Direct Deposit and Split Pay
A lynchpin for financial stability

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Promising Pathways to Wealth-Building Financial Services
October 25-26, 2012
St. Louis, Missouri
This Presentation

• Direct Deposit and Split Pay
• Initiatives
  – America Saves Week
  – AutoSave
  – Youth Employers
Focus On Two Target Audiences

Direct Deposit → Split Pay

Split Pay → Emergencies
Split Pay → First Time Workers
Direct Deposit

• 85% of employees in the U.S. participate in direct deposit

• 91% of employers who offer direct deposit encourage employees to use it

2010 NACHA survey
Direct Deposit

According to a May 2008 CFA Study:

• Less than half (49%) of low-income ($25,000 or less) receive their pay through direct deposit

• 57% of moderate income employees ($25,000 - $30,000) utilize direct deposit
Split Pay

According to a 2011 Harris Interactive survey:

• 85% of employees in U.S. participate in direct deposit

• Of that 85%, only 18% utilize split pay
• 85% of split pay users say it is helping them to save

• By far, the most common use for split deposits (83%) is for an emergency fund

• The next most common use is saving for retirement
Split Pay

• 93% of split depositors use a checking account (primary and/or separate/secondary account) in their split deposit

• 68% use a savings account

• 19% use a retirement account
Everyday Occurrences

• Every day, people occur unexpected expenses like:

$50  $300  $250
Paying for Emergencies

• About 50% of U.S. households cannot come up with $2,000 in 30 days (Lusardi et al. 2011)

• 67% of people with incomes between $20,000 - $30,000 are unable to do so

• 77% of people with incomes below $20,000 cannot
America Saves Week

February 25 - March 2, 2013

- An opportunity for Americans to assess their financial condition and goals
- A dedicated time for financial action
- A time for organizations and institutions to emphasize Automatic Saving and make it easy to start
A national initiative with thousands of local partners including:

- Organizations encourage and assist Americans, especially lower-income households, to start saving and build wealth
- Over 300,000 Savers and growing
- Annual reach of more than 30 million people

**Collaborators/Partners**

- FDIC -- Federal Reserve Board
- JumpStart -- Social Security Administration
- OCC -- Department of Defense
- Cooperative Extension -- ABA Educational Foundation
- CUNA -- Many others

America Saves Week

Co-coordinated by America Saves and the American Savings and Education Council.
America Saves Week 2012 saw the largest organization participation since its inception.

- 815 organizations signed up on AmericaSavesWeek.org
- An estimated 2,000 organizations involved in America Save Week activities across 48 states
- Reached over 31,000,000 people.
America Saves Week

• Employers – encourage, motivate and provide access in the workplace to direct deposit and split pay

• Individuals – to inform and motivate their use of direct deposit and split pay to save even small amounts on a regular basis for emergencies
Initiatives For Employers

• Communicate through partnerships and the America Saves Week platform to reach employees with simple, easy to use, co-brandable resources provided by America Saves.

• Encourage banks and credit unions to incorporate in their At Work/SEG presentations
Download the free resource kit
- Includes step by step instructions

http://americasavesweek.org/employers
Initiatives
AutoSave – New America Foundation and MDRC

Find an Opportunity Moment like the Workplace

- Primary source of income for most households
- Existing payroll system to facilitate automatic savings
- Employers recognize the benefits of reducing financial stress on worker productivity

AutoSave
A Joint Initiative of the New America Foundation and MDRC.
# Overcome Access Barriers

<table>
<thead>
<tr>
<th>Access Barriers</th>
<th>Strategy to Overcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do Not Have Extra Money</td>
<td>Attach savings account to a source of income</td>
</tr>
<tr>
<td></td>
<td>Build savings in small amounts (hopefully negligible)</td>
</tr>
<tr>
<td>Do Not Have Enough to Meet Opening/Minimum Balance</td>
<td>Negotiate no/low cost savings account with financial institution partners</td>
</tr>
<tr>
<td>Requirement</td>
<td></td>
</tr>
<tr>
<td>Bank Customer Requirements Hard to Meet</td>
<td>Negotiated identification and customer screening requirements</td>
</tr>
<tr>
<td>Not Convenient</td>
<td>Bank at work program</td>
</tr>
<tr>
<td>Not Aware of Low-Cost Savings Products</td>
<td>Most effort is in the sign up process</td>
</tr>
<tr>
<td></td>
<td>Establish a marketing campaign with program roll out</td>
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*AutoSave* A Joint Initiative of the New America Foundation and MDRC.
## Overcome Behavioral Barriers

<table>
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<th>Behavioral Barriers</th>
<th>Strategy to Overcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple Steps/Hassles Make It Hard to Fulfill Aspirations</td>
<td>Streamline new account paperwork&lt;br&gt;Pre-populate form fields&lt;br&gt;Enroll at work, no bank/credit union trips</td>
</tr>
<tr>
<td>Too Many Choices Can Cause Analysis Paralysis</td>
<td>Recommend a “standard” saving amount&lt;br&gt;Pre-screen the account and its terms</td>
</tr>
<tr>
<td>Good Habits Are Hard to Build</td>
<td>“Set it and forget it”&lt;br&gt;Direct deposit automates savings</td>
</tr>
<tr>
<td>It’s Really Tempting to Spend Cash on Hand</td>
<td>Segregate savings from transaction acct&lt;br&gt;Not linked to checking&lt;br&gt;New account (perhaps) in new depository</td>
</tr>
<tr>
<td>People Tend to Do What Others Do</td>
<td>Presented as a standard employee benefit</td>
</tr>
</tbody>
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A Joint Initiative of the New America Foundation and MDRC.
For Profit Retailer Warehouse

<table>
<thead>
<tr>
<th></th>
<th>Targeted Employees</th>
<th>Submitted Enr. Form</th>
<th>AutoSave Active</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch</td>
<td>750</td>
<td>1.6%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Final</td>
<td>900</td>
<td>10.1%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

- Payroll stuffers
- Posters
- Flyers
- Customized napkins
- Management champions
- Lunch room table

Employees were not allowed to split pay between a paper check and savings account.
Young America Saves Employer Initiative

- Low-income youth receiving their first paychecks are more likely to utilize expensive non-bank financial products and are less likely to have a checking or savings relationship with an insured financial institution.
- Change youth savings behavior by introducing young people to the best system and strategies to save effectively – direct deposit and saving automatically.
- Build a habit of saving and effective money management at an early age to last a lifetime.
Initiatives
Young America Saves Employer Initiative

• Tested and developed in Chicago over a two year period with several employers of youth during the summer months
• Offered direct deposit
• Encouraged or mandated a minimum to be saved out of each paycheck
• A no-fee savings account with a partner bank
• Ongoing financial information to support savings behavior
Young America Saves Employer Initiative

- **223 summer interns** at the Chicago Park District, the Museum of Science and Industry, and the Chicago Summer Business Institute.
- **185 interns** set savings goals, made a commitment to save monthly and joined Young Illinois Save. (commitment rate of 84%).
Initiatives
Young America Saves Employer Initiative

Interns pledged to save:
$8,140 monthly and
$97,440 annually.

Average commitments
were for $48 per month
and $578 annually per intern.

97% of students sampled agreed that:
• they were motivated to save.
• that they learned something new through this programming.

Over 191 interns opened new savings accounts or arranged to have their paycheck deposited into an existing bank account.

Most common saving goal = Education (42%).
This is a three prong initiative that has:

1. An employer that is willing to provide direct deposit for student interns/employees/program participants

2. A financial institution that will provide a no fee, safe and appropriate account for young people

3. Students signing up as a Young America Saver on line at youngamericasaves.org or on a paper form.

This commitment strategy has proven to be twice as effective in supporting savings behavior as compared to those who do not make a commitment.
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