

Increasing Access to U.S. Savings Bonds

Recommendations for Bond Innovations



Executive Summary

U.S. Savings Bonds fill an important market gap of low-balance, secure, no-fee, general purpose savings and continue to be demanded by consumers. Increased and improved distribution channels for savings could expand access to these valuable products and better help people save. By providing secure Application Programming Interfaces (API's) for innovators, Treasury can foster the creation of new solutions to increase sales of savings bonds. These new solutions, including the creation of mobile optimized purchasing and redemption platforms, tapping into the gift card market, and allowing innovators to develop new ways to buy, gift, and save in savings bonds, have the potential to truly bring this savings vehicle into the 21st century. This strategy opens up the opportunity for millions of Americans, especially those locked out of the mainstream, to build financial security and opportunity.

The Challenge

Financial insecurity is a major challenge for millions of Americans. The Corporation for Enterprise Development (CFED)'s 2016 Assets and Opportunity Scorecard found that nearly 44% of American households do not have a basic savings safety net.¹ The Federal Reserve reports that in 2015 nearly half of American adults – 46% – said they could not cover an emergency expense of \$400.² Savings is a fundamental building block of the American dream and an essential ingredient for homeownership, entrepreneurship, and retirement. But for many Americans, that dream is slipping further out of reach. For nearly three decades, the personal savings rate in the United States has been declining, most recently hovering at 5.4%. It is time for the U.S. to return to a culture of saving to shore up households' finances, foster widespread financial security, and equalize opportunities for all Americans.

U.S. Savings Bonds are well positioned to play an important part in addressing this crisis. Savings bonds represent decades of federally supported national savings efforts in America dating back to 1935. Administered by the Department of the Treasury, backed by the U.S. Government, and once widely available at most financial institutions, savings bonds give consumers the ability to save in a uniquely secure and giftable product without the need for a bank account. Savings bonds can be purchased in denominations as low as \$50 and give consumers the option to save for themselves or for their loved ones through gifting a savings bond in another's name. Many Americans do not trust their financial institutions and the hidden fees incurred when trying to save small denominations. This presents an opportunity for key civic savings actors at the national level, like the U.S. government and Treasury, to fill a sizeable market need for transparent and fee-free small dollar savings products.

While U. S. Savings Bonds were once universally accessible, throughout the last decade access points have been slowly and significantly reduced. Bonds are no longer available in communities through banks and credit unions, removing thousands of points of sale.³ Employers can no longer offer savings bonds to employees through their paycheck. The main point of sale for savings bonds is online at TreasuryDirect.

Bond Fast Facts

- U.S. Savings Bonds have no fees, are inflation protected, can be purchased in low denominations, and are unique in their ability to be gifted.
- Savings bonds were first offered by Treasury in 1935 during Franklin D. Roosevelt's first administration.
- Since 1998, Series I savings bonds have honored iconic Americans, including Martin Luther King, Jr. on the \$100 savings bond and Helen Keller on the \$50 savings bond.
- The Tax Time Savings Bond Program has helped American families save over \$110 million since the program started in 2010.

1. http://assetsandopportunity.org/scorecard/about/main_findings/

2. <http://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf>

3. https://www.treasurydirect.gov/news/pressroom/pressroom_comotcend0711.htm



gov, but the site has a number of features that create undue hurdles for millions of Americans trying to access savings bonds. It sells a myriad of retail security products for both individuals and professional investors through a complicated interface. The site lacks marketing support, is not mobile-responsive, and requires consumers to have a bank account, which is a barrier for millions of American families.

Bonds are still available for purchase at tax time via the Tax Time Savings Bond (TTSB) Program and IRS Tax Form 8888. Through this form, tax filers can simply and seamlessly purchase a savings bond for themselves or a loved one with their federal tax refund. With a few lines of text, tax filers can make an impulsive—but important—decision to save. This transaction is remarkably easy for consumers, meeting a standard of simplicity that the financial services market is continually trying to achieve. This consumer-friendly infrastructure and the national scale of the tax filing process demonstrate the ability of the government to reach millions of consumers in a meaningful way.

Unfortunately, this consumer-friendly access point is at risk, too. There is no guarantee that savings bonds will continue to be available at tax time, which leads to uncertainty for both consumers and tax software developers. If this point of sale is eliminated, sales will continue to decline and more Americans will lose the ability to buy U.S. Savings Bonds and gift savings to their family members.

But there is an alternative path forward. In recent years, Treasury has demonstrated a more modern approach to filling a need in the retirement savings space through its launch of myRA. myRA is a safe, no-fee “starter” retirement savings product aimed at consumers who do not have access to retirement benefits through an employer. Sold on a platform outside of TreasuryDirect and supported by an outreach campaign, myRA stands as an example of what could be accomplished through Savings Bond innovation to fill a market need for small dollar savings. With a new product gaining traction to serve one need, Treasury has a real opportunity to build on that momentum and re-invigorate an iconic general purpose savings tool at the same time.

With a strong core product and the building blocks of an engaging and accessible infrastructure, Treasury has the opportunity to ring in a new era of savings in the United States by reimagining the distribution and sale of savings bonds and other retail securities like myRA. By modernizing their systems and exploring partnerships and new distribution channels, Treasury can effectively and efficiently reach millions of Americans consumers seeking to save in high quality, trusted products.

Recommendation #1: Data Sharing through Secure APIs

Treasury could revolutionize the experience of savings bond purchasing with one important change to its current infrastructure: creating secure application programming interfaces (APIs) for U.S. Savings Bonds from its retail securities platform (i.e. TreasuryDirect or a future system built to replace it). APIs facilitate secure data sharing that allows developers and innovators to “plug-in” to an existing platform, like TreasuryDirect, to create independent applications. At their core, APIs allow innovators to integrate and extend the experiences of basic tools and processes for consumers. For example, when personal finance apps such as Acorns⁴ and Even⁵ allow consumers to move money between financial products, this is made possible through each app’s connection with financial institutions’ APIs.

“There is no guarantee that savings bonds will continue to be available at tax time, which leads to uncertainty for both consumers and tax software developers. If this point of sale is eliminated, sales will continue to decline and more Americans will lose the ability to buy U.S. Savings Bonds and gift savings to their family members.”

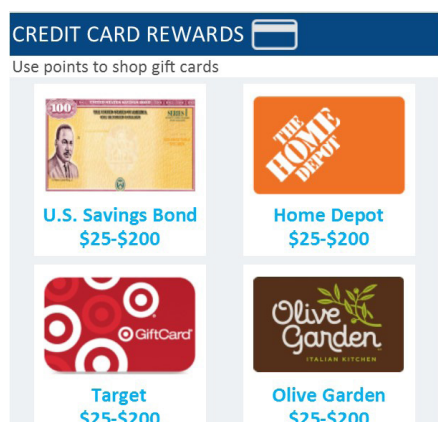
4. <https://www.acorns.com/>

5. <https://even.com/>



APIs are becoming commonplace in the financial services industry with banks and prepaid cards regularly sharing their data securely. The number of APIs in the private financial sector has increased from 164 in 2009 to 1168 in 2013, an over 7-fold increase in usage.⁶ Relatedly, the federal government has moved toward greater data sharing, with Data.gov publishing lists of all government agencies that currently have secure APIs and other publically-available sources of data. The site includes tools and guidance for agencies hoping to develop secure APIs, which is a clear sign of encouragement for greater innovation through the utilization of government data.

By creating APIs for U.S. Savings Bonds through the retail securities platform, Treasury could facilitate a secure integration of data to developers and innovators with



Savings Bonds listed along with gift cards as a redemption option for credit card rewards.

the technical skills, time, and resources to create high-quality solutions for savings bond buying. Treasury could expand the reach of its platform without investing heavily in marketing or distribution. It could also cost-effectively develop a backend system that meets its needs while securely

providing access to external development. This would open the door for a varied set of distribution channels to meet the unique needs of different consumers. Innovators—who focus on consumer-friendly design and usability and target their tools and solutions to specific consumer segments—could explore new ways to sell Savings Bonds to the wide variety of consumers that this product serves, and most importantly to the nearly 25 million Americans underserved by the traditional banking system.⁷ One could imagine buying a book for a niece on Amazon with an option to also purchase a savings bond for her at checkout. Or using credit card reward points to purchase a savings bond for yourself and invest in your future directly in your card's online portal. To increase engagement with U.S. Savings Bonds, Treasury could allow developers to create solutions that better fit their needs.

“By creating APIs for U.S. Savings Bonds through the retail securities platform, Treasury could facilitate a secure integration of data to developers and innovators with the technical skills, time, and resources to create high-quality solutions for savings bond buying.”

Recommendation #2: Optimizing for Mobile

Whether through in-house development, public-private partnerships, or secure APIs, a major step in broadening access to savings bonds is making them more easily accessible through mobile devices. Mobile technology presents a powerful opportunity to reach financially vulnerable consumers who are not fully-served by the financial mainstream. Sixty-seven percent of unbanked consumers have access to a mobile phone, 65% of which are smartphones. The numbers are even higher for underbanked consumers with 90% having access to a mobile phone, 73% of which are smartphones. Additionally, 48% of underbanked consumers report using mobile banking in the past 12 months.⁸ These are the same consumers that are seeking the general purpose, low-balance, no-fee savings vehicle that Savings Bonds provide.

Today's consumers demand mobile solutions, particularly to help them navigate their financial lives. They expect easy-to-use products and services that are optimized for their mobile device. Treasury should consider this while exploring the future of Savings Bonds and other retail securities and the platforms from which they are sold. Treasury should build a solution that is consumer-friendly and matches the current standards for mobile solutions, particularly for the financially vulnerable consumers who rely heavily on their mobile devices. By facilitating the creation of an approachable mobile solution, Treasury would remove a significant barrier for financially vulnerable consumers to purchasing savings bonds year-round. This new mobile solution could be integrated into the Tax Time Savings Bond Program to marry the ease-of-purchase, giftability, and scaled infrastructure of the current program with an easy-to-manage mobile system for redemption.

6. <http://letstalkpayments.com/the-engine-for-fintech-innovation-uses-apis-as-the-fuel-75-profiles/>

7. <https://fdic.gov/news/news/speeches/spsep0816.html>

8. <http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201503.pdf>





Recommendation #3: Creating the Only Giftable \$100 Savings Card

In addition to innovation-friendly technology infrastructure and mobile-optimized engagement platforms, a vision for 21st century Savings Bonds includes a retail footprint that meets consumers where they are and takes advantage of the features that make Savings Bonds unique. Savings Bonds already have the giftability, brand awareness, and suitability for “impulse saving”—unseen elsewhere in the financial services marketplace—that make them an ideal fit for the robust and growing gift card market. Sold on retail hooks in thousands of high-traffic retail locations across the country, savings bonds could achieve broadened reach and provide a just-in-

time option for trusted, fee-free savings.

Gift card Savings Bonds can exploit a huge market opportunity. In 2014, consumers purchased over two billion gift cards⁹ with estimated total loads topping \$120 billion.¹⁰ Gift Card Mall (operated by Blackhawk Network), one of the world’s largest providers of in-store gift card kiosks, has over 47,000 retail locations in the United States.¹¹ Capturing even a small slice of this massive market has the potential to transform Savings Bonds—not to mention the lives of the financially vulnerable.

The Tax Time Savings Bond Program has shown that consumers value the ease and convenience of purchasing a savings bond as a gift for a loved one. Even more

impressively, it has unlocked a behavior that banks and fintech companies have long tried to capture: impulse saving. By simply checking a box on their tax form, consumers can make the decision to save for the future. This same impulse can be captured at retail locations across the country through the gift card channel. By partnering with companies who could put a savings bond gift card next to those for movie theaters and restaurants, Treasury can capitalize on the unique giftability that has been associated with savings bonds for decades. Placing an opportunity to save in a familiar channel typically focused on spending would be a significant step in instilling a saving culture across the country.

Looking Forward

U.S. Savings Bonds represent decades of Americans investing in their financial futures. Savings bonds continue to meet the needs of consumers looking for general purpose, small-dollar savings, despite their current limited access points. By modernizing its distribution channels through a shift towards mobile opportunities, exploration of the gift card market, and facilitating innovation through secure APIs, Treasury can increase access to U.S. Savings Bonds and usher in a new generation of civic savings across the country. Commonwealth envisions civic savings as an important cornerstone of financial security for Americans. We define civic savings as efforts to improve the financial opportunity and security of all Americans, supported and facilitated by government, that increase access to savings products and reinvigorate a culture of thrift. U.S. Savings Bonds have a special part to play in that conversation given their track record of success and unique place in the historical savings culture in the United States. These iconic savings products, displaying images of accomplished Americans, are emblematic of what building a stronger financial future means.



Start the Conversation

Interested in working with us on making this vision a reality? We need partners to push our thinking, pilot these ideas with consumers, and bring them to scale.
E-mail us today and start the conversation: info@buildcommonwealth.org

9. <http://money.cnn.com/2015/08/10/investing/gift-cards-soar-in-popularity/>
10. <https://www.cebglobal.com/financial-services/tower-group/gift-cards.html>
11. <http://www.reuters.com/finance/stocks/companyProfile?symbol=HAWK.O>