



2011 PLS Summit Conference Paper

Introduction

On November 18, 2011, over 80 individuals from an array of sectors – including financial services, public policy, government, academia, nonprofits, and start-ups – gathered in Boston, MA for the first-ever prize-linked savings (PLS) conference. Brought together by Doorways to Dreams (D2D) Fund, “**More than Fun & Games: Models to Scale**” presented as a unique discussion with diverse participants around the exciting and important possibility to make savings and fun synonymous.

Welcome and Framing

Lynne Barr, Partner, Goodwin Procter, LLP opened the day by welcoming attendees and noting the many organizations that have helped nurture the PLS concept. Barr provided a brief summary of Goodwin Procter’s (GP) work analyzing the legal underpinnings of PLS at both state and federal levels, providing guidance on the implementation of PLS products, and supporting D2D and its partners in crafting, introducing, and passing state policies to make PLS products legal. Barr closed by suggesting that changes in federal law around PLS would be an important major next policy step, and pledged GP’s continued support to the PLS field.

Timothy Flacke, Executive Director of D2D, teed up the day’s discussions by establishing the relevance and momentum of the PLS field; given that PLS is a popular and rapidly growing innovation in the US, and that it has potential to help address the national savings crisis, the time has come to begin a more structured and deliberate conversation. Flacke’s overview established objectives for the day, to share the state of the PLS field, foster cross-pollination of ideas, and encourage big aspirations with practical, actionable next steps.

Concept Overview

Peter Tufano, University of Oxford Said Business School Dean and co-founder of D2D, framed the discussion with a historical and conceptual overview of the PLS field. Tufano illustrated that financial innovations that support savers lie on a spectrum, ranging from the “Make Saving Fun & Exciting” to the “Forced Savings.” Tufano made the point that more products that lie on the fun side of the spectrum, such as PLS, which leverages

several principles of behavioral economics, are necessary. After reviewing the unique and beneficial product features possible with PLS, Tufano posed thoughtful questions necessary for the future of the field:

- Who buys these products and why?
- Is this new net savings? If so, from where?
- Does this lead to subsequent savings activity?
- How should this product best be disclosed?
- Are there negative unintended consequences?

Panel 1: How Winning Can Influence Savings; Insights from PLS Research and Practice

As a relatively new and exciting venture into positive financial outcomes for financially vulnerable consumers in the US, any discussion around PLS is incomplete without a close read of the research and acknowledgement of any open questions. This panel, moderated by **Kim Wilson**, lecturer at the Fletcher School at Tufts University, featured real world insights from **Sarika Abbi** (D2D), **Ben Iverson** (Harvard Business School), and **Peter Tufano**.

Kim Wilson shared her international experience with lotteries and lottery-linked savings products in places like Haiti and Brazil, providing an important reminder that these concepts are not new and are oftentimes already embedded in many other countries' financial services cultures. Sarika Abbi followed with a review of the latest research from Save to Win, the collaboration of credit unions in Michigan. She stressed the continued positive impact that the product is having on financially vulnerable consumers and the research indicating account holders continue to build on their savings from year to year. Ben Iverson shared the latest research from the data collected from the 'Million A Month' product deployed by First National Bank of South Africa. While the product is no longer available, the data indicates significant positive impact on savings behavior and the potential for PLS products to generate new savings. Finally, Peter Tufano discussed research around one of the oldest PLS products in the world, the UK Premium Bond program, highlighting the positive impact of this offer on consumers, the wide take-up, and the importance that both savings and gambling hold in the consumer mindset.

Panel 2: Scaling PLS: Legal & Policy Issues

A common concern for PLS-enthusiasts and skeptics alike is around the legal issues surrounding PLS, and, more specifically, whether PLS is even legal. This myth-busting panel detailed what current law allows, where there could be strategic legal changes and where the envelope may be pushed while never straying from the right side of the law. Moderated by **Daniel Preysman**, an attorney with Goodwin Procter LLP, panelists included: Professor **Howell Jackson** (Harvard Law School), **Robert Crawford**, (attorney at Goodwin Procter), and **Mary Fairchild** (the National Conference of State Legislatures).

Professor Jackson explained the key regulatory challenges for national banks and thrifts, state-chartered banks, and credit unions. Based on his legal analysis of authority granted to financial institutions, any prohibitions from federal regulation and preemption

issues, Jackson concluded that credit unions, both federally-chartered and state-chartered, are best positioned to offer a raffle PLS product. However, most states would still need to change local laws to allow for credit unions to offer this product. Professor Jackson challenged participants to think beyond the legal/regulatory issues and to consider whether government should sanction PLS products.

Robert Crawford presented critical legal comparisons between raffles and sweepstakes. In the US, PLS products are currently running under both models of legal promotions. While raffles and sweepstakes each come with their own sets of challenges and opportunities, sweepstakes seem to have the most universal reach, allowing virtually any kind of institution – bank, credit union, for-profit, non-profit – to operate under its regulations.

Finally, Mary Fairchild put into context the legal path to carve out a “savings promotion raffle” statute in state law. She cited Rhode Island, Maryland, North Carolina, Washington, and Maine as states that have recently passed laws. **Delegate John Olszewski** from Maryland, one of the sponsors of Maryland’s bill, shared his perspective on the legislative and legal process.

Panel 3: Putting a Game Layer on Savings: PLS as “Gamification”

“Gamification” is the new buzzword and hope for revamping concepts across the spectrum- from business to education to, of course, entertainment. Leveraging both theory and real world examples, this panel explored the intersections between prize-linked savings and gamification concepts. The panel was moderated by **Ethan Mollick**, Assistant Professor of Management at the Wharton School and co-author of “Changing the Game: How video games are transforming the future of business.” Panelists included **Sammy Shreibati**, co-founder of Save-Up, **Arlyn Davich**, Founder and CEO of PayPerks, and **Stephen Black**, President and Founder of Impact Alabama.

The panel discussion was framed by Ethan Mollick who underscored two important ideas: (1) the difference between extrinsic and intrinsic rewards and how these rewards impact behavior; and (2) a more expansive definition of gamification than just prizes, badges, and leaderboards. With that frame in mind, Sammy Shreibati shared the story of Save-Up, a recently launched start-up that allows consumers to register accounts and earn points for activities like saving money and paying off debt; consumers can use those points to play lottery-like games and enter raffles for a variety of prizes. Building on that entrepreneurial theme, Arlyn Davich discussed PayPerks’ model of linking savings behavior and financial education to an opportunity to win prizes. In particular, PayPerks uses lottery-like collateral to make the rewards more game-like. Finally, Stephen Black shared the results from Impact Alabama’s 2011 tax season promotion which offered entries for a prize to refund recipients who used part of their refund to buy US Savings Bonds. Impact Alabama found that a majority of respondents to their survey reported being influenced by the contest to save in bonds.

Panel 4: PLS Growth in Depository Institutions

Moderated by **Mónica SanMiguel**, Program Manager, Advisory Services, at the Center for Financial Services Innovation, this panel constituted a rich discussion around the

potential for PLS to scale within and across depository institutions, based off of the success of the Save to Win (STW) program in Michigan, as well as the existence of prize-linked savings products in financial institutions, domestically and internationally. Panelists were **Maureen Lafrinere**, Marketing Consultant at the Michigan Credit Union League & Affiliates; **Patty Campbell**, CEO of Christian Financial Credit Union; and **Heidi Boyd**, MBA student at Harvard Business School.

The panel addressed the success, challenges, and opportunities for innovation that surround PLS. Maureen Lafrinere and Patty Campbell drew from their extensive experience with Save to Win in Michigan, with both the credit union league's and a credit union's perspective. Both stressed the importance of a program that is widely accessible to all members even though the program's features make it particularly accessible to the more financially vulnerable. Maureen stressed the need for innovation to help attract a broader range of credit unions and members, focusing on ways to link the STW account with other credit union products. Heidi discussed findings from a recently published D2D paper, "Prize-linked Savings and Financially Vulnerable Americans: Insights from a Five State Study," which underscored the diversity in product design preferences by financially vulnerable populations, the need for innovation around product design and marketing, and the importance of number of winners.

Panel 5: The Future of PLS

Moderated by **Timothy Flacke**, the final panel brought together leaders with expertise in different parts of the financial services landscape to ideate the path PLS can take as a powerful combination of innovative incentives and consumer financial mentality. Panelists included **Amy Brown**, Program Officer, Ford Foundation; **Mark Meyer**, CEO, Filene Research Institute; **Gary Palmer**, President, Wave Crest; and **Stephen Wendel**, Director of Research, HelloWallet.

This final discussion was lively and far-ranging. Panelists discussed where they would like to see the PLS field in five years, including concrete action steps for members from all sectors, potential traps to avoid for both consumers and the industry, the important role technology could play in PLS implementation, and final observations on the day's proceedings.

Conclusion

The enthusiastic and still new conversation that began on this autumn day in Boston will continue to grow in strength, reach and participants. The common sentiment of the day was the excitement and recognition of the open doors that come from having so many sectors working together on the same innovation. The day ended with inspiration to continue to invest energy in this concept and with concrete action steps for attendees from every sector to continue to advance the field. Perhaps the momentum will continue to years from now when the most common question asked of savers is "what did you win when you saved today?"