



**Prize-Based Savings:  
Product Innovation to Make Saving Fun**  
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**Executive Summary**

What if winning prizes while saving money could transform saving into something exciting? Linking the fun of winning cash and prizes with the virtues of saving money, prize-based savings is a new concept in the United States, but is an ancient and common practice around the globe. Ironically, another prize-based activity with few virtues – gambling – is already a billion dollar industry in America with a large customer base playing state-run lotteries and visiting destination gambling sites. In contrast to gambling, prize-based savings accounts provide the opportunity for significant upside winnings without any principal loss on deposits; an account-holder is simply “betting” their monthly interest in order to have the chance to win higher value prizes.

With this in mind, in October 2006 Indiana-based Centra Credit Union launched “Super Savings,” the first ever prize-based product in the United States. Working with Harvard Business School researchers and funding support from the Filene’s Research Institute and Affinity Plus Credit Union, D2D assisted Centra in the pilot testing of Super Savings. Key highlights from the experience include:

- *Customers want the product.* In initial customer intercept research, over 58% of those surveyed in Indiana expressed an interest in the product. Even with limited marketing, Centra opened over 1,300 Super Savings accounts and amassed over \$500,000 in deposits within three months of launch. This represents 1.3% of the Centra member base in early 2007.
- *The product hits the non-saver target.* Based on the customer intercept research, the likely buyers are people (a) who are heavy lottery buyers, (b) with virtually no savings, (c) with no savings plan, and (c) with optimistic expectations about their future.
- *Deposits in the product were fairly sticky.* Additionally, most customers were maintaining their deposit balances in the product following the first three months of the launch.
- *Prize-based savings requires consistent marketing.* Facing competition from heavily marketed alternatives like state lotteries and riverboat casinos, prize-based savings products require innovative marketing programs.
- *The legal restrictions on prize-based savings are substantial.* In the current environment, US programs are most likely to be structured as sweepstakes with “no purchase required,” given state monopolies on lotteries.

Since the launch of Centra’s Super Savings, two more credit unions, ELGA Credit Union and FORUM Credit Union, have begun offering prize-based savings products with promising early results (See **Appendix B**).

Even with these product launches, opportunity for innovation remains. The most appropriate credit unions to lead further work on prize-based savings products will likely be:

- *pursuing growth* – looking for new ways to attract new members or increase deposits;

- *seeking change* – trying to invigorate a more traditional and standard product offering; and
- *reaching down market* – interested in having a broader impact on low-to-moderate income (“LMI”) savings behavior.

D2D Fund, a nonprofit organization based in Roxbury, MA, is committed to continue to research this product and to support financial institution partners which seek to develop and launch prize-based products that meet the needs of their members and, in particular, appeal to LMI customers. The mission of D2D is to expand access to financial services, especially asset building opportunities, for low-income families by creating, testing and deploying innovative financial products and services.

## **Introduction**

Prize-based savings accounts are based on a simple idea: the accounts pay a form of interest by awarding prizes to account holders based on entries determined by an account metric, such as average monthly balance.

Although not used extensively in the United States, prize-based savings products are offered around the globe – two examples are the United Kingdom’s Premium Bond Program and the First National Bank (FNB) of South Africa’s Million-a-Month savings accounts.<sup>1</sup> As researchers have noted, “In aggregate, the Premium Bond program accounts for a substantial amount of savings activity in the U.K., with one in four British households holding £ 31.1 billion outstanding.”<sup>2</sup> In two years time, South Africa’s program has generated 750,000 accounts and raised over 1.2 billion Rand.<sup>3</sup>

Why might prize-based savings accounts be a good idea for the United States? Gambling is a pervasive and well-established industry in the U.S. encompassing state lotteries, riverboat casinos, and gambling destinations like Las Vegas. The annual gambling losses of Americans exceed our combined spending on movie tickets, recorded music, spectator sports, video games, and theme parks.<sup>4</sup>

- *Gambling is big business.* In 2005, gross gambling revenues were about \$84 billion with over 90% of revenue derived from commercial casinos (\$31.85 billion), lotteries (\$22.89 billion), and Indian casinos (\$22.62 billion). Gross gambling revenue (GGR) is the amount wagered minus the winnings returned to players.<sup>5</sup>
- *Gambling is regressive.* A 1999 National Gambling Impact Study showed that 80% of gambling revenue comes from households with income less than \$50K; the same report

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<sup>1</sup> Cole, S., Collins, D., Schneider, D., and Tufano, P. (2007) "First National Bank's Golden Opportunity," Harvard Business School Case 208-072.

<sup>2</sup> Tufano, Peter. 2007. “Saving whilst Gambling: An Empirical Analysis of U.K. Premium Bonds,” Harvard Business School and NBER Working Paper.

<sup>3</sup> Ibid.

<sup>4</sup> Lange, Mark (Christian Science Monitor). May 6, 2007. “States That Allow Gambling Soak the Poorest Residents,” Deseret Morning News.

<sup>5</sup> ([http://www.americangaming.org/Industry/factsheets/statistics\\_detail.cfv?id=7](http://www.americangaming.org/Industry/factsheets/statistics_detail.cfv?id=7), American Gaming Association Fact Sheet). \$84 billion also includes card rooms, charitable games and bingo, legal bookmaking, and pari-mutuel wagering.

indicates that households with incomes less than \$10K spent 3 times as much gambling – in aggregate real dollars – as those with incomes greater than \$50K.<sup>6</sup>

- *Many Americans view gambling as part of their financial plan.* Recently, the Consumer Federation of America (CFA) and the Financial Planning Association® (FPA®), found that “more than one-fifth of Americans (21%) -- 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.”<sup>7</sup>

Although controversial, gambling is a major and growing industry with an impressive financial track record over the last decade. The concept of prize-based savings recognizes this reality, focuses on the entertainment value, and attempts to leverage it to encourage savings. Prize-based savings offers a way to capture the fun of winning prizes, but without risking any principle and with the knowledge one is building an important financial asset.

With the 2006 US national savings rate measured at negative one percent<sup>8</sup>, America clearly needs an innovative product to attract new savers and new savings. During the last year, D2D partnered with the Centra Credit Union to test this concept on a small scale.

### **Centra Super Savings: An American First**

In October 2006, Centra Credit Union became the first U.S. credit union to offer a prize-based savings product. Centra is located in Southern Indiana and has over \$482 million in deposits and more than 100,000 members. Nan Morrow, the VP of Corporate Development and project champion of the program, and the Centra team expressed a strong desire to reach low-to-moderate income (“LMI”) savers by making savings fun and creating a low minimum account.

Prior to the launch of the Centra product, a Filene Research Institute i3 team of credit union executives explored this innovation. I3 (ideas, innovation and implementation) teams are cross-organization credit union teams working to develop new product ideas. Working with Peter Tufano and Daniel Schneider of Harvard Business School, the i3 team presented a report in the fall of 2006 proposing that credit unions launch prize-based savings.<sup>9</sup> The team began to look for possible CUs to launch the product. With the help of Denise Gabel at Filene, this team began to work with Morrow as she looked to launch a prize-based product.

Centra Super Savings has a typical savings account structure in all respects but one. Deposits earn 0.5% interest (vs. the member share rate of 1.40% APY)<sup>10</sup> but account holders have a chance to win prizes. All members and branch employees are eligible to open a Super Savings account. Every \$25 in average balance qualifies an account holder for one entry in a monthly prize drawing.<sup>11</sup> Centra offers a variety of prizes each month – with a top prize worth \$1000 – and

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<sup>6</sup> National Gambling Impact Study Commission. June 18, 1999. *National Gambling Impact Study Final Report*. Washington DC.

<sup>7</sup> <http://www.americasaves.org/downloads/www.americasaves.org/01.09.2006.pdf>

<sup>8</sup> [http://commonlaw.findlaw.com/2007/02/us\\_has\\_negative.html](http://commonlaw.findlaw.com/2007/02/us_has_negative.html)

<sup>9</sup> <http://filene.org/i3/project/15>. The i3 team included Darin Woinarowicz (Orange County Teachers FCU), Linda Brown (Service 1st Federal Credit Union), Mark Forsyth (National Institutes Of Health FCU), Denise Gabel (Spokane Teachers Credit Union) and Phil Smith (Affinity Plus Federal Credit Union).

<sup>10</sup> Interest rate figures are as of October 2006.

<sup>11</sup> To comply with sweepstakes laws in Indiana, no purchase is necessary to enter the drawings, and a 3x5 card entry process is allowed for anyone. In other countries, this product is generally not structured as a

account holders may win one prize a month. In addition, each account holder receives one entry for in a quarterly and annual prize drawing regardless of their balance.<sup>12</sup> The quarterly prize doubles account holder savings up to \$1,000. The annual prize, awarded at the Centra Annual Meeting, is \$5,000 in cash or equivalent merchandise. The probability associated with an individual account holder winning a prize is linked to the amount of deposit money (monthly) and number of Super Savings account holders (quarterly, yearly).

In designing this prize structure, Morrow conducted focus groups in Southern Indiana with potential customers. Because participants reported a desire for frequent chances to win lots of little prizes, she chose to offer about 10 prizes each month with a top prize worth \$1,000. Prizes are not cash, but instead popular consumer goods (e.g., laptops, stainless steel grilles, etc.) and gift cards for various merchants. The size of the prize pool reflected the investment that Centra was willing to make in the product in advance of seeing realized demand.

### *The Study*

D2D Fund assisted Centra with operational elements of the Super Savings product launch and studied the process and results. D2D hoped to understand the real world implications of marketing, training staff, and providing customer service for a prize-based savings account in the United States. In addition, D2D hoped to learn about the optimal prize structure, drawing frequency, and resulting customer incentives. Key research questions during the pilot phase included:

- What is the extent of the demand for prize-based savings products?
  - Who would use the product?
    - Current credit union members?
    - New members?
  - Who would *not* demand the product?

### *A Two Branch Pilot*

Before launching branch wide, Centra pilot tested the Super Savings product beginning on October 18, 2006 at locations inside a Wal-Mart Super Center in Clarksville, IN and a Whitakers, NC Cummins Engine Plant. In Clarksville, Centra and D2D intercepted Wal-Mart customers to collect 759 surveys throughout the course of the pilot.

During the study period (**Table 1.1, Appendix A**), over 150 Super Savings accounts were opened between the two locations and almost \$22,000 in deposits were collected. 83% of the deposits were in Whitakers, NC, and the average balance per account was five times as high in Whitakers as Clarksville by the end of the pilot. Approximately 33% of accounts opened were \$0 balance accounts, meaning customers agreed to open an account but did not make an initial deposit.<sup>13</sup> The table in **Appendix A** provides a snapshot as of December 2006 of the pilot locations' performance.

Although the total number of accounts opened in each branch was about the same, the performance of the product varied greatly between the two locations. The Clarksville location was a new branch

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sweepstakes. State lottery laws and banking/credit union regulations make it difficult to mimic the international structure in the US.

<sup>12</sup> Beginning in October 2007, a minimum balance of \$25 qualified account holders for entry in these drawings.

<sup>13</sup> In order to attract LMI savers, Centra decided to have no minimum balance requirement to open this account. It also simplified the no purchase requirement aspect of sweepstakes guidelines.

that had opened earlier in 2006 and was still building its member base. This branch also represented one of Centra's first forays into co-locating at a retail location. To further complicate matters, the branch had management changes, and staff turnover that limited the effectiveness of the product launch. In contrast, the Whitakers location had served a self-contained employee population at the Cummins plant for decades, and the branch knew its members quite well.

#### *Branch-wide Roll-out*

On January 1, 2007, Centra rolled out the Super Savings product to all 22 branches. Three and half months into this launch (mid-April), Centra had opened 1,327 active Super Savings accounts which averaged \$375 per account with total deposits of \$497 thousand. From mid-April until the end of July, Centra maintained an average of 1,350 Super Savings accounts, about \$529 thousand in total deposits, and \$392 per account in deposits. Unfortunately, we do not have information on how this compares to other product launches at Centra.

The total number of Super Savings accounts, the total amount of deposit dollars, and the average deposit per account hit a plateau in mid-April which may be due to a number of factors. Plotting total accounts per week and new accounts per week over time (**Graph 1.3, Appendix A**) indicates the decline in new account openings is one driver of the flattening curve. An analysis of total deposits and average deposit per account per week on the same graph (**Graph 1.4, Appendix A**) reveals that current holders neither put in nor took out a great deal of money, indicating that these deposits were fairly sticky. Further review of customer, product, and operational findings will shed additional light on this plateau.

#### **Preliminary Findings**

In developing our findings related to Centra Super Savings, D2D reviewed the randomized customer intercept survey, anonymous Centra account information, and cross-tabulated demographic data. Based on the Centra experience, preliminary findings fall into three categories: customers, product, and operations. Our goal in drafting these findings is to help inform innovation by other interested credit unions and financial institutions.

#### *Preliminary Customer Findings*

As noted, Centra and D2D collected 855 random customer intercept surveys at a Wal-Mart Super Center in southern Indiana during the Super Savings pilot launch, of which 759 were completed full surveys that were able to be analyzed. These surveys probed people on their interest in the product, as well as demographic and buying traits. With this information, we can analyze characteristics of likely prize-based savers. Table 1.2 (**Appendix A**) draws a detailed comparison between the two samples of responses to interest in general prize-based product along with the overall sample of the survey.

Compared to customers not interested in the product and the overall sample, we observed that individuals interested in the product were more likely to:

- Not have a regular savings plan
- Have less than \$2,000 in savings/investments;
- Spend more than \$150 month on lottery tickets
- Be optimistic about their future income prospects.

This portrait is in stark contrast to those who did not express interest. Uninterested consumers were more likely to have over \$40,000 in savings/investments, to be retired, to have lower expectations for the future, to save regularly, and to play big jackpot lottery games, like Powerball. The forthcoming “Consumer Demand for Prize-linked Savings: A Preliminary Analysis” (Tufano, et.al. (2007)) provides additional detail on the characteristics of those who expressed an interest in the product.

In brief, it is intriguing that this savings product is of most interest to nonsavers who play the lottery heavily—precisely the target market we had anticipated. With 44% of those expressing interest having savings/investments of less than \$2,000, we believe that prize-based savings products might be able to materially change the level of saving for these households. The challenge ahead will be in translating that interest into action.

By cross-tabulating account holder information with Centra’s demographic database, we were also able to learn something about Super Savings consumers. Super Savings households tend to have double the number of accounts with Centra than non-Super Savings households. These households are more apt to have checking and CD’s with Centra than the rest of the member households. Otherwise, Super Savers appear to have similar characteristics to the rest of the Centra household population. Take-up of Super Savings appears to be slightly less represented in the over \$125K income segment. Finally, Super Savings had less penetration in the over 66+ crowd, while slightly more appeal to the 18-25 and 36-45 age groups.

Super Savings accounts also appear to have strong appeal to households who have been with the credit union less than one year. Also noteworthy, over 247 new members joined Centra on the day they opened their Super Savings account. Two caveats: (1) one of the pilot locations opened in 2006, and thus presumably was still acquiring a member base; and (2) given Centra’s limited outreach marketing, one cannot conclude Super Savings drove new membership rather than simply appealed to new members.

### *Preliminary Product Findings*

The prize structure of a prize-based savings product consists of three components: (1) prize frequency (e.g., weekly, monthly, yearly, etc.); (2) prize size and type(s); and (3) prize entry requirements.

The Centra experience suggests that prize structure impacts account holder behavior. In the case of Super Savings, a natural segmentation occurred, with at least three groups of account holders emerging after the product launch:

- *Annual-Only Players (35%):* Almost a third of Super Savings accounts have balances less than \$25, qualifying them only for the quarterly and annual prizes.<sup>14</sup> While given an entry for the quarterly prize draw, the “double your Super Savings balance” prize is of limited value on a balance under \$25. However, these members have the same chance as other Super Savings account holders for the annual \$5,000 prize.
- *Small players (43%):* A significant number of Super Savings account holders have maintained balances in the \$25 (1 monthly prize drawing entry) to \$200 (8 monthly

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<sup>14</sup> Starting in October 2007, Super Savings account holders with a balance of \$25 or higher qualified for the quarterly and annual prizes.

entries) range. These members receive a few entries in the monthly prize draw, but did not grow their account balances.

- *High Rollers (9%):* A small percentage of account holders contribute the overwhelming majority (more than 70%) of total deposit dollars. These individuals dominate the entries for the monthly prize. With other short-term savings options at Centra offering 1.4% APR, these big players will earn a higher return each year if they win just one or two monthly prizes.

In addition to this apparent natural segmentation, we observed that the majority of account holders were not actively draining their Super Savings accounts. Yet, they are also not actively increasing deposits in their accounts. With limited ongoing marketing to remind account holders about the monthly drawings and the possibility of winning, members do not appear fully engaged. Additionally, branch staff may have moved on to promote other credit and savings products. After the sales incentive offered to branches in the early months of the product launch, no further marketing incentives were employed.

#### *Preliminary Operations (Marketing, Training, IT, etc.) Findings*

Centra Credit Union has a centralized structure that relies on branch-level of execution of individual product marketing. Marketing collateral for Super Savings (see **Figure 1.5, Appendix A**) included branch posters, flyers, and buck-slips, which were sent to all branches. To support the Super Savings product launch, Centra developed a branch-wide account-opening competition as well as an incentive for the employee who opened the most accounts in each branch. A branch manager conference call was held to announce the product, answer questions, and generate excitement for the launch.

As discussed above, after a successful launch, Super Savings account openings and total deposits tapered off (**Graphs 1.3 and 1.4, Appendix A**). Several dynamics may explain this experience. Without ongoing marketing support, account holders may simply have forgotten about their accounts. Heavy marketing from competing prize oriented products, such as the Indiana state lottery, may have persuaded account holders to spend rather than save money they allocate for gaming entertainment. Third, Super Savings is only one product in a portfolio of depository offerings from Centra; as a result, the product faces internal competition for customer and employees' attention and resources. Finally, prize-based savings was affected by the overall credit union business priorities; early in 2007, Centra stressed lending over deposit growth.

During the fall months of 2007, Centra planned to re-invigorate the marketing of Super Savings in an effort to regain the account's early momentum. Centra will put Super Savings on the credit union's home page, develop inserts for local newspapers, and offer prize entries as incentives linked to other Centra products (e.g., home equity loans). Additionally, Centra plans to require a \$25 balance going forward for account holders to enter the quarterly or annual drawings.

#### **Interpretations**

Key findings from the Centra experience include:

- Demand exists for the product among credit union members. Centra opened 1,300 accounts in three months with minimal marketing and amassed over \$500K in deposits.
  - A challenge for credit unions offering the prize-based accounts is figuring out how to sustain excitement after the initial enthusiasm of a product launch.

- Winning prizes while savings is appealing, especially to an interesting target of potential savers who do not currently have savings plans or substantial savings. Initial evidence points to strong appeal among those with \$2,000 or less in savings or investments.
  - Credit unions will need to figure out how to translate interest in a prize-based product in to new memberships. In the pilot, over 60% of those surveyed in Wal-Mart who expressed interest in a prize-based product were not Centra members.
  - Also during the pilot, Centra only converted about 7% of Clarksville Wal-Mart customers interested in prize-based savings into Super Savings account holders.
  
- Prize-based savings appears to interest new credit union members. Over 250 new members opened a Super Savings account on the day they joined Centra. However, it is not clear if an interest in the Super Savings product drove people to join the credit union or if joining the credit union introduced people to the prize-based product.
  
- Account holders appeared satisfied with the product. Despite the option to deposit money in other Centra accounts or high-interest earning online banks, members are not immediately draining their prize-based accounts. While Super Savings deposits did not continue to grow dramatically over time, we did not observe significant account draw downs, either.
  - Institutions offering prize-based products must figure out how to drive new money into accounts consistently and over a longer time horizon.
  
- The long run economics of the product demands that the scale of the deposit base be large enough to support prizes that are economically meaningful, even absent costs of marketing and account servicing. For example, if a credit union's member share rate were 2%, and it wanted to deliver no more than that rate in aggregate to its prize-based holders, it would need a base of \$600,000 in accounts for each \$1000 in prizes awarded each month ( $\$600,000 = \$1000 / (.02 / 12)$ ). This calculation, however, fails to take into account not only other costs (marketing and servicing), but other benefits, in particular the ability to acquire new members at low costs and to provide them other credit union services. It also ignores the mandate of the credit union to serve underserved customers. Finally, it ignores the public relations impact, both at the local and industry level, of being a leader in launching a disruptive savings model.

### **Looking Ahead**

The Centra Super Savings pilot and roll-out was a robust learning experience with implications for future prize-based savings endeavors. While additional learnings will emerge over the coming months through the work of ELGA Credit Union and FORUM Credit Union, Centra's launch provides several important lessons, including:

- *Persistent and creative marketing is essential.* Without ongoing, creative marketing support, prize-based account holders appear to lose interest in the product or be distracted by competing gaming offerings. Future adopters of the prize-based concept may wish to borrow ideas from the state lottery marketing machines, as well as trying to:
  - Publicize prize winners in a way that connects with their member community;
  - Announce drawings or create countdowns to generate natural reminders;



- Feature prizes in marketing communications related to other products; and
  - Offer extra drawing entries as a no-cost incentive tool to drive customer behavior.
- *Further experimentation with prize structure is warranted.* Given its size and scale, Centra offered an array of smaller monthly non-cash prizes, a quarterly cash prize (with a value tied to an account holder’s savings), and an annual cash prize of \$5,000. In order to peak and maintain consumer interest, research indicates both that prize size is relevant as well as prize variation/frequency.<sup>15</sup> Other prize structure variations to explore include: (1) more frequent – perhaps even weekly – prize drawings; (2) larger, if perhaps less frequent, prizes (e.g., \$100,000 or \$1,000,000); or (3) all cash prizes.
  - *Sustaining savings growth in prize-based accounts may pose a challenge.* While Centra opened many Super Savings accounts, over time deposits leveled off; incentives in the product structure or marketing support could explain this. Centra based drawing entries on balances (monthly drawing) and a member simply having an open account (quarterly and annual drawings) rather than, for instance, savings activity. ELGA and FORUM credit unions have both taken slightly different approaches in this area (**Appendix B**).
  - *Important legal issues about prize-based savings remain to be resolved.* Activities judged to be lotteries are subject to both state and federal regulations. Arguably, state governments have created a monopoly on gambling or activities which resemble it, which has the effect of protecting revenue-generating lotteries. Interested financial institutions should carefully review state sweepstakes and lottery laws and federal regulations. Michigan lottery laws, for example, include a savings raffle “carve out” which may make prize-based savings products more feasible.
    - Further innovation will continue to create momentum for regulatory changes.

We do not yet fully understand the potential of prize-based savings products in the United States. Much opportunity for further learning and innovation remains. For instance, we have preliminary, but not confirmatory evidence that the product appeals to low-to-moderate consumers, those perhaps most in need of additional savings and most likely to play money losing games of chance like the lottery.

With preliminary evidence of demand for prize-based products, future product launches should seek a better understanding of those who buy the product and why. Additional research should explore other key questions, such as:

1. Will prize-based savings increase savings?
  - a. Do savers shift money among products? (i.e., substitute savings)
  - b. Do savers add new money to their accounts? (i.e., complementary savings)
  - c. Would money being saved have been spent elsewhere on gambling (e.g. lottery)?
2. Will prize-based savings increase savings over time?
  - a. What happens to saving balances after 6 months, 1 year, 18 months?

Future testing of this concept should help answer these questions both for researchers and the credit union industry.

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<sup>15</sup> Mauro F. Guillén, Mauro and Tschoegl, Adrian. “Banking on Gambling: Banks and Lottery-Linked Deposit Accounts,” The Wharton Financial Institutions Center, April 2000.

### *Further Innovation*

D2D believes that prize-based savings, to realize its potential, demands innovation by credit unions. A partnership among multiple credit unions could create economies of scale, reduce start-up costs for any one institution, and support larger, more attention-getting prizes. Research on the UK Premium Bond program suggests that prize size is one of the determining factors of the net sales of the bonds. (Tufano (2007)) The successful premium bond program in the UK and the “Million a Month” account in South Africa both break the “million mark” (pounds and rand, respectively) in prize money, and the earliest known example, the “Million Adventure” used a similar figure.

As noted, the product can transfer beyond Indiana and Centra Credit Union. Leveraging Nan Morrow and the Centra experience as a resource along with the Filene Research Institute, both ELGA Credit Union and FORUM Credit Union have launched prize-based products that have shown initial promise (**Appendix B**). D2D hopes to see continued experimentation with and growth of this product, with documentation of lessons learned and careful attention to the impact on low-to-moderate income household savings.

### **Acknowledgements**

D2D Fund would like to thank Centra Credit Union. It should be noted that many parts of Centra Credit Union were invaluable to assisting with the ongoing evaluation. D2D is particularly grateful to Nan Morrow, VP of Corporate Development for her continued to commitment to this endeavor and understanding how this product might meet the needs of low-to-moderate income consumers. D2D would also like to thank the Filene Research Institute and Affinity Plus Credit Union for financial support of the survey research. We would like to thank both Karen Church (ELGA) and Kim Peace (FORUM) for discussing their prize-based savings work. D2D is indebted to Peter Tufano, Jan-Emmanuel De Neve, Emily McClintock Ekins, and Danny Schneider.

### **Research Statement**

No private member information was shared with D2D Fund. All information analyzed for this study was anonymous. All data was received by verbal and signed consent of the individual research subject. Research protocol was reviewed by the academic Institutional Review Board.

### **About D2D Fund, Inc.**

D2D Fund, Inc. ([www.d2dfund.org](http://www.d2dfund.org)) is a non-profit organization that expands access to financial services, especially asset building opportunities, for low-income families by creating, testing and deploying innovative financial products and services. D2D works with the financial services industry, public policy organizations, national non-profit groups, and grassroots community agencies to generate promising ideas, pilot test systems and programs, build awareness of the needs and potential of low-income communities, and advocate progressive social and economic policy.

This working paper is preliminary. Questions, comments and suggestions are welcome.

**Appendix A: Supporting Charts, Graphs**

	<i>Accounts</i>	<i>Deposits</i>	<i>Avg. Deposit</i>
Whitakers, NC	72	\$18,015	\$250
Clarksville, IN	80	\$3,772	\$47
<b>Total</b>	<b>152</b>	<b>\$21,788</b>	<b>\$143</b>

	Entire Sample	Yes, I'm interested	No. I'm not interested
% of Total Sample <sup>16</sup>	100%	58%	26%
<b>Savings/Investments</b>			
Less than \$2,000	36%	44%	28%
\$2,001 to \$5,000	16%	16%	17%
\$5,001 to \$10,000	11%	10%	11%
\$10,001 to \$20,000	11%	10%	9%
\$20,001 to \$40,000	8%	9%	7%
Greater than \$40,000	18%	12%	29%
<b>Employment Status</b>			
Full-Time	59%	62%	45%
Part-Time	11%	11%	12%
Student	3%	2%	2%
Retired	12%	11%	23%
Work in the Home	5%	4%	6%
Unemployed	10%	11%	12%
<b>Marital Status</b>			
Married	46%	41%	55%
Living with a partner	12%	14%	7%
Widowed	5%	4%	8%
Divorced	15%	14%	16%
Separated	4%	5%	1%
Never Been Married	18%	21%	13%
<b>Age</b>			
Under 45	55%	59%	35%
45 and Older	45%	42%	65%
<b>Future Expectations</b>			
Better/Improve	74%	81%	56%
Worse	5%	3%	9%
About the Same	21%	16%	35%

<sup>16</sup> 16% answered "Don't Know"

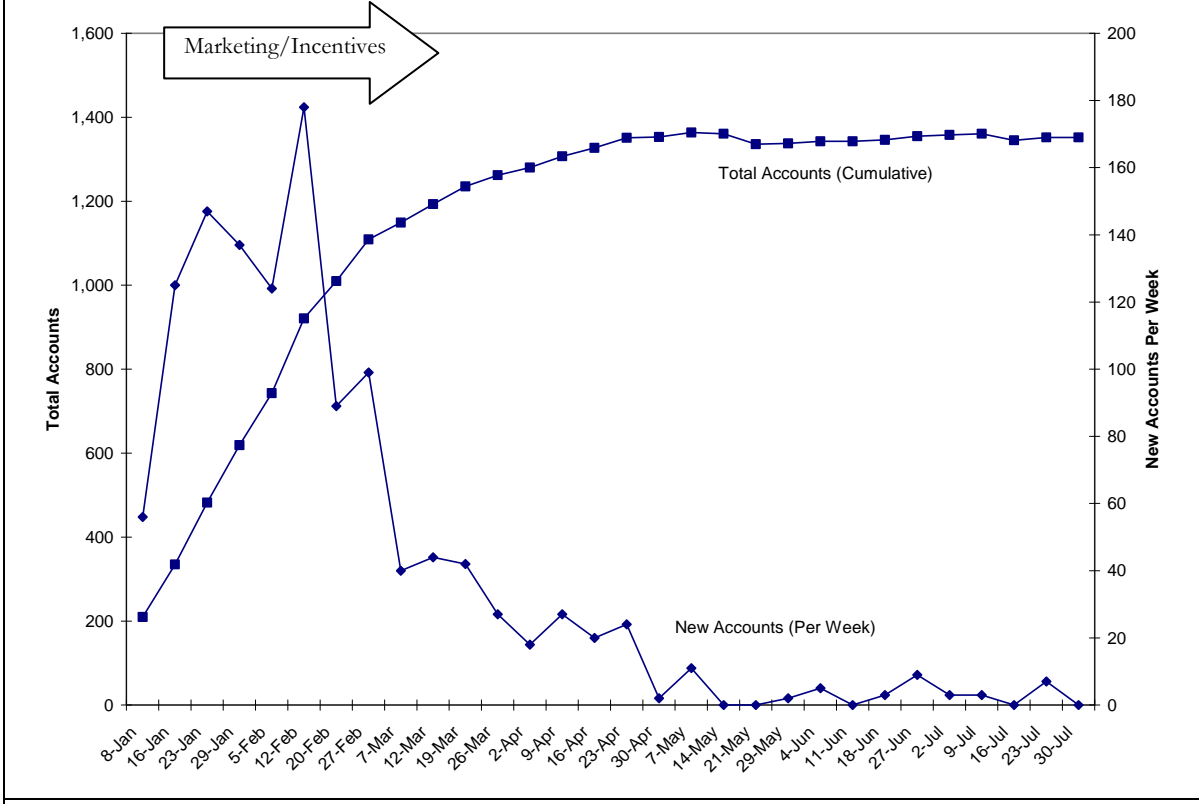
**Table 1.2 (continued): Would you be interested in a savings account that awarded chances to win prizes based on the amount of money you save? The account would also have no fees, no minimum balance, and still earn interest.**

<b>Savings Habits</b>			
Spend More than Earn	10%	11%	4%
Spend as Much as Earn	25%	31%	21%
No Regular Plan	27%	25%	24%
Save One Family Member's Income	3%	1%	2%
Save Other Income	6%	6%	7%
Save Regularly	30%	26%	41%
<b>Any Gambling Behavior</b>			
Scratch Tickets	43%	46%	41%
Daily/Weekly Lottery Games	16%	19%	13%
Big Jackpot Lottery Games	44%	40%	45%
Riverboat Casinos	34%	32%	39%
Horse Racing	16%	16%	16%
<b>Spending on Lotteries/Gambling (Last 6 Months)</b>			
\$0	43%	42%	45%
Less than \$50	33%	34%	31%
\$50 to \$100	12%	10%	17%
Greater than \$100	11%	14%	6%

Source: Clarksville Wal-Mart Customer Intercept Survey (October – December, 2006)

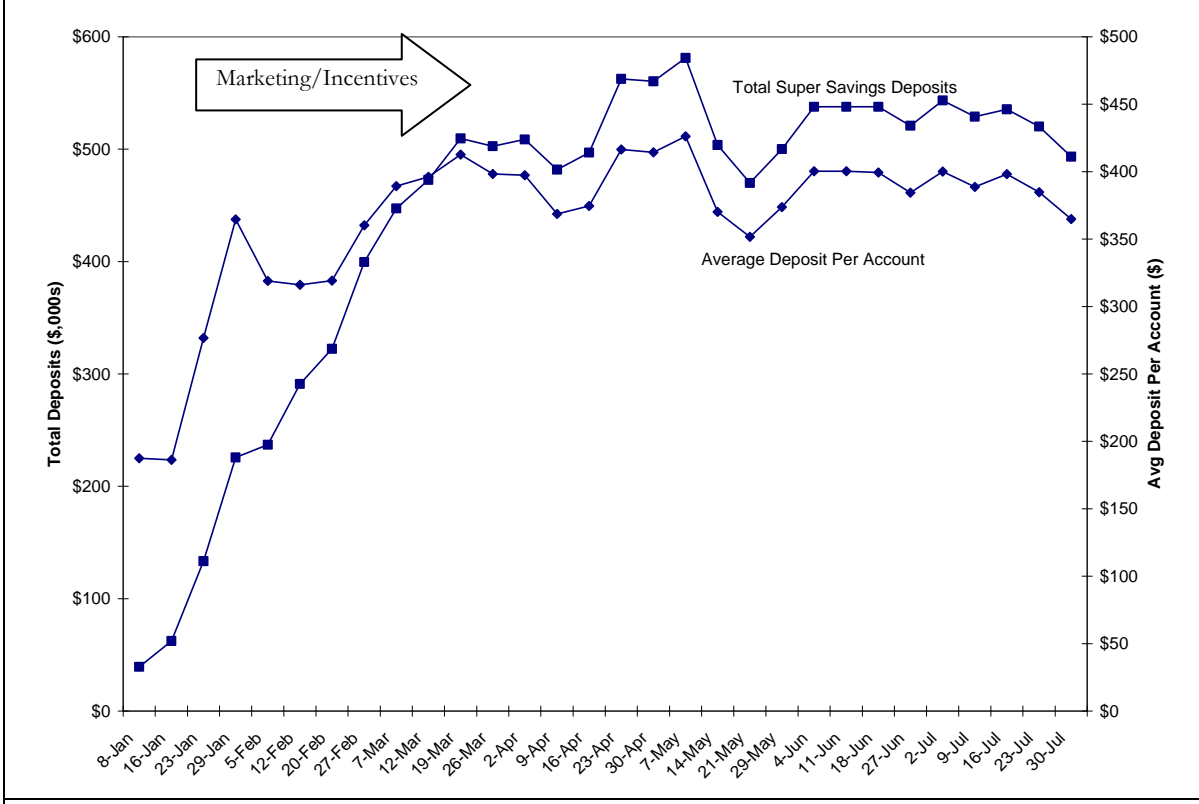
Note: Percentages may not total 100% due to rounding error

**Graph 1.3: Account Trendlines**



Source: Centra Credit Union

**Graph 1.4: Total Deposits and Average Deposits per Account Trendlines**



Source: Centra Credit Union

Figure 1.5: Sample Marketing Materials, Centra Super Savings (Poster)

This is way more interesting than interest!

Introducing the fun way to save...  
**Centra Super Savings!**

**Prizes!**  
As part of our "Super Savings" account, you're eligible for monthly random drawings for exciting prizes like mp3 players, portable DVD players, music downloads, gift cards, cash and more! Over \$1,000 in prizes will be given away every month!

**Vacations!**  
For every \$25 you save, you earn additional chances to win. You could even double your savings or win a grand prize luxury vacation for two!

**Savings!**  
As your savings grow, so do your chances of winning! There's never been an account quite like this.

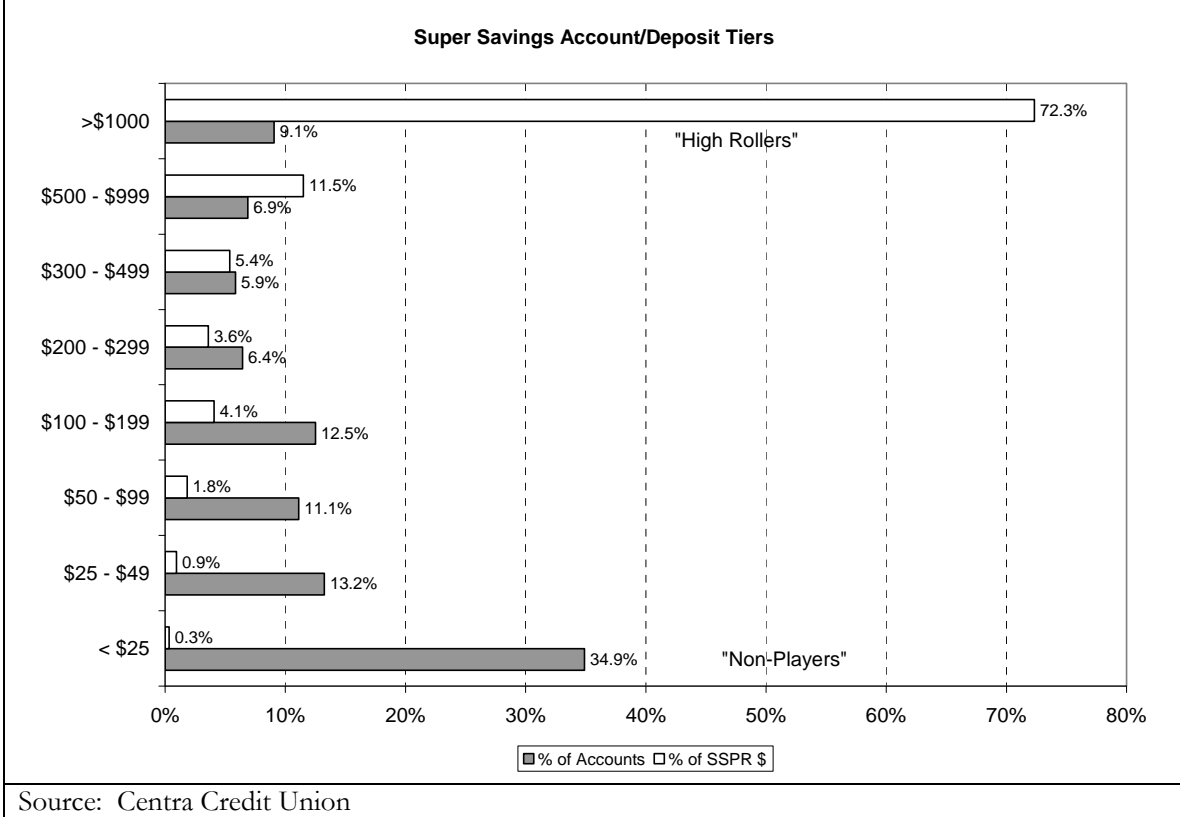
**CENTRA CREDIT UNION**

**Ask how you can open your account today!**  
See Centra branch for details.

NCUA

Source: Centra Credit Union

**Graph 1.6: Centra Super Savings Deposits, Balance Tiers**





**Appendix B: Additional Credit Unions**

<b>Table 2.1: Additional Credit Union Prize-Based Savings Accounts</b>		
	<b>ELGA (Flint, MI)</b>	<b>FORUM (Indianapolis, IN)</b>
<i>Membership</i>	47,000	104,000
<i>Product Launch</i>	July 1, 2007	June 1, 2007 (1 <sup>st</sup> Drawing 9/1)
<i>Results (November 2007)</i>		
<ul style="list-style-type: none"> <li>• <i>Accounts</i></li> <li>• <i>Avg Deposit</i></li> <li>• <i>Total Deposits</i></li> </ul>	<ul style="list-style-type: none"> <li>• 2,464 accounts</li> <li>• \$214 per account</li> <li>• \$496K</li> </ul>	<ul style="list-style-type: none"> <li>• 319 accounts</li> <li>• \$388 per account</li> <li>• \$124K</li> </ul>
<i>Interest (APY)</i>	0.20%	3.00%
<i>Prizes</i>	<ul style="list-style-type: none"> <li>• 14 Monthly Prizes (\$1000 Top Prize)</li> <li>• 2 Quarterly Prizes (Double your Balance)</li> <li>• 1 \$10,000 Annual Prize</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Weekly Prize</li> <li>• 1 Monthly Prize</li> <li>• 3 Quarterly Prizes (Balance Tiers)</li> <li>• 3 Annual Prizes (Balance Tiered)</li> </ul>
<i>Entry Structure</i>	1 entry for every \$40 increase with a limit of 4 entries	\$25 minimum to open an account and get a “play number” (maximum of 5 accounts per member)
Source: ELGA Credit Union, FORUM Credit Union		

*Sweepstakes Savings Account: ELGA Credit Union*

ELGA Credit Union in Michigan has over 47,000 members and assets totaling over one hundred eighty million. In July 2007, ELGA launched the Sweepstakes Savings Account with monthly, quarterly, and yearly \$10,000 prize. In the first month, ELGA opened 1,268 of these accounts. Staff were given an incentive to play "Deal or No Deal" if they sold 40 accounts. The prizes for the first month included the following: a huge outdoor grill (value \$1,000), a \$100 deposit, two \$50 deposits, four \$25 deposits, and six \$15 deposits. Account holders must increase the balance in the account by \$40 to receive one entry; they get an entry for each \$40 increase with no limit. To be eligible for the quarterly prize, members have to increase by \$120 for the three months and make one deposit each month; ELGA will draw two quarterly winners for a "doubling of the account" prize. The annual prize will be \$10,000 and the eligibility requires at least six months with a deposit and \$250 minimum balance on June 30<sup>th</sup>. ELGA plans a big member appreciation day to go along with the annual prize award.

ELGA's Sweepstakes Savings Account

Save \$40 per month and you could WIN \$10,000

ELGA is working hard to bring excitement back into saving!

ELGA CREDIT UNION

Start Saving & Start Winning!

Source: ELGA Credit Union

*Weekly 5 Club: FORUM Credit Union*

FORUM Credit Union in Indiana has over 100,000 members and assets totaling over \$1 billion. The Weekly 5 Club is an account that gives an account holder the chance to win prizes or even cash for making regular deposits into savings. Some product highlights:

- \$25 is required to open the account,
- Deposit \$5 per prize period to play, and pick the play period: 3 to 12 months.
- Weekly drawing requires a minimum of \$5 deposited that week.
- Monthly drawings require a \$25 balance and a minimum deposit of \$5 that month.
- Quarterly drawings require a minimum deposit of \$5 that quarter and are based on four account balance levels:
  - One prize will be awarded to the balance level of less than \$99,
  - One prize for the balance level of \$100 - \$249,
  - One prize for the balance level of \$250 - \$499, and
  - One prize for the balance level of \$500 and above.
- Annual drawings require a minimum deposit of \$5 that calendar year and are based on four account balance levels.
  - One prize will be awarded to the balance level of less than \$499,
  - One prize for the balance level of \$500 - \$749,
  - One prize for the balance level of \$750 - \$999, and
  - One prize for the balance level of \$1000 and above.

- Weekly prizes will have a \$10 value;
- Monthly prizes will have a \$50 value;
- Quarterly prizes will be valued at \$25, \$50, \$100, and \$250 based on the respective account balances;
- Annual prizes will be valued at \$100, \$250, \$500, and \$1,000

Join the **weekly 5 Club**

and FORUM will put the first **\$25** into the account!

Win up to **\$1,000**

The **Weekly 5 Club** is a totally new savings account concept. This account gives you the chance to win prizes or even cash for making regular deposits to your savings!

**Account Features**

- \$25 is required to open the account
- You will receive a unique 5 digit number for each slide account you have
- Deposit \$5 per prize period to play
- Pick your term: 3 to 12 months
- \$15 fee for early withdrawal

**FORUM Will Award:**

1 Prize per Week	1 Prize per Month
4 Prizes per Quarter	4 Prizes per Calendar Year

To join the slide today, visit any FORUM branch location, call 317.333.6020, or visit [www.forumcu.com](http://www.forumcu.com).

**FORUM**  
201.277.2615

**I Want to Join the weekly 5 Club**

To join by mail: ● Tear at perforation ● Fold and Tape ● Mail

Source: FORUM Credit Union