

BUILDING FINANCIAL SECURITY THROUGH FUN: Findings from the Save to Win Expansion

Doorways to Dreams Fund

April 2013

For the past four years, the Doorways to Dreams Fund (D2D) has documented the success and potential of the United States' first large-scale prize-linked savings product, Save to Win™ (STW).¹ Since its launch in Michigan in 2009, the number of credit unions participating has increased from eight credit unions to 62 in 2013 in four states. This has resulted in over 40,000 accountholders saving \$72.2 million from 2009-2012.

The Omaha World-Herald

Credit Unions' New Savings Lottery Finds Support in Nebraska³

Lee Briggs is enthusiastic about "Save to Win," a new Nebraska credit union program to encourage first-time savers by offering cash prizes for making deposits.

"It's a way for me to reinvent myself financially," said Briggs, a College of St. Mary student. "It gives you something to look forward to when you save. This keeps you intrigued."

First available through credit unions in Michigan, the STW-branded prize-linked savings (PLS) product is now also available through credit unions in Nebraska (2012), North Carolina (2013), and Washington (2013).² The results of the first expansion into Nebraska are promising. Similar to the Michigan experience, the product continues to resonate with financially vulnerable consumers. According to participant surveys, one-third of accountholders were low-to-moderate income (LMI). When we include other categories such as "asset poor," "non-saver," and "no sufficient emergency savings" with LMI, a whopping 79% of accountholders were "financially vulnerable." Overall, the STW account helped consumers build savings, providing most accountholders some financial security.

The Nebraska, North Carolina, and Washington expansions and changes to the Michigan model also offer us an opportunity to explore the different prize structures and product designs to learn more about what drives use and, ultimately, sustainability of the product. While the core product is the same in all states, the prize structure (both monthly and annual), marketing, and sales incentives vary. This provides us with a great opportunity to innovate off of the original design, test new ideas, and refine the product as it continues to grow. It also highlights the fact that there is no one model for success, but an opportunity for new states and credit unions to design the product to meet their needs and the needs of their consumers.

² The expansion was made possible through legislative changes at the state level. Each state, NE, NC, and WA, passed PLS-enabling legislation that allows certain financial institutions to offer a PLS product. For more information on PLS policy, please see "PLS Policy Brief," Doorways to Dreams Fund (2011) or visit http://www.d2dfund.org/Legislative_Success. Available at www.d2dfund.org

³ "Credit unions' new savings lottery finds support in Nebraska," Steve Jordan. Omaha World-Herald. (Jan 2012).

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

This paper provides results and insights from the first STW expansion experience in Nebraska with some highlights from one of the newest states to launch – North Carolina. Additionally, we begin to compare the prize structures to draw out key differences that may impact engagement from the consumer perspective and sustainability from the financial institution perspective. We are encouraged by the growth and continued enthusiasm from the financial service industry, legislators, and advocates to seek out and test PLS products so all Americans have an effective – and fun— chance to achieve some financial security.

The Financial Brand

Savings Account Lotteries Spike Gains, Get Results⁴

Here's a unique way to get consumers to open new accounts: savings lotteries — prize-linked, raffle-style "Save to Win" promotions where people can win cash prizes in exchange for their deposits.

If someone wants to sock some money away for a while, why not do it at a bank or credit union where they have a shot at winning a few thousand extra bucks? It sounds like a fun, innovative way to capture consumers' attention and encourage positive savings behaviors while generating new

BUILDING SAVINGS IN NEW STATES

With the successful launch and growth of STW in Michigan, there has been eager anticipation for expansion into new states. In Nebraska, significant work was taken on by state legislators to pass enabling legislation, the Nebraska Credit Union League to support legislation and then coordinate the planning and implementation, local credit unions to add-on the new product to their suite of offerings, and the Michigan Credit Union League to provide technical and operational support. The Nebraska team worked tirelessly to be the first new state to bring Save to Win to market – with only about 12 months from bill introduction to product launch.

The Nebraska STW product launched in January 2012, with nine credit unions offering 126,625 members access to the product. The league continued to promote and grow the STW product through the addition of a tenth credit union in July, boosting total member access to 201,203. In Nebraska, the STW product is offered as a one-year balance-building share certificate (i.e. certificate of deposit) that accrues interest. To open the CD individuals need only \$25 and earn an entry into the raffle for every \$25 saved per month. All deposits are guaranteed and earn interest for participants allowing for the fun of winning while eliminating any risk to their principle. Entries are capped at ten per month (equivalent to \$250 in deposits) in order to create a more equal winning opportunity for small savers. Each entry qualifies individuals for monthly league prizes, monthly credit union specific prizes (if offered), and an annual grand prize totaling \$25,000.⁵

As the product takes root in new states in 2013, having new learnings, lessons, and stories of success from Nebraska will be very important. It provides new states a broader understanding and perspective of Save to Win and additional insights to help them launch and shape their STW product. Overall the launch was successful, with Nebraska STW accountholders saving almost two million dollars in their first year. Impressively, over three-fourths of accountholders met at least one definition of financial vulnerability. We look at the launch year in Nebraska through the following lenses: (1) Account access and opening (2) Participation and engagement, (3) Service to financially vulnerable consumer, and (4) Movement towards financial security. The results from Nebraska are consistent with the past four years in Michigan. This suggests that the product has core features and functions that translate well into new contexts. Essentially, STW is an exportable concept and product that has the potential to lead to similar positive results in new markets.

⁴ "Savings Account Lotteries Spike Gains, Get Results," Jim Rubenstein. *The Financial Brand*. (Oct 2012).

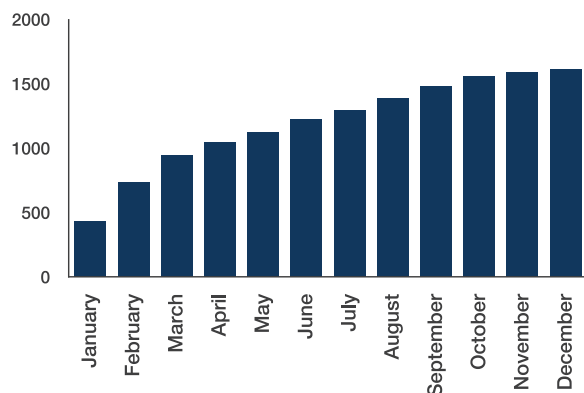
⁵ For more information about how the Save to Win product has been offered in other states please see: "Playing the Savings Game: A Prize Linked Savings Report," Doorways to Dreams Fund (2012). Available at www.d2dfund.org

Account Access and Opening: How did consumers respond to the product?

Over 200,000 credit union members gained access to STW through ten participating credit unions.⁶ The engagement of Nebraska credit unions in offering an innovative savings product to their members translated into promising gains in savings.

The product saw strong growth throughout the year, as the number of accountholders increased by 277% from January to December, ending the year with over 1,600 active accountholders.⁷ Small credit unions, defined as those with fewer than 15,000 members, saw a penetration rate of 2.3%, consistent with findings from Michigan that the product can thrive within a smaller financial institution that may have less capacity and resources to operate a PLS product. This finding also underscores the value of the cooperative PLS model – financial institutions large and small can all offer a competitive and interesting product when they can centralize parts of the product offering and administrative operations.

NUMBER OF ACTIVE ACCOUNTS



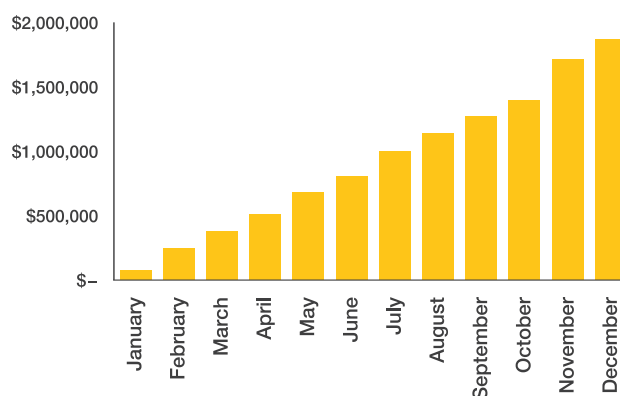
⁶ Nebraska launched with nine credit unions, added a tenth during 2012 and an eleventh joined in early 2013.

⁷ Due to the difficulty of collecting data for analyses purposes, this represents 99.4% of all active accounts in Nebraska in 2012.

Participation/Accountholder Engagement: How active were accountholders?

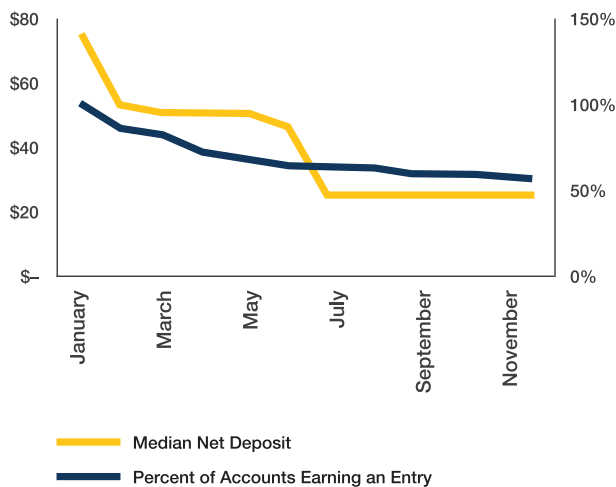
Member engagement was strong as accountholders built balances steadily throughout the year. Continued deposit activity led to steady rises in the amount on deposit. Accounts saw limited withdrawals both in amount and frequency, with less than 1% withdrawing any funds each month, following the patterns set in Michigan. Overall, accountholders saved 1.9MM dollars over 2012, ending the year with an average balance of \$1,163.

TOTAL ON DEPOSIT



Excitingly, Nebraska also saw continued savings activity in the accounts through the year, with at least half of the accountholders making at least one deposit every month. Frequent small dollar deposits signal that accountholders were engaging with the product, signifying the importance of a small deposit amount (\$25) qualifying participants for a chance to win. In December, over half of accountholders were still actively engaged, with 55% earning at least one raffle entry that month. While the majority of accountholders were active every month, 10% of accountholders received all possible raffle entries every month their account was open, depositing at least \$250 monthly. The average accountholder received three entries per active month, or \$75. The median stood at 1.8 entries over active months, meaning that over the year over half of accountholders deposited at least \$45 per month.

DEPOSIT ACTIVITY OF ACCOUNTHOLDERS



Even though median deposits declined over the course of the year, they never fell below the \$25 raffle entry requirement. This signifies that the amount necessary to earn a raffle entry is a strong influencer of the amount deposited. Compared to the experience in other states, Nebraska has met or exceeded levels of engagement. This continued, high level of participation from accountholders shows that the product can engage a majority of consumers over time. Sustained deposit activity improves financial capability by building a 'savings habit' and the continued activity in Nebraska is very promising.

Both the product features and prize design continue to influence accountholder interest and ongoing engagement in STW. Over half of survey respondents (52%) indicated that the opportunities to win monthly and grand prizes were the main features that attracted them to the STW account. When asked what is the "main feature" that makes it easy to save in the account, 55% of respondents cited the ability to deposit small amounts in the account, which resonates well with the savings behavior noted above. This response was far more common than the other choices – automatic deposits, prizes, and interest rate. Clearly, there is an important interaction between the existence of prizes to get a consumer to "try" or open the account and then key features of the product that make it easy and unintimidating to use.

Service to Financially Vulnerable Consumers: *Who saved?*

Account take-up was strong among financially vulnerable members. Seventy-nine percent⁸ of survey respondents were either low-to-moderate income, non-savers, asset poor, had no rainy day funds, and/or had high levels of debt. The overlap shown in Table 1 demonstrates that many participants fell into more than one financial vulnerability category. Given the make-up of accountholders, unsurprisingly, 72% said that their STW account was their only CD product. The survey findings highlight the importance and need for committed savings products such as STW that can help consumers build some financial stability, especially given that many are in precarious financial situations.

Financial Vulnerability Category	Definition	Percentage of Respondents
Low-to-Moderate Income	Household income of less than \$40,000 annually	31%
Non-Regular Savers	Respondents who report that they have no regular savings plan	43%
Asset Poor	Less than \$5,000 in assets (not including the value of home)	32%
No or Limited Rainy Day Funds	Respondents who do not have savings to cover three months of expenses	51%
High Debt Levels	Above \$10,000 in debt (not including mortgage)	55%
Any Financial Vulnerability Indicator	LMI, non-regular savers, asset poor, no/limited rainy day funds, and/or high debt levels	79%

Table 1: Demographics of Nebraska Save to Win Members

⁸ Nebraska had strong survey response rates with 46.6% of Save to Win accountholders filling out surveys.

Movement towards Financial Security

Over half of STW accountholders surveyed reported that they did not have an adequate emergency savings reserve when they opened their accounts, with 27% indicating that they had no funds available.⁹ The findings here are similar to what we are seeing across the country today – with one study finding that nearly ½ of Americans are not confident that they can come up with \$2,000 in 30 days if faced with a financial emergency.¹⁰ Another study conducted by D2D in 2012 found that 51% of LMI consumers had no emergency savings.¹¹ Not only are consumers struggling to start saving, they also face challenges in building and maintain savings.

All this data suggests the strong need for product innovations, like Save to Win, to help move the needle towards financial stability and security for consumers. Through sustained engagement in STW, 1,500 accountholders were able to start and build a substantial rainy day reserve, with a year-end median account balance of \$375 and average of \$1,163. And given the high rollover levels we have seen in Michigan from one year to the next, we believe that STW will be a revolving rainy day reserve for consumers, continuing to engage consumers and help them maintain an adequate reserve over time. In fact, findings in Michigan and early findings from Nebraska show patterns of consumers drawing down balances after the end of the year and then building them back up.¹²

⁹ D2D's household risk team has been exploring the need for innovation to help consumers build emergency savings. STW was designed as an emergency savings product at its launch and with the additional research being performed, D2D began to ask questions in 2012 to Save to Win accountholders to better understand the vulnerability of STW participants to financial emergencies. We are excited to track the success of STW as emergency savings moving forward.

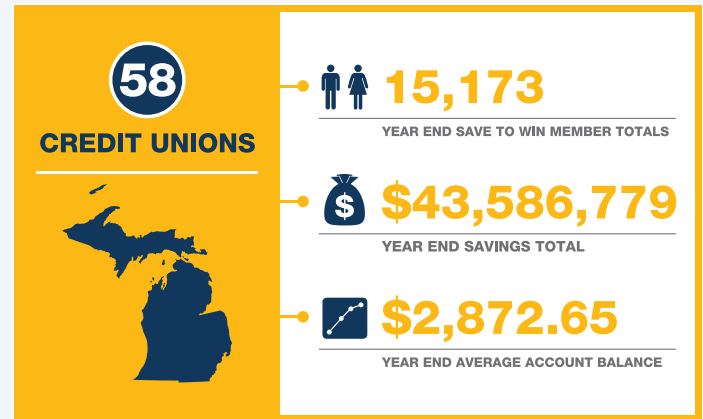
¹⁰ "Financially Fragile Households: Evidence and Implications," Lusardi et al. NBER Working Paper No. 17072 (May 2011).

¹¹ See "A Need for Product Innovation to Help LMI Consumers Manage Financial Emergencies," Sarika Abbi (2012). Available at www.d2dfund.org.

¹² See "Playing the Savings Game: A Prize Linked Savings Report," Doorways to Dreams Fund (2012). Available at www.d2dfund.org for more information. Financially vulnerable accountholders, especially single parents, seem to draw down accounts at times of financial need and then build them back up through the year.

HOW IS SAVE TO WIN GROWING IN OTHER STATES?

Michigan 2012 Results



Michigan continued to grow and add accountholders throughout 2012. As Michigan continues to experiment with the details of its product we look forward to tracking results in the coming years.

North Carolina and Washington Preliminary 2013 Results

In January 2013, North Carolina became the third state to launch Save to Win. Although the evidence is preliminary,¹³ the product has seen initial strong uptake. Preliminary findings include:

- Over 1,000 accounts opened and over half a million saved in the first two months
- Well over half of surveyed accountholders are LMI
- 10% said they joined a credit union for the Save to Win product
- 92% said the STW product has improved their opinion of their credit union

Washington recently launched its Save to Win product in April, 2013, although preliminary results are not yet available, we will be watching the North Carolina and Washington expansions closely. Look for more information on the results as the products take root.

¹³ 11.37% of North Carolina STW accountholders have responded to a survey through February.

DIVERSITY OF PRIZE DESIGNS IN SAVE TO WIN

As new states, credit union leagues, and credit unions launch Save to Win or similar prize-linked savings programs, there is considerable room for creatively designing prize structures that motivate consumers while remaining cost-effective for the leagues and credit unions to offer. Each state where Save to Win has launched has created a unique prize design that takes into account the availability of funds, the number of credit unions involved, the insights from previous years, and research that highlights both the importance of a grand prize to attract consumers and many monthly prizes to engage consumers.

In Michigan, Save to Win is entering its fifth year (launched in 2009) and each year the program has slightly altered its prize design based on the significant increase in the number of credit unions involved as well as learnings from previous years. In 2009, Save to Win launched with eight credit unions offering one \$100,000 grand prize and total monthly prizes of \$415. In some months, two winners would win either \$400 or \$15 and in other months, eight winners would win between \$15 and \$100. In its fifth year, with 38 credit unions participating, the model has altered to allow for more winners overall. The total grand prize offering is \$60k across six winners (\$10k each) and monthly league prizes are

between \$2,500 and \$3,750 spread across 50 to 75 monthly winners. In addition, credit unions can offer their own monthly prizes to their Save to Win participants. Since 2009 these credit union prizes have added an additional 1,500 to 2,000 winners annually, increasing chances to win and motivating savings across more STW participants.

As Nebraska enters its second Save to Win year, it has maintained its prize structure from year one of the program. With 11 credit unions participating, the program offers one grand prize of \$25,000 and \$1,500 in monthly league prizes. The monthly league prizes alternate between 15 \$100 winners and 30 \$50 winners. While the Nebraska total prize value is modest in comparison to Michigan's, their design has been effective, as evidenced in this paper, in addressing the needs of the league and credit union while motivating and engaging Save to Win participants.

This year, Save to Win launched in North Carolina (January 2013) and Washington (April 2013) with two very different models than what we have seen so far in either Michigan or Nebraska. North Carolina has introduced quarterly league prizes into the mix and Washington has created a model with increasing number of winners and dollar value of prizes month over month. While time will tell how successful their approaches are, the evidence so far suggests that there is no one size fits all approach for prize design in Save to Win.

2013 SAVE TO WIN DESIGN PRIZE

	Michigan	Nebraska	North Carolina	Washington
Launch Year	2009	2012	2013	2013
Number of Credit Unions Participating	38	11	7	6
Grand Prize	\$60,000 6 Winners	\$25,000 1 Winner	\$30,000 1 Winner	1 - \$5,000 Grand Prize 3 - \$5,000 Large Monthly Prizes Overall - 4 Winners \$20,000 ¹⁴
League Prizes	\$2,500 to \$3,750 Monthly 50 to 75 Winners	\$1,500 Monthly 15 to 30 Winners	\$1,000 Monthly \$1,000 to \$5,000 Quarterly 12 Monthly Winners 3 Quarterly Winners	Increasing from \$250 to \$1,000 Increasing from 5 to 20 Winners

¹⁴ Due to Washington's Prize-Linked Savings Law, Washington credit unions offer one grand prize of \$5,000 dollars and three monthly prizes of \$5,000.

2013 promises to be an exciting year for PLS in general and STW specifically. An additional 13 credit unions from North Carolina and Washington joined the 49 Nebraska and Michigan credit unions offering STW. This will increase access to the product to approximately 1,278,100 people. New states are considering PLS-enabling legislation as well. If those bills are successful, there will be additional opportunities for STW expansion or new PLS products to launch.

As mentioned before, the two new states plus changes to the Michigan model will also bring different prize structures and experiences to compare and analyze. We will be looking for best practices to keep accountholders in their accounts long-term and engaged in savings, both in terms of product defaults, such as auto rollover, and product features, such as potential penalty-free opportunities to withdraw portions of the accrued savings. And we will also be able to examine how changes in prize structure and differences among states may impact account engagement and activity.

Additionally, D2D is encouraged by the deposit and rollover patterns that suggest these accounts are being used and maintained as emergency savings by accountholders. To explore this more, D2D is testing the impact of STW on building new savings and improving the family balance sheet. In 2013, D2D will be conducting original research on this and we are looking forward to combining results with insights from the past four years to have a better picture of the STW impact.

While D2D continues to explore additional distribution channels for the PLS concept that can increase access and have scale potential,¹⁵ the STW/credit union model continues to demonstrate impact, success, and progress towards helping Americans build emergency savings. We are encouraged by the first year results from the first scale expansion and look forward to reporting back in 2014 on activities and promising practices in Michigan, Nebraska, North Carolina, and Washington.

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.

¹⁵ For additional reading on new PLS channels, please refer to "Playing the Savings Game: A Prize Linked Savings Report," Doorways to Dreams Fund (2012). And "A Winning Proposition: Creating Economic Opportunities Through the State Lottery," Doorways to Dreams Fund (2013). Both available at www.d2dfund.org.



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