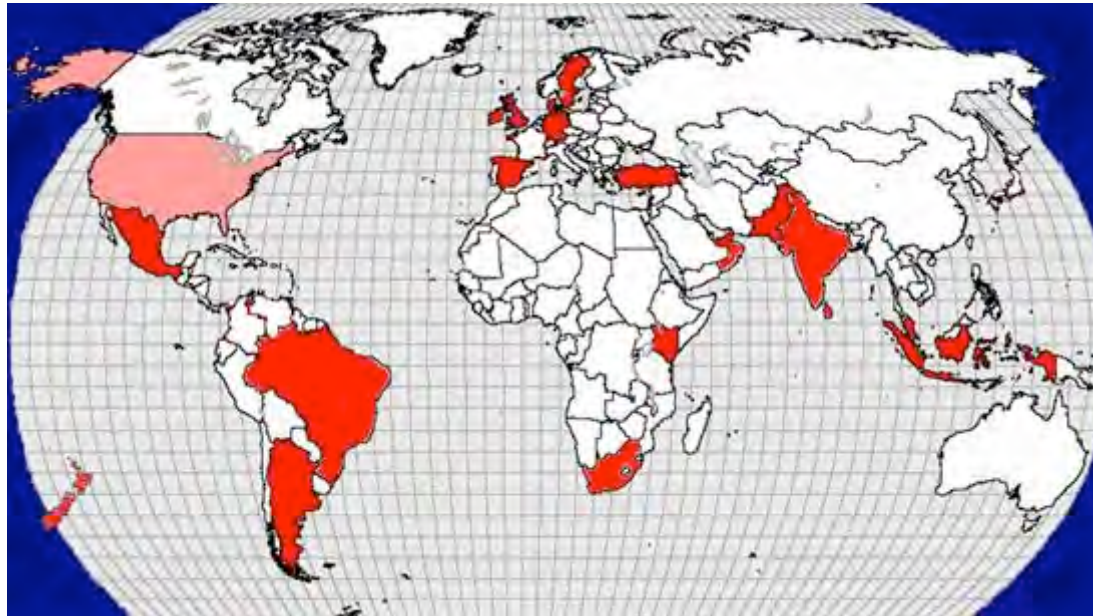
* <http://www.commondreams.org/news2006/0109-05.htm>

How about “Prize-Linked Savings”?

- Concept:
 - Earn chance(s) to win by saving
- Why?
 - Make saving fun, exciting, interesting
 - Provide incentive to save
 - There are no losers – all deposits and interest are safe
- Consider:
 - \$60 *billion* in US lottery sales (2008)*
 - Average of \$515 per household
 - 80% of gambling revenue from HH w/ income <\$50k**

International Precedent

- Argentina
- Brazil
- Denmark
- Germany
- Great Britain
- Kenya
- India
- Indonesia
- Ireland
- Mexico



- New Zealand
- Oman
- Pakistan
- South Africa
- Spain
- Sri Lanka
- Sweden
- Turkey
- United Arab Emirates

Noteworthy:

- \$47B in UK “Premium Bonds” outstanding, 23MM holders
- Swedish “Lottery Bonds” program est. 1918
- Prizes range: \$1.7M tax free (UK), Mercedes (Oman), Motorcycle (Pakistan), DVDs (Mexico)

A Test: **SAVE TO WIN**

– Test concept in the US

- + 8 credit unions in the state of Michigan
- + \$100,000 grand prize
- + \$3.3K / month in smaller prizes
- + \$25 deposit in 1 year Share Cert. = 1 chance to win
- + Max = 10 chances / month (120 per year)



Critical Prize-linked Savings Questions

- Do people want it (demand)?
 - Does “fun” work?
- Does it make a difference (impact)?
 - New savers? New savings?
- Is it good business (sustainability)?



Save to Win Results (2/09 – 12/09)

– Sales

- 11,600 accounts opened
- \$8.6MM deposits
- Avg account - \$734

– Survey findings (n=~6k / 50%+)

- Household income < \$60K: **67%**
 - Less than \$40k: **44%**
 - Less than \$20k: **16%**
- < \$2k in financial assets: **28%**
- Less than a college education: **65%**
- Racial / ethnic minority: **27%**



Findings

- A strong demand for STW accounts exists across credit union members.
- Saving balances grew over the year, although monthly deposit amounts trend downwards.
- **The product attracts financially vulnerable individuals and positively impacts their saving levels.**
- **The product features of the STW certificate help attract first-time product users.**
- Monthly lottery prizes have the potential to motivate individuals to save consistently.

Positive Impact on the Financially Vulnerable

- The product successfully attracted non-savers, the asset poor, and low-to-moderate income groups to open accounts and also made a positive impact on their savings behavior

	At December 2009		
	# of Active Accounts	Total Saved	Avg Account Balance
Non-Savers (56%)	2,824	\$1,660,897	\$588
Asset Poor (39%)	1,849	\$721,227	\$390
LMI (44%)	2,162	\$1,370,471	\$634

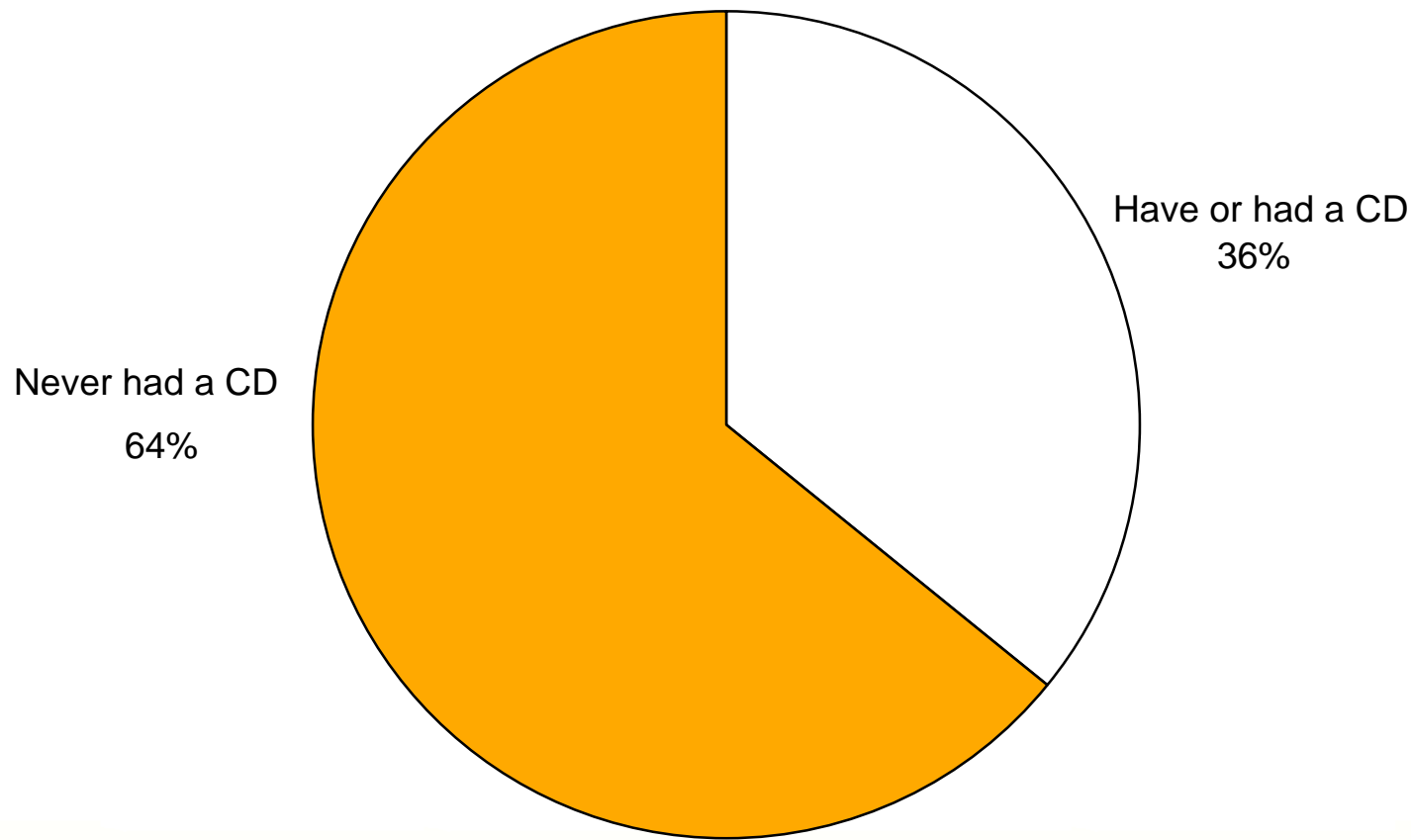
Positive Impact on the Financially Vulnerable

- Survey results indicate that the product successfully attracted financially vulnerable individuals at all eight credit unions.
- Communicating Arts Credit Union (CACU) had the highest reported percentage of asset poor (67%) and LMI (62%) and interestingly also had the highest membership penetration rate (14.9%).

	Non-Savers	Asset Poor	Lottery Players	LMI
CACU	67%	67%	57%	62%
CFCU	54%	29%	68%	43%
CMCCU	53%	27%	66%	36%
E&A	62%	38%	73%	49%
ELGA	56%	46%	57%	46%
Frankenmuth	52%	33%	58%	40%
NuUnion	48%	31%	55%	36%
Option 1	54%	34%	54%	40%

Product Features Attractive

- 64% of survey respondents reported that they never had a share certificate (certificate of deposit) before opening the Save to Win account
- The features of the product—a one-year certificate term, low opening deposit, flexibility to deposit small amounts throughout the year, the withdrawal penalty, and the lure of monthly prizes along with a \$100,000 grand prize—seemed to attract members



Early 2010 results

Save to Win 2010 (12-31-2010)

Michigan “Save to Win” Program		
	2009 (8 Credit Unions)	2010 (36 Credit Unions)
Accounts	11,666	16,833
Amount Saved	\$8.56 million	\$28.1 million
Average Account Balance	\$734	\$1,673

- Over 1,710 members have won more than \$233,000 in prizes

Key Learnings

- The public policy that allows savings promotion raffles in Michigan works.
- “Winning” is a powerful and motivating experience for savers and prospective savers, regardless of the prize size.
- A large headline prize matters.
- The credit union industry is well-suited to incubate and scale a prize-linked savings product.
- Save to Win does an excellent job of getting the attention of both savers and non-savers, but further experimentation and study is needed to develop sustained, consistent savings habits among account holders.
- Promoting a new PLS product requires a thoughtful marketing plan to generate excitement.
- Sales training and sales incentives are low-cost, effective means to generate strong take-up of Save to Win.

PLS Momentum Around the Country

- Clear “Savings Promotion Raffle” provisions:
 - + Michigan
 - + Maine (passed in 2010)
 - + Rhode Island (passed in 2010)
 - + Maryland (passed in 2010)
- Existing laws that may allow for credit unions to offer a PLS-type product:
 - + Alaska
 - + Arizona
 - + Georgia
 - + North Carolina
- Considering PLS/Savings Promotion Raffle Legislation
 - + New Mexico
 - + North Carolina
 - + Nebraska
 - + Washington
 - + Iowa
 - + California
 - + Minnesota

Doorways to Dreams Fund Contact

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