Implementing and Testing Innovations that...

Make Saving Easy, Fun, and Engaging

October 25, 2012

Promising Pathways to Wealth-Building Financial Services
Savings Products Track

St. Louis, MO

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Mission:
Strengthen the financial opportunity and security of low and moderate income consumers by innovating, incubating and stimulating new financial products and policies.

- US (Boston) based not-for-profit
- Focus on scale, sustainability
- Record of linking private sector capabilities to public & non-profit ideals
- Co-founded in 2000 by then Harvard Business School Professor Peter Tufano
Savings and Financial Inclusion

D2D’s innovative work to promote savings for financially vulnerable Americans has, among other things, explored three questions relevant to the topic of savings and financial inclusion:

• Can we make savings easy?

• Can we make savings fun?

• Can we make savings engaging?
Can Saving be Easy?
Potential of Tax Season

- Huge financial event
  - $300 billion refunded each year
  - $115B to 68MM Low / moderate-income families (< $40k)
  - Average refund $1,680
  - Up to $7k (25%+ of annual income)

- Also...
  - Universal
  - Permanent
  - Recurring

Source: IRS, tax year 2006 data (www.irs.gov/pub/irs-soi/06in33ar.xls)
Tax Time as Easy Saving Time?

What if one could pre-commit to save at tax time?

Ingredients:
- “pipes”
- “buckets”
Tests: Refund splitting & tax time savings bonds

- D2D tax time “Refunds to Assets” pilots
- 2007 to 2009, 27 commercial offices, 70+ volunteer sites
Scale: A national tax time saving Infrastructure

Tax (refund) Time...

$300,000,000,000+

+ U.S. Savings Bonds

+ Refund Splitting...

“Spend Some”

“Save Some”
“…We’ll make it easier for people to save their federal tax refunds, which 100 million families receive…You’ll be able to check a box on your tax return to receive your refund as a savings bond.”

Scale: Results (2010-2012)

Savings outcomes (since policy enacted)
+ 100K Americans bought bonds at tax time
+ $40 Million saved at tax time in bonds

Marketing campaign: Bonds Make It Easy
+ Targets: gatekeepers & consumers
+ Distribute message via partners, media, social media & direct outreach

Alert: Bond Program Under Threat
• Treasury ended paper bonds on 12/31/11 (but for tax time)
• Budget pressure on-going

Take Action: Sign an online petition at:
http://keepbondseasy.nationbuilder.com/
Can Saving be Fun?
Idea: “Prize-Linked Savings”

- Concept: earn chance(s) to win by saving
- Why?
  - Make saving fun, exciting, interesting
  - Divert gaming dollars to saving
  - Exploit our weakness for evaluating odds
- Consider:
  - $60 billion in US lottery sales
  - Average of $515 per US household
  - 80% of gambling revenue from HH w/ income <$50k*

*Source: Tufano, Maynard and De Neve, Consumer Demand for Prize-Linked Savings.*
A Test SAVE TO WIN

– First Large-Scale Pilot in the US
  + 2009 pilot with 8 Michigan credit unions
  + Now in over 68 credit unions in MI and NE
  + Balance building CD, $25 to open
  + Each $25 deposit = chance to win
  + Max of 10 chances / month
Save to Win MI Results (2009 – 2011)

* **Exciting Growth – Impressive Impact**

**Growth in the Save to Win Program**

<table>
<thead>
<tr>
<th></th>
<th>2009 (8 Credit Unions)</th>
<th>2010 (36 Credit Unions)</th>
<th>2011 (56 Credit Unions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts</td>
<td>11.7k</td>
<td>16.2k</td>
<td>16.2k*</td>
</tr>
<tr>
<td>Total Saved</td>
<td>$8.6MM</td>
<td>$27.9MM</td>
<td>$34.7MM</td>
</tr>
<tr>
<td>Average Balance</td>
<td>$734</td>
<td>$1,268</td>
<td>$1,982</td>
</tr>
</tbody>
</table>

Impact – over 25,000 unique accounts saving over $40 million from 2009-2011

* 64% of accounts rolled over between 2010-2011
Save to Win Results (2009 – 2011)

- Serves Financially Vulnerable Consumers: Do LMI consumers continue to participate and save?

Average STW Monthly Balances 2011

<table>
<thead>
<tr>
<th></th>
<th>Deposit Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>LMI</td>
<td>34%</td>
</tr>
<tr>
<td>Single with Dependents</td>
<td>7%</td>
</tr>
<tr>
<td>Non-Savers</td>
<td>38%</td>
</tr>
<tr>
<td>Asset Poor</td>
<td>31%</td>
</tr>
</tbody>
</table>
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
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.
Can Saving be Engaging?
Everyone is playing games, especially casual games

• Popular
  – 72% of Americans play video games
  – *Bejeweled* – copy sold every 4.3 seconds
  – *Angry Birds* – 700MM Downloads
  – *FarmVille*: 83MM active users (2010)

• Accessible
  – Casual games can be learned quickly, played for minutes or hours
  – Inexpensive entertainment, often free
  – Smartphone / Facebook play growing fast

• Non-traditional player
  – Average social gamer: 43-year-old female
  – 74%+ of casual game buyers are women
  – 35% of social gamers have no previous video game experience

Sources: NPD Group, August, 2008; ESA, 2009; Tech-Crunch
Library of games
- **Celebrity Calamity**: Manage credit & debt
- **Groove Nation**: Dance budget game
- **Bite Club**: Vampire retirement savings
- **FarmBlitz**: Manage resources to build savings
- **Refund Rush**: Make the most of a tax refund
- **Celebrity Calamity Mobile**: App Store
Framing: Vampires and Games

When you’re immortal, retirement is eternal.
Bite Club teaches how to make your money last.
www.staplesbiteclubgame.org

Forget about the birds. Follow the bat.

When you’re immortal, retirement is eternal.
Staples Inc. recognizes that saving for retirement is an important part of your long term financial security. For this reason, we encourage you to contribute to your Staples 401(k) Savings Plan. Company contributions can also help your savings grow.
To learn more about retirement, join the Bite Club today and have a wickedly good time!
www.staplesbiteclubgame.org
What Do Players Do in *Bite Club*? (1)

- Players buy and run a vampire “day” club owner role
  - Serve customers to earn income
  - *Diner Dash* game mechanic
  - Simulation model – 22 to 65
- Players are given offers to make 401(k) deferral decisions
  - Club has a matching program for savers
What Do Players Do in *Bite Club*? (2)

- Once a round at the club is over, players can make financial choices
  - Pay off student debt from Vampire University
  - Make credit card payments on club seed money
  - Save money for retirement
  - Buy upgrades for the club that improve ability to earn income

- Game goal—accrue as much money for retirement as possible by retirement age; since vampires live forever, ensure you have a great retirement
Staples Partnership - Learning

• Pilots
  – Staples FE portal for all employees
  – Newly Eligible Postcard Mailing
  – Two-District tournament
  – Soft-launch around Halloween 2011

• Results
  – Strong Interest: Over 9,600 visits to game from over 7,500 visitors
  – Strong Direct Mail Response: 3.5-4.5% response rate to postcards
  – Strong Tournament Response: 80% response rate in two District pilot
  – Evidence of Action-Taking: ~11% of “newly eligible” postcard recipients took a positive action

• Learning
  – Staples employees revealing demand for financial entertainment with prompting from in-store marketing and non-required play
  – Play is occurring across geographies
  – Players trying out other games – Farm Blitz, Celebrity Calamity

• Current projects
  – Deployment of enhanced “Staples” Bite Club game customized to include Health Savings Accounts
  – Broaden distribution throughout the company to other employee groups
Summary

Savings products can foster financial inclusion if:

• Those savings products are easy for financially vulnerable Americans to access and use.

• The products are innovative and fun, building off of successful examples from around the world.

• New framing strategies and outreach approaches are used to engage consumers in ways already aligned with how they spend their time.

• The savings opportunities are available on the smartphone devices financially vulnerable Americans will increasingly gravitate toward.
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www.financialentertainment.org

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Appendix
Doorways to Dreams (D2D) Fund

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Financial Entertainment – Theory of Change

Engage Consumers

Cultivate Financial Self-Efficacy

Enable Action

Support Behavior

Realize Outcome
Staples Partnership

- Staples, Inc.
  - World’s largest office products company
  - Invented the office superstore concept
  - 26 countries
  - 90,000 associates worldwide
  - $25B in sales
  - Ranks second worldwide in e-commerce sales
  - Makes it easy for its customers to buy office products and services
Staples Partnership

• **Approach**
  – Staples FE “portal”
  – Customized Bite Club Game
  – No required play, not on company time
  – Creative Marketing Materials
  – Strong Social Marketing

• “Staples” Bite Club
  – Game Characters: Werewolf stapler, Staples vampire, Customized avatar back-story with a Staples flavor
  – Staples and NYLRS branding throughout – Staples Easy Button, NYLRS Coffee Mug, etc. – with links outside the game to more information
  – Additional game cues: Open Enrollment banner in the day-club on Staples calendar

• **Opportunities to take real world action “in-game”**
Bite Club Has Three Core Learning Objectives

• Saving for Retirement
  – Starting early is important; waiting too long can make it hard to catch-up
  – Taking advantage of employer plans and matched savings program can be beneficial

• Paying Down Debt
  – Paying off high-interest debt and installment debt, like student loans, is a retirement strategy
  – Debt compounds quickly making it more difficult to save

• Manage Current Consumption
  • Items that you want today can constrain your ability to save for retirement