SAVE TO WIN:
Highlights from Michigan 2012

Doorways to Dreams Fund July 2013

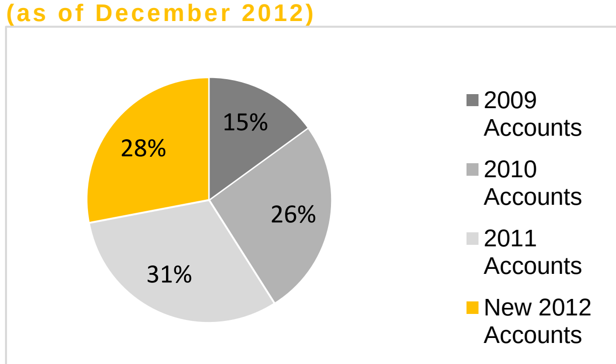
Save to Win™ (STW),[1] the nation's first large-scale prize-linked savings product, launched in Michigan in 2009 with eight participating credit unions. By 2012, it had grown to 58 participating credit unions, resulting in over 40 thousand unique account holders across the state saving $72.2 million from 2009-2012.[2] The Doorways to Dreams Fund (D2D) has tracked and documented the product's growth, success and potential as it continues to promote financially positive behaviors across a diverse set of accountholders. This paper provides highlights and insights from survey data and engagement activity from 2012 accountholders in Michigan.

MICHIGAN 2012 RESULTS

Account Opening and Rollovers: Do Consumers Engage with the Product Long-term?

Save to Win continued to grow in Michigan, expanding to 15,173 total active accounts by December 2012. The account is designed as a one-year balance building share certificate (i.e. certificate of deposit) that members can reopen or "rollover" after twelve months. The rollover rate continued to be remarkably strong: Eighty-two percent of the accounts that were open in December 2011 rolled over to 2012. Of these, 80% were still open in December 2012.[3] Overall, the high rollover rate indicates successful product design that both makes it easy for consumers to continue using the product and engages them in building long-term savings as both a habit and a reserve for short-term needs.

BREAKDOWN OF CURRENT ACCOUNTS BY YEAR ORGINALLY OPENED (as of December 2012)



Excitingly, many accountholders who began using the product in the 2009 pilot year continue to have accounts. In fact, 91% of those who were active in December 2011 rolled over once again to 2012. The high rollover rate was not unique to 2009-originated accounts: The 2010 and 2011 cohorts rolled over from 2011 to 2012 at rates of 83% and 77%, respectively. Similar to D2D findings in previous years, this percentage is higher than the overall average rollover rate from 2011 to 2012. This suggests that, after four years, STW continues to be a highly engaging, sticky, and sustainable product that remains attractive to accountholders over time.

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[1] Save to Win is a registered service mark of D2D Fund, Inc.

[2] D2D calculates the total number of unique accounts by identifying each account and only counting it once, even if it "rolls over" between years. This results in the total number of unique accountholders who have opened a Save to Win account from 2009-2012. These numbers should be viewed as cumulative totals (those who have ever opened a Save to Win account and any money deposited through them) rather than the current balance and number of members in the product.

[3] Previously, D2D data analysis indicated between 54% and 64% of accounts rolled over year over year. We believe the increase in 2012 can be attributed to several factors. First, Michigan credit unions have worked to move to automatic rollovers, creating an 'opt-out' rather than 'opt-in' system that has been a successful part of the STW product design. Second, more accurate data collection and analysis helped us track consumers who changed names, addresses, and credit unions. The prior tracking system may have artificially depressed rollover rates in previous years. Additionally, as the product matures, there are more accountholders who have "adopted" the product from previous years. The older accounts continue at a higher rate than those who are trying Save to Win for the first time.

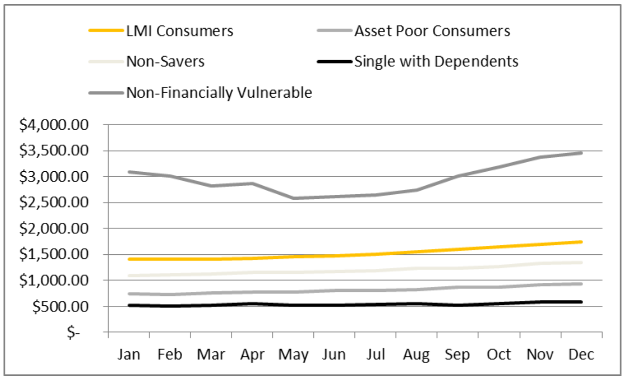
Participation/Accountholder Engagement: How Active were Financially Vulnerable Accountholders?

Category	Definition	Rollover from 2011 to 2012
Asset Poor	Individuals with $5,000 or less in financial assets (excluding home equity)	94%
LMI	Individuals with household income less than $40,000	93%
Single With Dependents	Single parents with one or more children	92%
Non-Savers	Individuals who reported that they were not regular savers before opening their Save to Win account	94%
Non-Financially Vulnerable	Individuals who reported that they were savers, had household income more than $40,000 and had more than $5,000 in assets (excluding home equity), and were not single with dependents	94%

In its fourth year in Michigan, Save to Win continued to positively impact financially vulnerable individuals,[4] a fundamental goal of the product.[5] Based on 2009 survey data of current accountholders who first opened their STW accounts in 2009, financially vulnerable consumers and their non-financially vulnerable counterparts had nearly identical rollover rates. Both groups rolled over accounts from 2011 to 2012 at a rate of 94%. These results are consistent with findings from 2010 to 2011, which also showed similar rollover rates for financially vulnerable and non-financially vulnerable accountholders. We find it extremely encouraging that these financially vulnerable participants, who typically experience lower savings rates, are seeing virtually identical levels of sustained interaction with the product as their non-financially vulnerable counterparts.

Although the financially vulnerable participants' average balances were, unsurprisingly, lower than their non-financially vulnerable counterparts, the average balances of these accountholders rose steadily from January to December 2012. Non-financially vulnerable participants saw an average account balance increase of 12% while non-savers, asset poor consumers, LMI consumers and singles with dependents saw balance increases of 23%, 27%, 23% and 11%, respectively.

AVERAGE SAVE TO WIN ACCOUNT BALANCES IN 2012[6]



While average account balances increased throughout 2012, accountholders did dip into their accounts at various points during the year when funds were needed. For some accountholders, this occurred at the time of account rollover, while for others this happened in the middle of the one-year account cycle. Although it is not clear why consumers withdrew funds, it is clear that these consumers, especially the financially vulnerable ones, are using their STW account to meet a variety of short-term needs.

Average Account Balance Trends:

- Average account balance decreased in September among single parents and non-savers. We believe this may be due to "back to school" costs.
- Several groups, including singles with dependents and non-savers, saw account balances decrease in May, when summer child

[4] D2D identifies four categories of financial vulnerability: single parents, asset poor, non-savers, and low-to-moderate income. Members who fall into one or more of these financially vulnerable categories are compared to those who do not meet any of the financial vulnerability criterion.

[5] To determine whether STW continues to serve these consumers, D2D has examined the composition of the STW accounts of 2009 accountholders who completed a survey about their financial habits and behaviors and remain active in 2012. It is assumed that 2009 survey responses are still representative of respondents' financial conditions.

[6] The dip in average account balances for non-financially vulnerable participants during May and June may be due to a delayed "rollover effect." Compared to the financially vulnerable accountholders, a significant number of these accounts were opened mid-year rather than in January, the traditional "start" of the STW cycle. Thus, more of these participants would have been able to withdraw from the accounts without penalty in the middle of the calendar year. This may have contributed to the lower overall climb in account balances for non-financially vulnerable members.

care costs tend to increase and people often go on vacations.

- Participants took advantage of the opportunity to withdraw between rollover cycles without penalty. For all surveyed groups, average balances decreased between rollover cycles, indicating withdrawal activity. The drop was followed by a trend of slowly building account balances back up in subsequent months, providing evidence that accountholders are sensitive to account structure and withdrawal penalties.

Based on both the consistently high rollover rates and the balance dips that occur, it appears that consumers are building a long-term savings habit, as well as using their accounts to meet short-term needs. Additionally, the across the board average balance decrease at rollover points suggests that some accountholders may be planning cyclical withdrawals between account years.

Save to Win: Expansion and Impact

As Save to Win expands,[7] it continues to impact financially vulnerable individuals and demonstrates strong participant engagement overall. Data on average account balance and rollover rates indicate that STW is a highly sticky product that successfully builds positive, long-term savings behavior. Additionally, data from 2012 accounts in Michigan indicate that STW is being used in many different ways, from meeting short-term needs to building long-term savings. That these accounts fulfill such a variety of needs underscores just how important innovative saving products are for financially vulnerable families and individuals as well as how Save to Win continues to demonstrate a way to successfully encourage savings.

Acknowledgements

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For more information on D2D's prize-linked savings work, visit us at http://www.d2dfund.org/prize_linked_savings and join the Prize-Linked Savings Connection.

[7] Since 2009, Save to Win has spread to three additional states, most recently to Washington and North Carolina in 2013.

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