



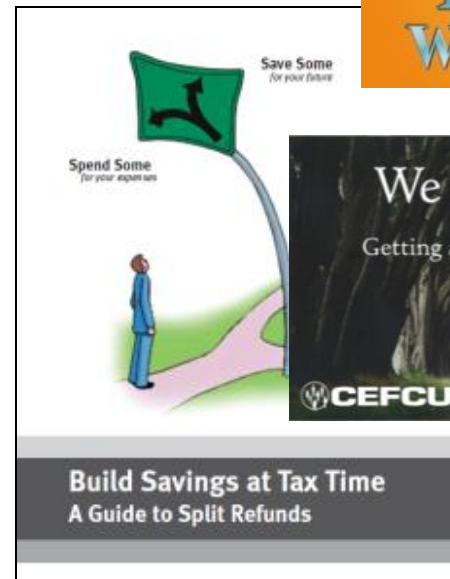
Saving, Playing and Winning:

The Future of Prize-Linked Savings

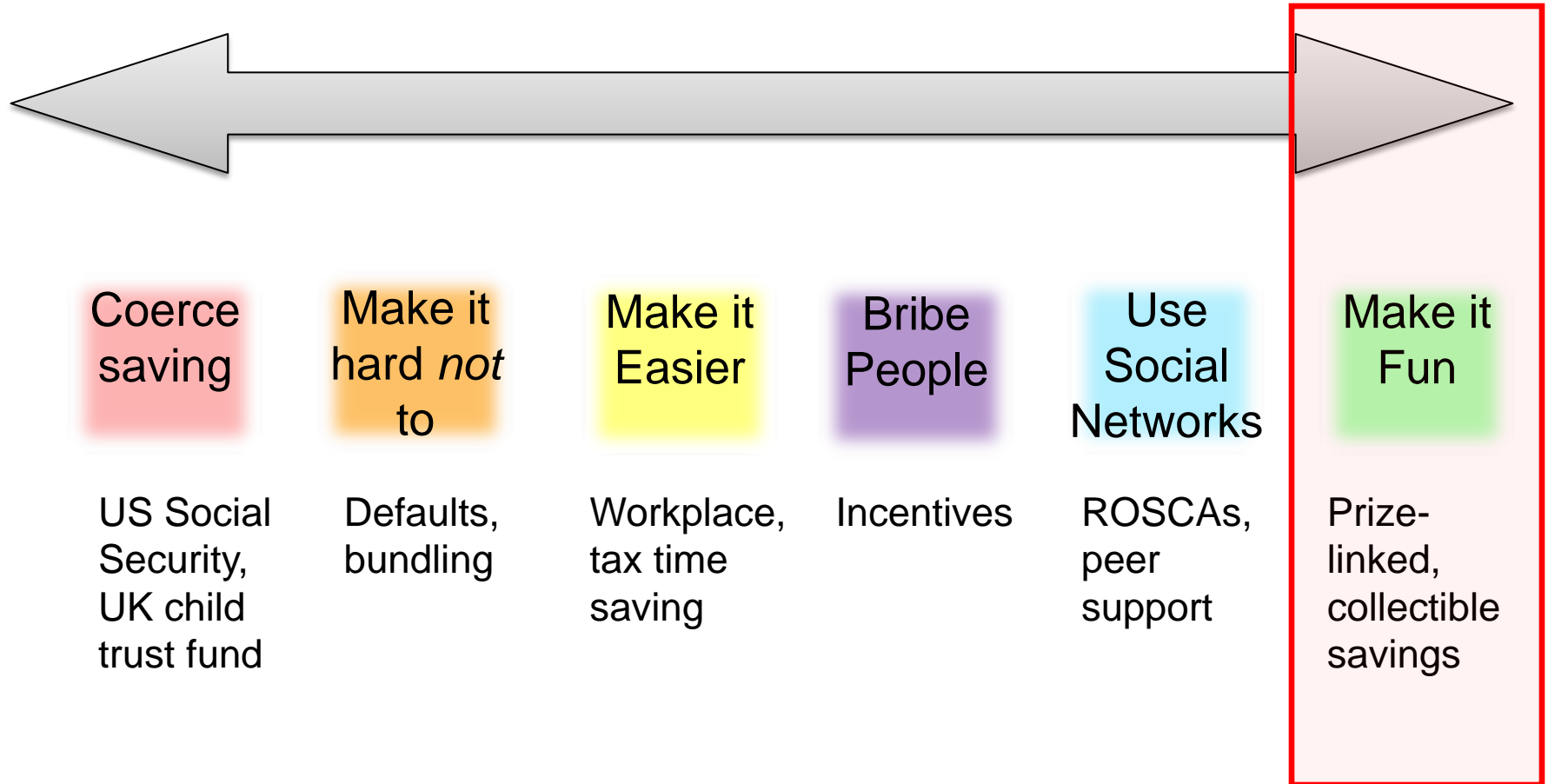
CFED Assets Learning Conference
September 2012

Doorways to Dreams (D2D) Fund

- ▶ **Mission:** Strengthens the financial opportunity and security of low and moderate income consumers by innovating, incubating and stimulating new financial products and policies.
- ▶ Founded in 2000 by then Harvard Business School Professor & Sr. Associate Dean, Peter Tufano
- ▶ Non-Profit 501(c)3 headquartered in Roxbury, MA



Saving Policy / Product Design Spectrum*



Source: Tufano and Schneider, Using Financial Innovation to Support Savers: From Coercion to Excitement (2008)

Gaming & Saving?

38% of those with incomes below \$25,000 think that winning the lottery represents the most practical way for them to accumulate several hundred thousand dollars.

- 2006 Consumer Federation of America study*



+ Consider:

- \$60 billion in US lottery sales (2010)
- Average of \$515 per household
- 80% of gambling revenue from HH w/ income <\$50k
- HH earning \$12,400 a year spend 5% of their income on lotteries

Prize-linked Savings Concept

A dynamic approach:

- ✓ Greater potential for impact
- ✓ Reach a diverse set of consumers
- ✓ Fosters innovation

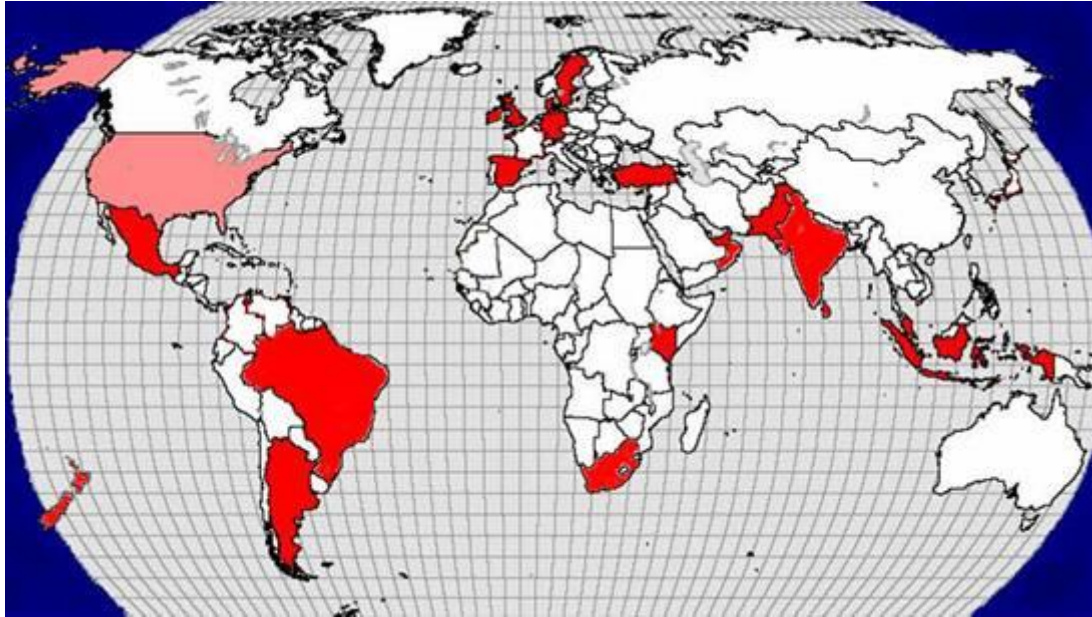
A game-changing experience:

- ✓ PLS bundle – saving + entertainment + aspiration
- ✓ Fun! Engaging!
- ✓ Reframe from desire/sacrifice to immediate reward, possibility, suspense



International Precedent

- Argentina
- Brazil
- Denmark
- Germany
- Great Britain
- Kenya
- India
- Indonesia
- Ireland
- Mexico



- New Zealand
- Oman
- Pakistan
- South Africa
- Spain
- Sri Lanka
- Sweden
- Turkey
- United Arab Emirates

Fast Facts:

- \$47B in UK “Premium Bonds” outstanding, 23MM holders
- Swedish “Lottery Bonds” program est. 1918
- Prizes range: \$1.7M tax free (UK), Mercedes (Oman), Motorcycle (Pakistan), DVDs (Mexico)

PLS U.S. Experience

- **Depositories** – Most traditional place for a savings product (Save to Win)
- **Tax Preparers** – Tested tool for asset-building field (VITA Savings Bond promotions)
- **Employer/Work-related** – Access via workplace (Payperks)
- **Online/Technology based** – Layered over other financial tools or PFM tools (SaveUp)

A Test

SAVE TO WIN

– First Large-Scale Pilot in the US

- + 2009 pilot with 8 Michigan credit unions
- + \$100,000 grand prize
- + \$3.3K / month in smaller prizes
- + Each \$25 deposit = chance to win
- + Max of 10 chances / month

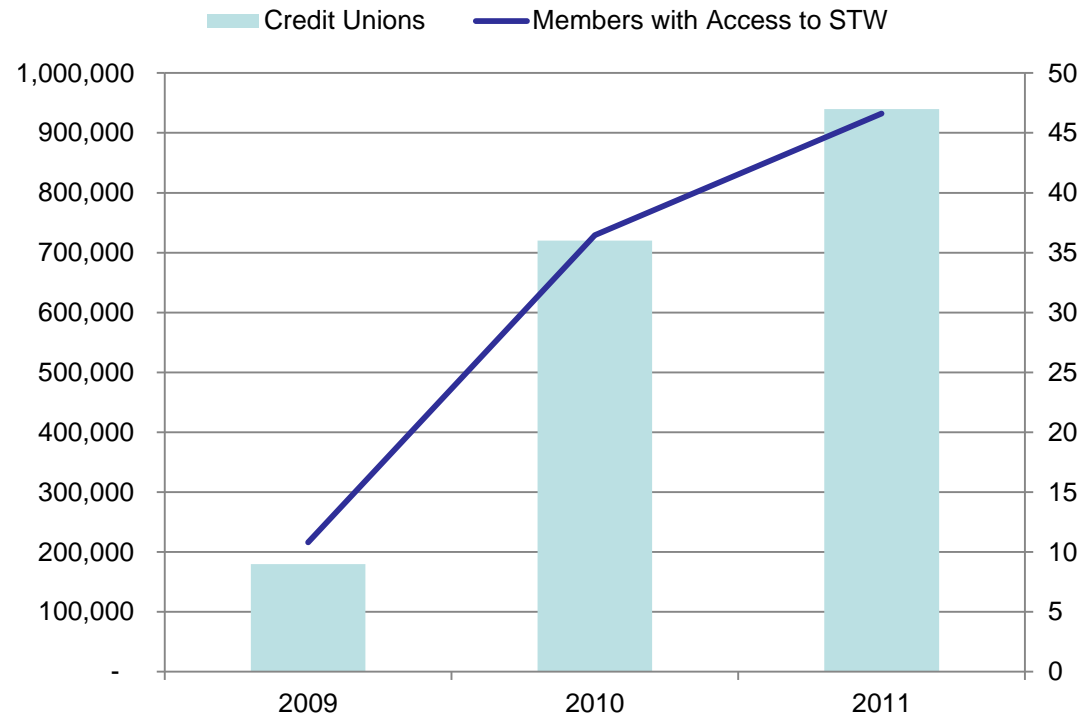


Save to Win Results (2009 – 2011)

Access - How has the product grown and how many consumers are reached by STW?

Increasing Access to Save to Win

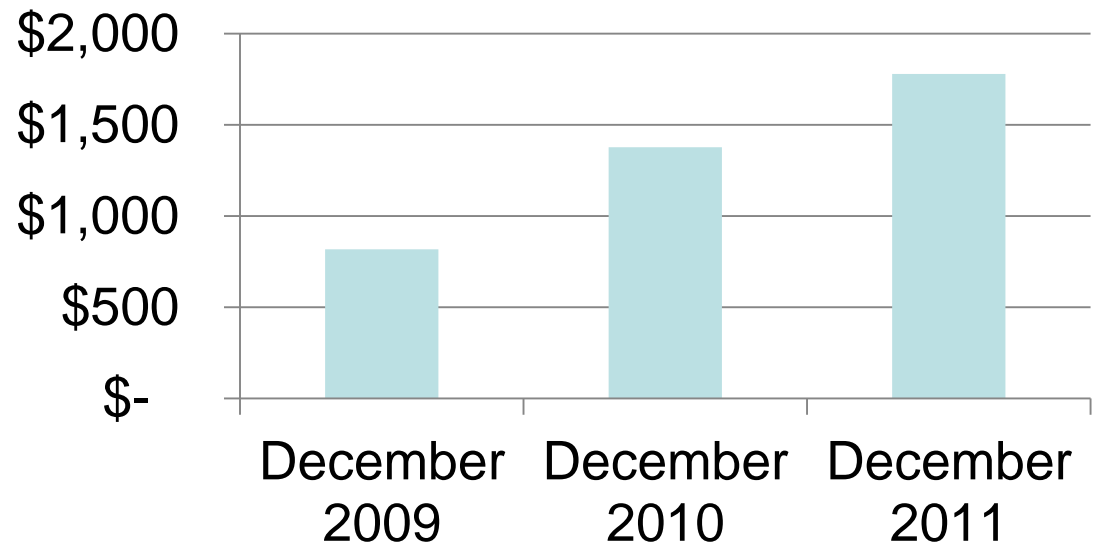
- Growth to 58 CUs in 2012
- Between MI and NE total access is 1,282,644
- Continued growth since launch



Save to Win Results (2009 – 2011)

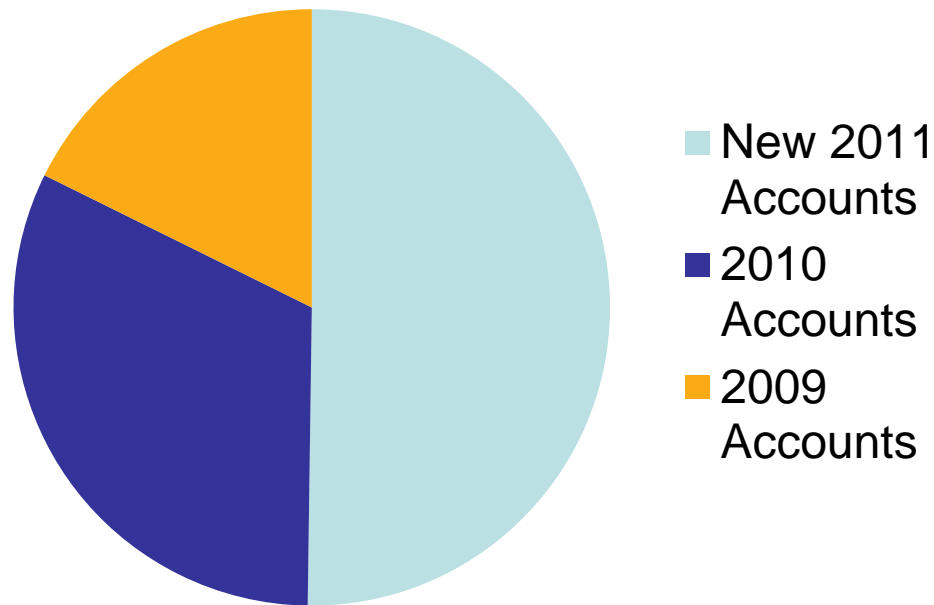
- **Continued Participation:** Did STW motivate existing accountholders to continue participating and saving?
- **Sustained growth:** Accountholders continue to grow balances each year
- **More roll overs:** 64% between 2010-2011 vs. 54% between 2009 and 2010.

**Average STW Balance for Accountholders from 2009
(Active Dec '09-Dec '11)**



Save to Win Results (2009 – 2011)

Breakdown of Current Accounts by Year Originally Opened as of December 2011

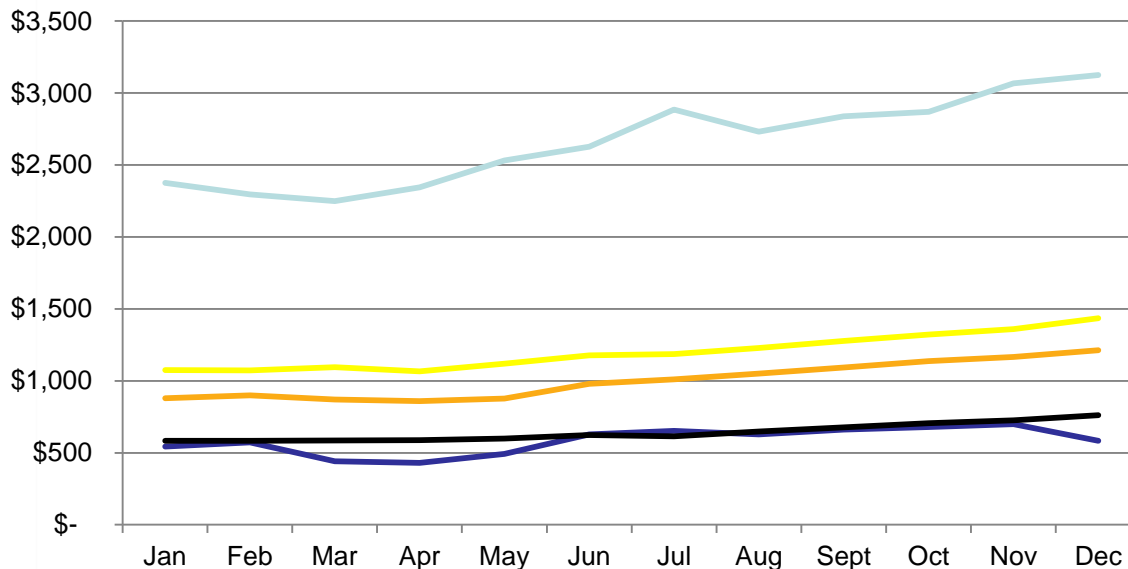


Save to Win Results (2009 – 2011)

- **Serves to Financially Vulnerable:** Are LMI consumers continuing to participate and save as STW grows?

Average STW Monthly Balances 2011

— Non-Financially Vulnerable — Single with Dependents
— Non-Regular Savers — Asset Poor
— LMI



	Deposit Growth
LMI	34%
Single with Dependents	7%
Non-Savers	38%
Asset Poor	31%

Save to Win Expansion

Nebraska –

Early findings:

- 10 Credit Unions Participating
- Features of product important:
 - 53% said grand prize or monthly prize was “main reason that attracted” saver to the account.
 - 55% said ability to deposit small amounts is main feature that makes saving easier in account
- Half of account holders do not have “rainy day funds” to cover 3 months worth of household expenses.
- 56% of account holders earning <\$60,000 annually;
33% of account holders earning < \$40,000 annually



Insights from PLS Experience

– *Drive Engagement*

- + Consumers are motivated by actions that are immediately gratifying and fun
- + Engaging consumers can come in many forms, from prizes and raffle tickets to creating a purchasing or gifting experience out of savings

– *Create low barriers to access*

- + Products designed with low barriers to access make it easier and less risky for consumers to try a product out before fully committing

– *Make continued savings easy*

- + Having access to a product that provides this flexibility to save small increments over time allows consumers to save when funds are available

– *Create more winners*

- + Spread the experience of winning across as many savers as possible making everyone feel like they can win and producing as many winners as possible



Innovation and Future of PLS

– Policy support for PLS

- + Must be clear PLS is *not* gambling
 - There are no losers; everyone wins
- + Likely more cost effective than savings matches
 - Our analysis shows incentive cost of Save to Win is 1/100th that of some IDA programs

– Diverse distribution channels

- Financial Institutions (Banks and Credit Unions)
- State lotteries
- Federal government (e.g., UK Premium Bonds Program)
- Layer on other products
- Reward behaviors beyond saving

Future of PLS – State Lotteries

“No-Lose Lottery”

- Customizable with other lottery products
- Generates high level of excitement
- Offers a chance to win, without the risk of loss
- Increases access to savings opportunities
 - Over 200,000 retail locations in 44 states
 - Lotteries currently have a larger footprint than financial institutions.
- State has existing authority to offer *games of chance*
- Easy replication around the country



Future of PLS – State Lotteries

Consumer Preference

- **Strong demand for a savings lottery ticket exists amongst lottery and non-lottery players.**
 - + 56 % of respondents had a positive reaction to the concept of a savings lottery ticket
 - + 50% expressed an interest in buying them.
- **Consumers are attracted to the features of the product.**
 - + Key features to consider: ticket price, potential holding periods and prize size and frequency
- **Consumers are motivated to gift lottery saving tickets.**
 - + 35% of respondents interested in buying the tickets responded that they would purchase for their spouse/partner
 - + 28% responded that they would purchase for their child.

Future of PLS – State Lotteries

Consumer Preference cont.

- **Consumers can build savings through the purchase of lottery tickets.**
 - + Design has potential to encourage regular and frequent savings ticket purchases
 - + Respondents indicated that they could save an average of \$50 a month in savings tickets. This product has potential to help the average consumer save \$600 per year.
 - + If every state offered a PLS lottery ticket, this could amount to \$3.5 billion in savings each year.
- **Consumers are interested in seeing more savings opportunities from the government.**
 - + 61% believe the state and federal government should do more to encourage more people to save.

Future of PLS – Other National Models

PLS in other Channels

- Prepaid Cards
- PFM tools
- Debt repayment

Expansion of “Prize-Linked” Concept to include

- Debt Reduction
 - Financial Education
 - Smart Investments
-
- Move towards rewarding multiple positive financial behavior using savings as a base



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