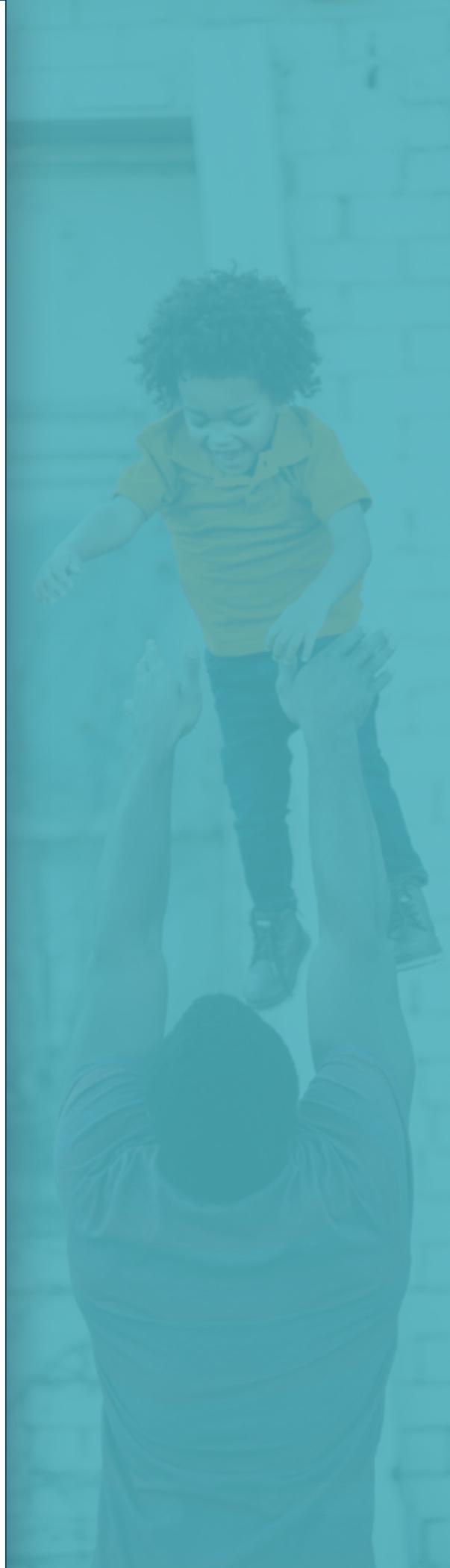




WINcentive Savings 2019 Report

July 2020



Acknowledgements

Commonwealth would like to acknowledge the tremendous work of the Minnesota Credit Union Network and participating credit unions for making WINcentive successful and increasing savings in their communities. Finally, thank you to Ben Hering and WINcentive account holders who helped make this survey possible.

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Commonwealth strengthens the financial opportunity and security of financially vulnerable people by discovering ideas, piloting solutions, and driving innovations to scale. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over 750,000 people to accumulate more than \$2 billion in savings. Commonwealth understands that broad changes require market players to act. That's why we collaborate with consumers, the financial services industry, employers, policymakers and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. Additional information is available at buildcommonwealth.org; follow on Twitter [@buildcommwealth](https://twitter.com/buildcommwealth).

This report was authored by Commonwealth's Dupe Fasawe.



The Minnesota Credit Union Network is the statewide trade association that works to ensure the success, growth, and vitality of Minnesota credit unions. With nearly \$27 billion in assets, Minnesota credit unions are local, trusted financial cooperatives that serve nearly 1.9 million members at almost 400 branch locations around the state. As not-for-profit institutions, credit unions give back to the communities they serve. For more information, visit mncun.org.

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Executive Summary

For many Americans, it can be hard to save for tomorrow when the realities of today are overwhelming. However, a lack of savings can have significant consequences—more than a third of Americans report being unable to handle a \$400 unexpected expense. As the recent economic fallout of COVID-19 has shown, emergency savings are not only necessary for short-term needs, they are key to long-term financial stability and resilience.

How can financial institutions encourage their customers to save? By making saving fun. Prize-linked savings products, such as WINcentive® Savings, are proven to be exceptionally effective in motivating account holders to build positive financial behaviors. Financial institutions can leverage prize-linked savings products to incentivize account holders to save while also benefiting from increased customer acquisition and core deposits. WINcentive Savings, offered by the Minnesota Credit Union Network, is a prize-linked savings program that encourages members to save by offering them a chance to win cash prizes.

Commonwealth's 2019 report on WINcentive Savings offers insights for financial institutions seeking to implement similar programs and strategies for developing successful prize-linked savings products. This report provides an evaluation of the impact of WINcentive on members based on a survey Commonwealth administered between December 2019 and January 2020.

Results of the survey show that members are associating savings goals with their WINcentive accounts. In particular, many members (40%) are saving for a rainy day, which was the top selected reason. The report finds that most members (67%) are motivated by the chance to win prizes and that WINcentive is converting infrequent or non-savers into regular savers. The report concludes that WINcentive is having a positive impact on members' saving behavior and offers recommendations for credit unions to increase uptake and usage of WINcentive accounts.

Introduction

Many Americans struggle to build a financial cushion to save for emergencies. According to a 2019 Bankrate survey, nearly three in 10 people reported having no savings at all, and while one in four reported having a rainy day fund, they did not have enough money to cover three months' of living expenses.¹ Emergency savings can elude households for a number of reasons—a lack of positive cash flow, the framing of saving as a “self-sacrifice,” the lack of high-quality, short-term savings products—however, the result is the same for all: widespread financial insecurity. Households making less than \$60k are less likely to be able to pay for a \$400 emergency expense with cash or the money currently in their checking/savings accounts compared to 23% for households making more than \$60k. Moreover, women-led and Black households are even less likely to pay for a \$400 emergency. Seventy-one percent of Black households and 61% of women making less than \$60k are unable to cover an emergency expense compared to 55% for non-Black households and 57% for men respectively.² In today's more uncertain economic climate, the need for emergency savings has never been greater.

Financial institutions have an opportunity to support their customers' futures by encouraging the habit of saving. The short-term financial stability gained through emergency savings is an important step towards achieving long-term financial security.³ Urban Institute research suggests that households with a liquid savings cushion (non-retirement savings) of as little as \$250 to \$749 are less likely to experience hardship when income disruptions occur. In addition, low-income families with savings are more financially resilient than moderate-income families without savings.⁴

How can financial institutions encourage Americans, especially from low- and moderate-income households, to save? Commonwealth proposes the use of prizes as one strategy to motivate people to build savings, also known as prize-linked savings (PLS).

WINcentive Savings, a multi-institution PLS product, is an example of one of the many PLS programs that currently exists in the US. Now offered at 23 credit unions across Minnesota, WINcentive has established and grown a new pool of savers. Since the product launched in the state, over 7,600 WINcentive accounts have opened with over \$7 million saved and an average balance of \$949. WINcentive is also attracting many credit union members to their first ever highly committed savings product. Commonwealth research has shown that offering the chance to win a prize for saving is effective in promoting savings for account holders and increasing customer acquisition for financial institutions. The following report adds to this body of research through an evaluative survey on the impact of WINcentive on account holders.

¹ <https://www.bankrate.com/banking/savings/financial-security-june-2019/>

² 2019 Survey of Household Economics and Decisionmaking (DATA) Survey data

³ https://assets.aspeninstitute.org/content/uploads/2019/04/Short-Term-Financial-Stability_Report.pdf

⁴ <https://www.urban.org/research/publication/thriving-residents-thriving-cities-family-financial-security-matters-cities>

About WINcentive Savings

Launched in January 2016 at an initial 14 credit unions, this multi-institution PLS product offered by the Minnesota Credit Union Network (MnCUN) was designed to reach credit union members who are not regular savers and who meet at least one criterion of financial vulnerability. WINcentive reaches these members by:

- **Being accessible:** WINcentive accounts require a minimum of \$5 to open, which is lower than typical savings products, thereby making it easily accessible to many members.
- **Encouraging savings behavior:** WINcentive account holders are given one entry for every \$25 saved, up to 4 entries per month, for prize drawings that occur monthly, quarterly, and yearly. The entry requirement encourages small dollar savings, and multiple chances to win encourages continuous engagement with the product.

Prize-Linked Savings

A prize-linked savings (PLS) account is a fun and exciting savings product that encourages members to save by offering a chance to win prizes. Although common among credit unions, PLS is also offered at banks and fintechs, as well as retailers such as Walmart's MoneyCard, a prepaid card with a savings pocket called the "Vault." PLS offers a no-lose proposition: savers who are not selected as winners still "win" by having a savings account with funds that can be used for a variety of needs.

Benefits to financial institutions:

- Attracts members and core deposits.
- Opportunity to cross-sell as members are likely to use other financial products within the institution.
- Increases customer satisfaction, trust, and loyalty.

⁵ Measures of financial vulnerability include high debt, no regular savings, low- to moderate-income, few liquid assets and insufficient emergency savings.

Evaluation of WINcentive Savings

Commonwealth, in collaboration with MnCUN, administered a survey to WINcentive account holders by their respective credit unions for three main purposes:

- **Assess impact on savings behavior:** The goal of WINcentive and PLS accounts as a whole is to increase engagement and incentivize members to build a habit of saving, no matter how small the dollar amount set aside. The survey set out to understand if PLS has had a positive impact on account holders' saving habits.
- **Assess whether the potential to win is motivating members to save:** We wanted to know whether the chance to win prize money is ultimately driving savings by members.
- **Assess whether the program is working from the members' point of view:** We wanted to better understand how members perceive the account and whether there are opportunities to improve the product or address any pain points for account holders.

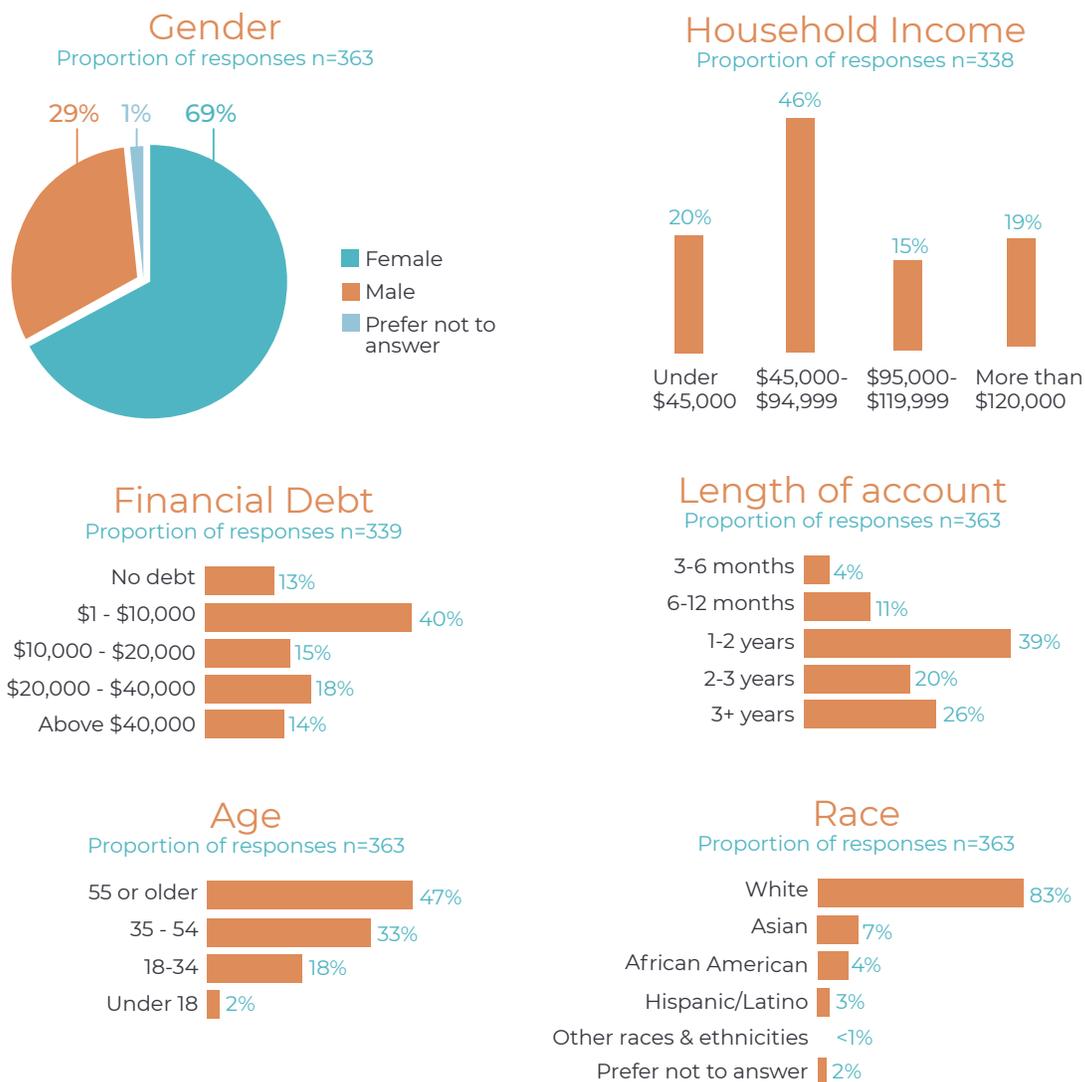
“ [I tell my friends and family] that it is a positive experience because it's a 'piggy bank' you cannot raid whenever you want. It teaches patience and restraint.”

“ I use it for a chance to win while working to make regular savings a habit.”

Methodology and Demographics

The analysis in this report comes from responses to a survey Commonwealth and MnCUN deployed between December 2019 and January 2020. We surveyed members who have had their WINcentive account for at least three months, excluding survey responses that provided insufficient information. Out of 386 total responses, 363 responses were used in our analysis.

Respondents skewed older, middle class, white, and female, although there was representation across various demographics. Most respondents have had their WINcentive account for at least one year.



Graph 1. Demographics of Respondents

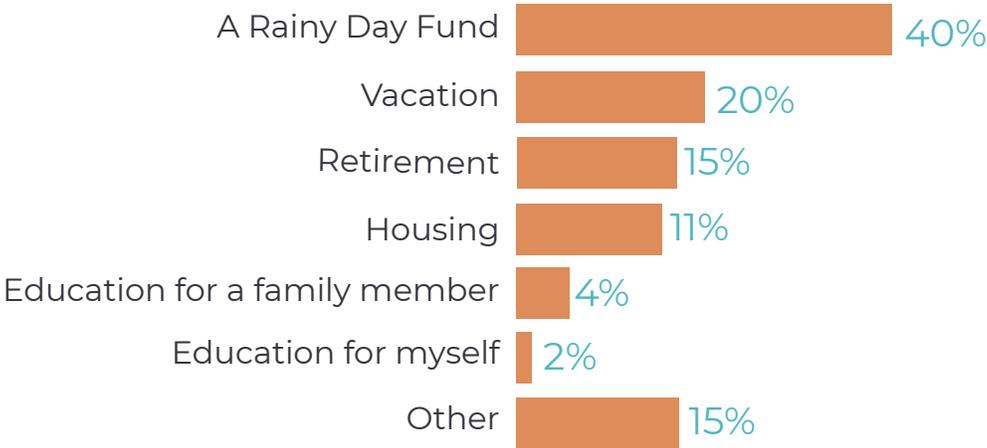
Key Findings

Most account holders are saving for a rainy day, followed by a vacation

Members are mentally associating savings goals with their WINcentive accounts. Many (40%) respondents said that they were saving for a rainy day, 20% said they were saving for vacation, and 15% were saving for retirement. This indicates that many respondents understand the importance of saving for an emergency and are using the account for this purpose, despite a lack of marketing or messaging encouraging this specific use.

What are you saving for?

Proportion of respondents, n=363



Graph 2. What WINcentive members are saving for.

Members who chose “other” specified a range of savings goals from tax, car, insurance, charity, weddings, Christmas/family gifts, and “fun money.”

“ It’s a great incentive to save every month.”

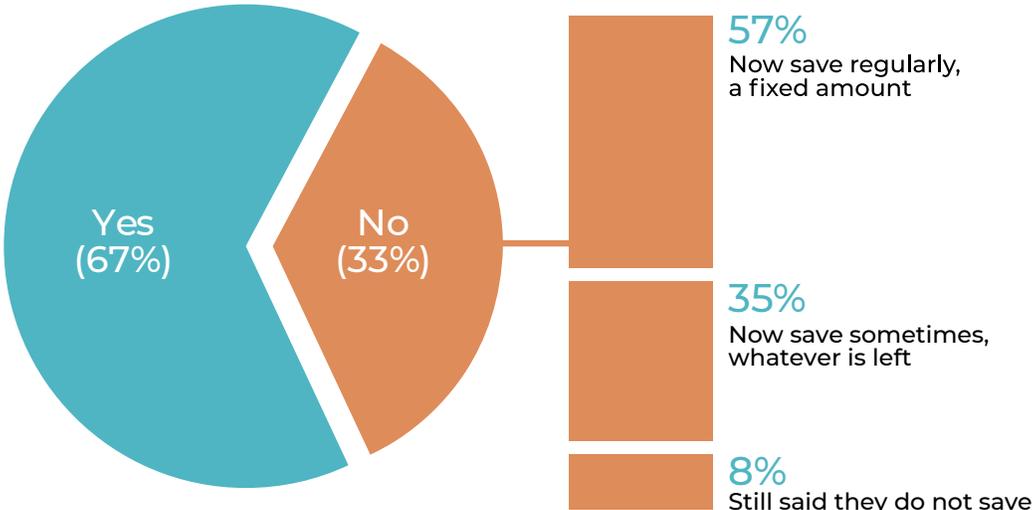
WINcentive is motivating members to save regularly

Thirty-three percent of respondents said that they did not save regularly prior to opening their WINcentive account. When asked how often they save in their WINcentive account now, 57% of those respondents said that they save a fixed amount regularly and 35% said they sometimes save when there's something left. This suggests that many members who were not saving regularly prior to opening a WINcentive account are now doing so.

In addition, of the 67% of respondents who said they did save regularly prior to opening a WINcentive account, nearly half (48%) had only been saving sporadically through the month or whenever they had money left. Since opening a WINcentive account, 65% said they are currently saving a fixed amount regularly every month.

Before opening your WINcentive account, did you save regularly?

Proportion of respondents, n=361



Graph 3. Majority of members now save a fixed amount since opening an account.

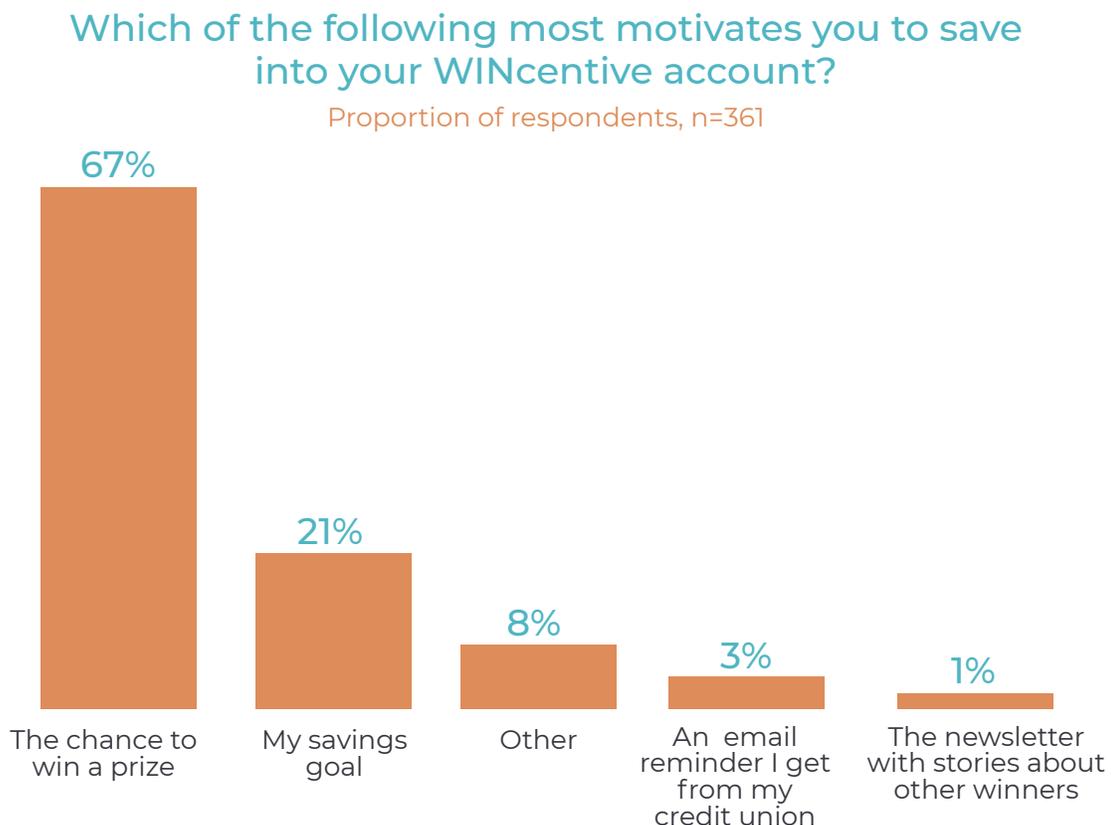
“ Why wouldn't you save here? When there is this incentive [...] on top of building an account for yourself?”

Account holders are utilizing their savings

Respondents were asked if their current balance at the time of taking the survey was the highest balance they have had, and 41% indicated that it was not. This finding indicates that account holders are building savings, withdrawing the funds as needed, and then rebuilding these funds. On closer analysis by savings goals, people who are saving for a rainy day or a vacation are less likely to be at their maximum balance and more likely to have lower balances compared to people saving for other reasons. This finding is not surprising given that saving for a rainy day or vacation implies a shorter time horizon for the savings goal.

Members are motivated by the chance to win prizes regardless of whether they have won a prize or not

Even members who have not been selected as a winner are still motivated to save by the chance to win money; they are also satisfied with the WINcentive account, and are very likely to recommend the account. Eighty-five percent of members agree or strongly agree that they save money because of the potential to win a prize, even though 60% of the respondents have not yet been selected as a winner.



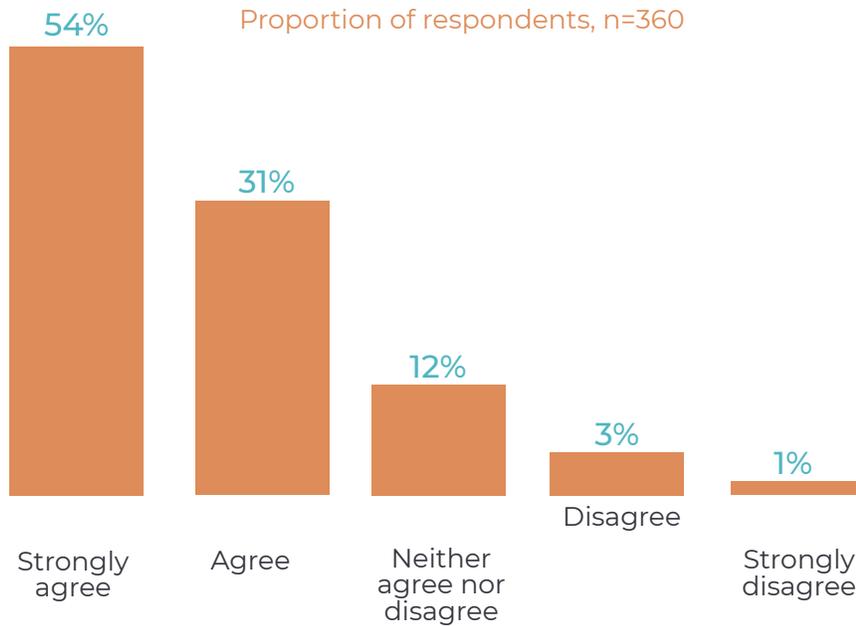
Graph 4. Majority of members are motivated by the chance to win a prize.



You can save money in the account and you have a chance to win money. Also it's a win-win opportunity—it teaches you to save every month and be patient with taking your time on saving. Personal goals are guided by a set of rules that don't allow you to take money out of your account until the due date.”

I save money in my WINcentive account because of the potential to win the prize money

Proportion of respondents, n=360



Graph 5. Majority of members strongly agree or agree that they save money because of the chance to win the prize money.



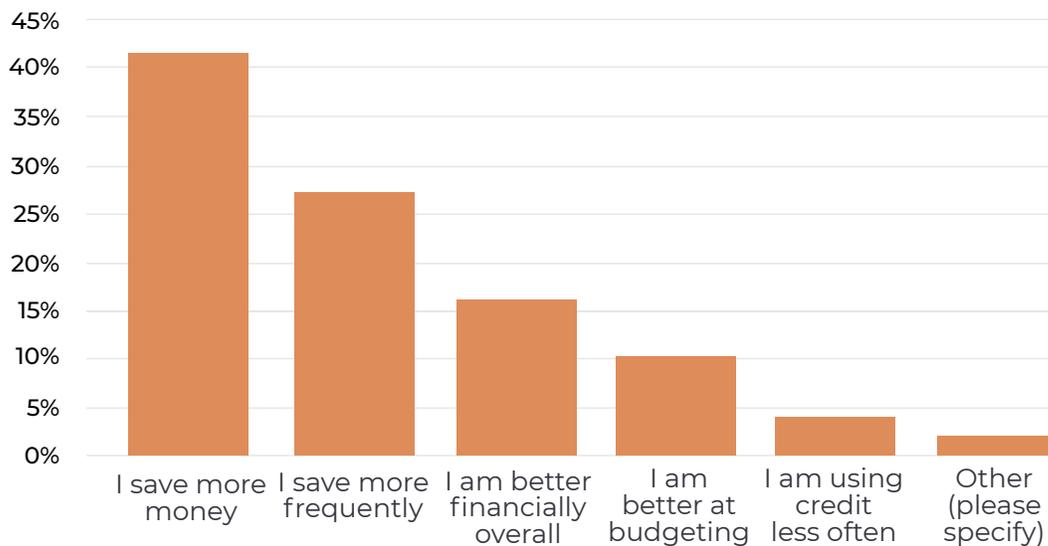
[WINcentive] is a great way to save regularly and the possibility of winning a prize as a result is a bonus.”

WINcentive has affected the way some members treat their finances

When respondents were asked whether WINcentive has changed the way they treat their finances (such as by saving more money or saving more frequently), 34% said yes.

Has WINcentive affected the way you treat your finances? How so (select all that apply)?

Number of responses, n=213



Graph 6. Members responses to how WINcentive has impacted their finances

In general, members are happy with the WINcentive program and are likely to recommend it to friends and family

The majority (81%) of respondents agree or strongly agree that they are happy with their accounts, and 80% are likely or very likely to recommend the WINcentive Savings account to friends and family. More so, even though 62% of the respondents have never been selected as winners, the majority (72%) of them are happy with the WINcentive account.

Takeaways for Product Design and Administration

While this survey has given us insights into how customers perceive the WINcentive Savings account, it also points to opportunities to improve the product to suit members' needs. Commonwealth and MncUN have identified two key areas to consider modifying to ensure that WINcentive is relevant to members and encourages them to build savings as intended.

1. Target marketing and communications to common savings goals

According to the survey, most members use their WINcentive accounts as a rainy day fund or vacation fund. Credit unions offering PLS accounts might consider marketing the product specifically as a way for members to accomplish savings goals, with an emphasis on saving for an unexpected expense or a rainy day. Credit unions could consider allowing members to assign a specific savings goal upon opening a WINcentive account, with the default or recommended options being a rainy day or vacation fund.

2. Identify opportunities to encourage new savers

The survey findings suggest that WINcentive is effective at encouraging non-savers to begin saving. Credit unions should look for opportunities to convert more non-savers into regular savers through data-driven, automatic, and incentivized strategies.



The WINcentive Savings account is a good way to save money and the odds of winning are better than the lottery.”

Key strategies include:

Leverage windfall moments: Members experience high cash inflows at specific periods in the year, the most common period being tax time. Credit unions should consider increased messaging at that time to encourage members to save a portion of their refund. In addition, studies have shown that members are more likely to follow through on pre-commitments which can be used as a way for members to set a plan to save before the windfall arrives.⁷ Well-timed messaging during tax time and other windfall moments, including using pre-commitment devices when a windfall is anticipated, provide members with an opportunity to prioritize savings before mentally allocating that income for other purposes.

Access to employer partners via split deposits: Credit unions can capture more deposits via employer partners interested in helping their employees build financial security. Those employers can offer a PLS program like WINcentive through a partnership with a participating credit union and encourage employees to set up automatic deposits.

Reward members for referring family and friends: Members are likely or very likely to recommend the WINcentive account to others. Credit unions can leverage this enthusiasm for WINcentive to drive more adoption of the account by making it rewarding and easy for members to refer friends and family.

“ I suggested [to friends and family] to start [a WINcentive account] because I like the incentive to save and possibly win prize money. Plus, it ensures I save some money each month.”

“ I tell [friends and family] that they should open [a WINcentive account], especially for their kids to encourage savings habits.”

“ I encouraged a co-worker to sign up for a [WINcentive] account, which she did!”

⁶ Credit unions administer PLS programs differently and thus account restrictions vary.

Conclusion

WINcentive is a significant factor in driving savings behavior in members and has been recognized as an exciting way to save. According to Commonwealth's findings, the WINcentive Savings account serves as a rainy day fund for many members, encouraging even non-savers to save. It has also played a role in the way that existing account holders treat their finances by motivating them to save regularly through the chance of winning a prize. Nevertheless, there is an opportunity to improve the WINcentive Savings account and grow the impact of this program even further. For example, credit unions can encourage members to associate savings goals with the account, or leverage enthusiasm of account holders to attract new members.

Many Americans are looking for easy, fun, and accessible ways to build an emergency fund, and PLS is one of the many innovative products financial institutions can use as motivation. Financial institutions looking to grow their deposits and encourage members to build a habit of savings can also look to PLS programs like WINcentive Savings as an effective strategy to achieve these goals.

For more information on the findings from this evaluation or setting up your own PLS program, contact Commonwealth at info@buildcommonwealth.org. For more information about the WINcentive savings account, contact Ben Hering at bhering@mncun.org.

Appendix : Survey

1. What branch of your credit union do you frequent? (Fill in the blank)
2. How did you hear about the WINcentive Savings Account?
 - a. My Credit Union
 - b. My family or friends
 - c. News publication
 - d. TV or radio
 - e. Social media (e.g. Facebook, Twitter)
 - f. Blog post
 - g. Other (please specify)
3. How long have you had your WINcentive Savings Account?
 - a. 0-6 months
 - b. 6-12 months
 - c. 1-2 years
 - d. 2-3 years
 - e. 3+ years
4. Do you use any other financial products at your credit union?
 - a. Yes
 1. How many?
 1. What type of product? (Select all that apply)
 - a. Another savings account
 - b. A checking account
 - c. A Certificate of Deposit
 - d. Money Market Account
 - e. IRA Savings Account
 - f. Lending product
 - g. Other
 2. When did you open that account?
 - a. Before I opened my WINcentive savings account
 - b. After I opened my WINcentive savings account
 - c. At the same time I opened up my WINcentive savings account
 - d. I'm not sure
 - ii. 2
 - iii. 3
 - iv. 4 or more
 - b. No
5. Before opening your WINcentive Savings Account, did you save regularly?
 - a. Yes, a fixed amount every month
 - b. Yes, whatever was left at the end of the month
 - c. No, I did not save regularly
6. How often do you save in your WINcentive Savings Account?
 - a. Regularly, a fixed amount every month
 - b. Sometimes, whatever is left at the end of the month
 - c. I do not save
7. What are you saving for?
 - a. A Rainy Day fund
 - b. Education for myself
 - c. Education for a member of my family

- d. Vacation
- e. Retirement
- f. Housing
- g. Other (please specify): _____

8. How much would you estimate is in your WINcentive Savings Account right now?

- a. 0-\$50
- b. \$50-\$100
- c. \$100-\$250
- d. \$250-\$500
- e. \$500-\$1,000
- f. \$1,000 to \$2,000
- g. More than \$2,000

9. Is this the highest your balance has been?

- a. Yes
- b. No
- i. What is the largest amount you've had in your WINcentive Savings Account?
 - a. 0-\$50
 - b. \$50-\$100
 - c. \$100-\$250
 - d. \$250-\$500
 - e. \$500-\$1,000
 - f. \$1,000 to \$2,000
 - g. More than \$2,000

10. Which of the following most motivates you to save into your WINcentive savings account?

- a. The chance to win a prize
- b. An email reminder I get from my credit union
- c. My savings goal
- d. The newsletter with stories about other winners
- e. Other (please specify): _____

11. How much do you agree with the following statement: I save money in my WINcentive account because of the potential to win the prize money

- a. Strongly agree
- b. Agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

12. Do you have other savings accounts apart from your WINcentive Savings Account?

- a. Yes
 - i. How many?
 - a. 1
 - b. 2
 - c. 3
 - d. 4 or more

For the following 4 questions, please only think about the other savings account that you interact with most frequently

- ii. What kind of savings account is it?
 - a. Regular savings at another credit union or bank
 - b. IRA savings account
 - c. Certificate of Deposit Account
- iii. When did you open this account?
 - a. Before opening my WINcentive account
 - b. After opening my WINcentive account
 - c. At the same time I opened my WINcentive account
 - d. I'm not sure
- iv. How would you describe the frequency with which you save into this account compared to your WINcentive account?

- a. I save more frequently in this account than my WINcentive Account
 - b. I save less frequently in this account than my WINcentive Account
 - c. I save about the same in this account than my WINcentive Account
 - d. I'm not sure
 - v. How would you describe the amount you save into this account compared to your WINcentive account?
 - a. I save more in this account than my WINcentive Account
 - b. I save less in this account than my WINcentive Account
 - c. I save about the same in this account than my WINcentive Account
 - d. I'm not sure
- b. No
13. Have you ever been selected as a winner through your WINcentive account?
- a. Yes
 - i. How did that make you feel? (select all that apply:)
 - a. Empowered
 - b. Hopeful
 - c. Proud
 - d. Successful
 - e. Discouraged
 - f. Happy
 - g. Bad
 - h. Excited
 - i. It didn't make me feel anything
 - j. Other (please specify:) _____
 - b. No
 - i. How confident are you that you will be selected as a winner at least once?
 - a. Not confident at all
 - b. Not very confident
 - c. Neutral
 - d. Somewhat confident
 - e. Very confident
14. Please select the words that most accurately describe how your WINcentive savings account makes you feel?
- a. Happy
 - b. Excited
 - c. Confused
 - d. Empowered
 - e. Proud
 - f. Encouraged
 - g. Indifferent
 - h. None of the above
15. How much do you agree with the following statement: I am happy with my WINcentive Savings Account
- a. Strongly agree
 - b. Agree
 - c. Neutral
 - d. Disagree
 - e. Strongly disagree
16. Have you ever talked about the WINcentive Savings Account to friends and family?
- a. Yes
 - i. What did you say? (Fill in the Blank)
 - b. No
 - i. How likely are you to recommend the WINcentive Savings Account to friends and family?
 - a. Very Likely
 - b. Likely
 - c. Neutral

- d. Unlikely
- e. Very unlikely

17. How long do you plan to keep your WINcentive account open?

- a. 0-6 months
- b. 6-12 months
- c. 1-2 years
- d. 2-3 years
- e. 3+ years

18. How well do you understand how the WINcentive program works?

- a. I understand it completely
- b. I mostly understand
- c. I somewhat understand, but some aspects confuse me
- d. I don't understand it at all

19. Has WINcentive changed the way you think about or treat your finances?

- a. Yes
 - i. How so (select all that apply)?
 - a. I save more money
 - b. I save less money
 - c. I save more frequently
 - d. I save less frequently
 - e. I am better at budgeting
 - f. I am using credit less often
 - g. I am better financially overall
 - h. Other (please specify:) _____
- b. No
- c. I'm not sure

20. What is your age?

- a. Under 18
- b. 18 - 24
- c. 25 - 29
- d. 30 - 34
- e. 35 - 44
- f. 45 - 54
- g. 55+

21. What is your gender?

- a. Male
- b. Female
- c. Non-binary
- d. I prefer not to answer

22. How would you identify your race/ethnicity?

- a. White, Caucasian, Anglo, European American; not Hispanic
- b. Black, African American, or of African descent
- c. Asian, or Asian American, Pacific Islander, South Asian
- d. Hispanic or Latino/a
- e. Native American/Alaskan Native
- f. Arab or Middle Eastern
- g. I prefer not to answer
- h. Other (please specify:) _____

23. What is your household's approximate total level of income?

- a. Under \$20,000
- b. \$20,000 - \$29,000
- c. \$30,000 - \$39,000
- d. \$40,000 - \$49,000

- e. \$50,000 - \$59,000
- f. \$60,000 - \$69,000
- g. \$70,000 or more

24. If you were to add up all of the money in your savings accounts and your other financial assets today, approximately how much would it amount to? Do not include your mortgage or payments you have made on your home.

- a. \$0
- b. \$1 to \$2,000
- c. \$2,001 to \$5,000
- d. \$5,001 to \$10,000
- e. \$10,001 to \$20,000
- f. \$20,001 to \$40,000
- g. Above \$40,000

25. If you were to add up all of your financial debt (such as student loans, credit cards, auto loans, medical debt, etc.) today approximately how much would it amount to?

- a. \$0
- b. \$1 to \$2,000
- c. \$2,001 to \$5,000
- d. \$5,001 to \$10,000
- e. \$10,001 to \$20,000
- f. \$20,001 to \$40,000
- g. Above \$40,000

26. What is your household's combined annual income?

- a. \$0 - \$9,999
- b. \$10,000-\$19,999
- c. \$20,000 - \$29,999
- d. \$30,000 - \$39,999
- e. \$40,000 - \$49,999
- f. \$50,000 - \$59,999
- g. \$60,000 - \$69,999
- h. \$70,000 or more



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