

APRIL 2023

Incentives to Increase Emergency Savings Enrollment

With the recent passage of the emergency savings provisions within the [SECURE 2.0 Act of 2022](#), and a growing number of employers launching new emergency savings solutions and e-savings benefits, employee emergency savings has become a priority across the workplace benefits space.

For those earning low to moderate incomes (LMI), building emergency savings is a [proven tool](#) to enable financial resiliency and preserve retirement savings. Through BlackRock's Emergency Savings Initiative, Commonwealth and the Defined Contribution Institutional Investment Association's (DCIIA) Retirement Research Center's (RRC) [previous research](#) examined the role of emergency savings in enabling financial security, and explored how new emergency savings solutions can be designed to best engage and meet the needs of populations earning LMI, particularly focusing on those who are Black, Latinx, and/or female.

Testing Emergency Savings Enrollment Incentives

In our latest phase of research, Commonwealth and DCIIA RRC conducted surveys to explore incentive mechanisms tied to emergency savings plans among workers earning LMI. We sought to understand how offering small-dollar rewards could influence the possible demand for employer-sponsored emergency savings, notably oversampling for eligible participants who are Black, Latinx, and/or female.

In the survey, we asked respondents their likelihood of enrollment in an emergency savings solution, as well as the likelihood of enrollment under a certain solution, including options such as:



Reward for achieving a savings goal



Reward for saving consistently



Savings match

In this research, we found the following features increase the likelihood of enrollment in emergency savings:



A highly liquid, no-fee emergency savings solution



Small-dollar incentives



Incentives for consistent savings behavior

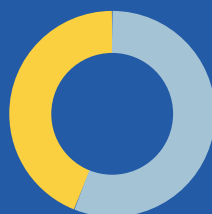
Recommendations

Employers and service providers play a critical role in strengthening employee financial security through offering workplace benefits that can enable workers to save, invest, and build wealth.

Based on these findings, employers should consider:

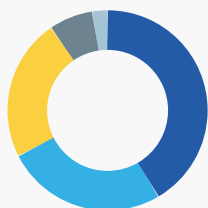
- 1 Offering a high-quality emergency savings benefit to attract and retain workers earning LMI
- 2 Leveraging an incentive as a means to boost enrollment of workers living on LMI
- 3 Rewarding workers with small dollar incentives for saving consistently rather than by reaching a specific goal

Incentives were offered at a specific small-dollar amount (\$10, \$15, or \$25). To help alleviate bias, each participant saw only one incentive reward amount throughout the survey.



This survey was fielded to over 1,000 workers; 56% of respondents were female and 44% were male.

RACE/ETHNICITY OF PARTICIPANTS



White (non-Hispanic): 45%
African American/Black: 28%
Hispanic/Latinx: 25%
Asian, Pacific Islander, or Native Hawaiian: 7%
Native American: 3%

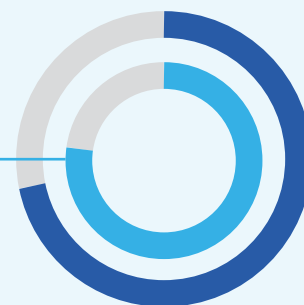
Black and/or Latinx respondents were oversampled in this survey to ensure we are capturing the attitudes of these populations as systemic racial inequity and gender discrimination in financial systems have excluded these populations from traditional pathways to wealth, thus exacerbating financial insecurity.

Exploring Key Takeaways

Our findings highlight the ongoing demand for a quality emergency savings solution among people earning LMI. While our research focused on presenting different saving scenarios and incentive amounts to improve this demand, it is important to note respondents initially had a high interest in enrolling in an emergency savings program in general. Specifically, the median likelihood of enrollment was 72% amongst all respondents, with Black respondents on average having a higher likelihood (77%) of enrolling. This demonstrates the continued interest of employer-sponsored emergency savings, regardless of whether an incentive is being offered.

This research also offers evidence of the value of incentives: providing a small-dollar incentive to savers increases emergency savings program adoption. In general, small dollar (\$10, \$15, or \$25) incentives were found to have improved the likelihood of enrolling in an emergency savings program. While large dollar rewards are beginning to appear on the market, incentives in this survey were kept smaller to reflect more feasible monetary investment.

Our research found, on average, that a reward offered for saving consistently in an emergency savings account led to a relatively higher likelihood of enrollment in comparison to the other solutions (a reward for reaching a savings goal or a match into the account). When offered a reward for saving consistently in an emergency savings account, respondents on average increased their likelihood of enrolling by at least 8%, regardless of the amount of the reward. This finding suggests that offering a small dollar incentive as a reward for consistent savings may be the best solution to drive uptake in employees earning LMI. This may be an option like a \$25 reward for saving each paycheck for six months, or a different cadence or incentive amount based on employer preference.



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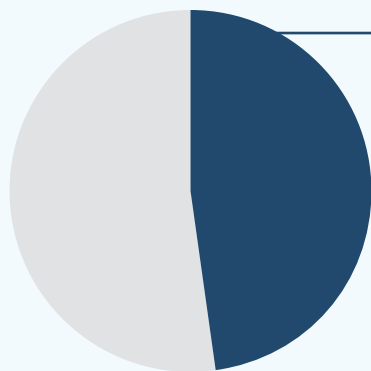
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Looking Ahead

We hope our findings may inform plan sponsors, recordkeepers, retirement plan advisors, and the employee financial wellness community on employee preferences toward emergency savings models in the future.

This iteration of research demonstrates the ongoing demand for a quality emergency savings product amongst persons both eligible for a defined contribution plan and earning LMI. As both public policy and private companies take action to meet this demand, more solutions will enter the market. During this inflection point, it is important to ensure these solutions are being inclusively designed and effectively offered with a particular focus on eligible participants who are Black, Latinx, and/or female. This research underlines the positive impacts small dollar incentives can play in enrollment of an emergency savings solution.

Commonwealth and DCIIRA RRC will continue to conduct joint research to understand preferences for those earning LMI in the offering of emergency savings solutions. Check [our website for new research](#) or [sign up for our newsletter](#).



According to [AARP](#), **48% of American workers** do not have access to workplace retirement plans.

This lack of access is disproportionate by race and gender:



53% of Black employees



63% of Latinx employees



and **49% of women employees**

are without available retirement plans. For these populations, a combination of emergency savings and accessible retirement should remain a priority.

Acknowledgements

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Commonwealth is a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships. Black, Latinx, and women-led households disproportionately experience financial insecurity due in large part to longstanding, systemic racism and gender discrimination. Addressing these issues is critical to Commonwealth's work of making wealth possible for all. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over 2 million people to save nearly \$8 billion in savings. Commonwealth understands that broad changes require market players to act. That's why we collaborate with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. To learn more, visit us at www.buildcommonwealth.org.



Founded in 2010, the Defined Contribution Institutional Investment Association (DCIIA) is a non-profit association dedicated to enhancing the retirement security of America's workers. DCIIA's diverse group of members include investment managers, consultants and advisors, law firms, recordkeepers, insurance companies, plan sponsors, and other thought leaders who are collectively committed to the best interests of plan participants.

DCIIA's Retirement Research Center conducts rigorous, industry-informed research that is grounded in a practical approach focused on actionable insights. We adhere to a disciplined research methodology, governance and validation process. Our goal is to serve the industry as a reliable, unbiased, and authoritative research resource supporting improved retirement security be it through plan design, institutional practices, investment solutions, or behavioral interventions. To learn more, visit: www.dciia.org/page/RRCHome.

BlackRock's Emergency Savings Initiative

BlackRock announced a \$50 million philanthropic commitment to help millions of people living on low to moderate incomes gain access to and increase usage of proven savings strategies and tools – ultimately helping them establish an important safety net. The size and scale of the savings problem requires the knowledge and expertise of established industry experts that are recognized leaders in savings research and interventions on an individual and corporate level. Led by its Social Impact team, BlackRock is partnering with innovative industry experts Common Cents Lab, Commonwealth, and the Financial Health Network to give the initiative a comprehensive and multilayered approach to address the savings crisis. Learn more at www.savingsproject.org.