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Tools for saving: Using prepaid accounts to set aside funds

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Executive summary

We present the results of a large field study exploring consumers' use of the *Reserve* "set aside" feature on the American Express (the company) *Serve* prepaid card. The study aimed to address two key questions: 1) Can certain strategies encourage consumer saving behavior; and 2) Is saving behavior associated with better outcomes for consumers, particularly for low-income and underserved consumers?

To encourage consumer saving behavior, the company tested four strategies in the field to promote savings to prepaid customers who had not previously signed up for the savings feature. The strategies included: 1) encouragement to save via email; 2) encouragement to save via direct mail; 3) promotional incentives; and 4) encouragement to enroll in automatic transfers to the savings feature.

Results from the pilot indicate that, in particular, offering customers a $10 incentive for using the savings feature during a 12-week period was highly effective at encouraging enrollment in the savings feature. Non-zero balances remained relatively constant through the remainder of the year, suggesting that for consumers still using the savings feature, balances generally did not decrease even after the treatment period ended.

The company also surveyed a random sample of study participants nine months post-intervention to learn more about a broad range of personal finance topics. Results from the survey showed that participants who were sent an incentive offer as part of the messaging reported statistically significantly less payday loan use compared to those in the control group.

The results emerging from this pilot suggest that incentivizing prepaid card customers to save, and providing an opportunity for them to do so using a savings feature that keeps funds dedicated for saving separate from those used for spending, could provide tangible financial benefits. Consumers in this pilot demonstrated a willingness to take up the savings feature,

indicating interest in alternative savings vehicles, and some customers also reported actual changes in their financial behavior.

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1. Introduction

The Dodd-Frank Wall Street Reform and Consumer Protection Act mandates that the Consumer Financial Protection Bureau (CFPB or the Bureau) work to empower consumers to make more informed financial decisions. As part of this mandate, the Bureau is charged with providing "opportunities for consumers to access . . . savings, borrowing, and other services found at mainstream financial institutions."[1] To further this mandate, the CFPB is committed to engaging in research to identify effective tools and strategies that can help consumers better manage their money and plan for their futures.

Congress also directed the Bureau to exercise its statutory authorities "for the purposes of ensuring that . . . markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation."[2] To pursue this objective, the Bureau has created its Project Catalyst, which focuses on fostering innovation in financial services through a variety of novel means, including broad outreach efforts to improve understanding of how such innovation can improve the financial lives of consumers. Among these means is the use of pilot projects to encourage financial companies to experiment with new approaches that can yield research and data to gauge their effects upon consumers.

[1] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, Sec. 1013(d)(2)(C).

[2] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, Sec. 1021(b)(5).

Encouraging savings behavior among consumers is also a focus for the CFPB. However, many consumers, especially those with low and moderate incomes, do not have a traditional savings account and may instead rely on a checking or prepaid account as both their primary transactional account and their savings vehicle.[3] Rather than being able to separate funds intended for spending and saving, these consumers may have to mentally track funds allocated for different purposes, potentially making saving more challenging.

American Express (the company), like several other prepaid card providers, recently developed a feature for their *Serve* prepaid card called *Reserve*, which allows cardholders to set aside funds dedicated for saving and keep them separate from funds in their main prepaid account. Cardholders can set aside money using this feature until they are ready to use it, at which point they must transfer the funds to their main transaction account using the card provider app or website. The company has also built in an automatic transfer feature, which allows consumers to schedule recurring transfers from the consumers' transaction account to the savings feature.

Through CFPB's Project Catalyst initiative, the company agreed to share insights with the Bureau from its trial pilot program focused on encouraging saving among prepaid card users. The CFPB team that worked with the company to implement this trial program included Project Catalyst, the Office of Research, and the Office of Financial Empowerment. The CFPB launched a research study with the company in 2014 in order to expand our efforts to encourage saving and understand potential barriers to saving, especially for low and moderate income consumers.

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3 According to the 2013 FDIC survey of Unbanked and Underbanked Households 7.7% of all households had no bank account. Consumers with lower incomes were far more likely to be unbanked with 11.4% of households with incomes between $15,000 and $30,000 and 27.7% of households with incomes less than $15,000 having no account. The same survey indicated that prepaid card use was more common among unbanked households and that the rate of growth among households without bank accounts was growing faster than in the underbanked or fully banked segments of the population. Between 2011 and 2013 the proportion of unbanked households having used a prepaid card increased from 17.8% to 27.1%. Source: The FDIC 2013 National Survey of Unbanked and Underbanked Households https://www.economicinclusion.gov/surveys/2013household/

The study leverages insights from behavioral science and current work being conducted by the company to evaluate the effectiveness of various strategies to encourage prepaid users to set aside funds for future use.[4]

1.1 Background

Having liquid savings may be particularly important for consumers with irregular income flows that may not be synchronized with expenses, or when shortfalls in income or unforeseen expenses occur. One study found that "households without timely access to financial liquidity when an unexpected event occurs may experience economic and material hardships that threaten household well-being, including housing instability, food insecurity, or failure to access needed medical care."[5] Other research suggests that saving may be difficult for many consumers, but likely is especially challenging for those who are living "paycheck to paycheck."[6] These consumers may have to try to keep up with known expenses while also anticipating unexpected expenses or emergencies that may upset their financial plans. Previous research has shown, however, that consumers generally have difficulty accurately predicting their future spending and savings behavior,[78] and such predictions may be even more difficult to make

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[4] The research was conducted in accordance with the privacy protections outlined in the Privacy Impact Assessment Market Research in the Field v.1, and the information shared by the company with the CFPB was stripped of information that directly identifies any individual. Market Research in the Field v.1 Privacy Impact Assessment, December 10, 2014 is available at http://files.consumerfinance.gov/f/201412_cfpb_market-research-in-the-field-v1.pdf.

[5] J. Michael Collins and Leah Gjertson. Emergency savings for low-income consumers. 2010.

[6] The Pew Charitable Trusts. *The Role of Emergency Savings in Family Financial Security; Barriers to Saving and Policy Opportunities* "Seventy-one percent of survey respondents face difficulty saving because of expenses they didn't plan for, including 26 percent who say this happens most months or just about every month." January 2016.

[7] Peetz, J. and Roger Buehler, 2009. Is There a Budget Fallacy? The Role of Savings Goals in the Prediction of

Personal Spending. *Personality and Social Psychology Bulletin, 35*, 1579-1591.

accurately for consumers with low and moderate incomes or for those whose income varies on a weekly or monthly basis.

The Federal Reserve described in its *Report on the Economic Well-Being of U.S. Households in 2015* how a majority of American families are experiencing some form of financial stress within the household balance sheet:

- Fifty-two percent of all households (and 68% of households with incomes less than $40,000) report that household spending is greater than or equal to income
- Forty-two percent of households with volatile incomes or expenses report that they struggled to pay bills at least once in the last year
- Forty-six percent of all households (and 66% of households with incomes less than $40,000) said a $400 expense would be a challenge to handle and that they either could not pay the expense or would borrow or sell something to do so. [9]

With these considerations as a backdrop, many consumers with lower levels of income may not be saving enough to help them avoid financial emergencies. For example, the same Federal Reserve study found that 46 percent of households within this income bracket reported that they had gone without some form of medical treatment in the preceding 12 months, and 53 percent of households making less than $40,000 a year reported saving nothing during the year. Among these respondents, 17 percent were unbanked.[10]

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[8] Peetz, J. and Roger Buehler, 2013. Different goals, different predictions: Accuracy and bias in financial planning for events and time periods. *Journal of Applied Social Psychology, 43*, 1079-1088.

[9] Board of Governors of the Federal Reserve System. Report on the Economic Well-Being of U.S. Households in 2015. http://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf

[10] Ibid.

Taken together, the relatively low savings balances and lower utilization of traditional savings accounts reported by such consumers suggests that alternative savings vehicles may afford consumers with a variety of benefits that may improve their overall financial situation and well-being. Providing opportunities to save outside of traditional savings accounts, such as on prepaid cards consumers may already be using, could help these consumers align their reported need for emergency savings with actual liquid funds when an emergency arises.

A primary purpose for liquid savings is to smooth income

One reason to set aside funds in accounts that are relatively liquid is to provide an opportunity for consumers to smooth the funds available for spending in a given pay period if a shortfall in income occurs. When expenses exceed household income episodically, having liquid savings can help consumers protect savings dedicated for other purposes, like retirement or education, and avoid costly penalties and fees associated with accessing these dedicated funds. Consumers who have access to and make use of traditional checking and savings accounts may have strategies for income smoothing that involve the transferring of funds between these accounts. In this way, traditional accounts may serve to help consumers better manage their income by enabling consumers to put money aside in separate accounts dedicated to different purposes. Without traditional accounts, however, consumers may have to mentally separate these funds, which may make sticking to a savings goal more difficult.

Financial emergencies can have dramatic effects on households with little or no savings

When an emergency occurs, asset-poor[11] families are two to three times more likely to experience hardship than non-asset-poor families. This information holds true across income levels. One study found that "Overall, families with assets are 23 percentage points less likely to

[11] The Corporation for Enterprise Development's Asset and Opportunity Scorecard, 2016 defines asset poverty as "households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income."

suffer from general deprivation than asset-poor families after experiencing a negative event; 9 percentage points of this difference are related to income, leaving 14 percentage points related to asset holding."[12]

Savings may help consumers avoid costly credit and alternative financial services

Having funds set aside for an emergency may provide consumers with an alternative to high-cost credit products, thereby potentially improving their overall financial well-being and objective financial state.

Lack of sufficient income is one obvious barrier to saving, but a lack of a convenient savings vehicle may be an additional barrier. Even if a consumer is highly motivated to save and is able to find a way to do so financially, not having a convenient, low-cost way to implement one's savings strategy could derail a consumer's intentions to save. Further, research has indicated that consumers who are more resource constrained may have less cognitive bandwidth to employ savings strategies.[13] Certain approaches from psychology and behavioral economics, however, have shown promise for increasing savings rates, even among those with relatively lower incomes. For example, previous research has shown that "earmarking" and partitioning funds into two accounts increases savings rates among low-income consumers.[14] Specifically, the researchers find that partitioning funds creates a "rule" in the minds of some consumers for the use of these funds; breaking the rule by spending earmarked funds for an unrelated purpose

[12] McKernan, et. al. "Do Assets Help Families Cope with Adverse Events?" The Urban Institute (2009) http://www.urban.org/UploadedPDF/411994_help_family_cope.pdf

[13] Shah, A. K., Sendhil Mullainathan, and Eldar Shafir, 2012. Some consequences of having too little. *Science, 338,* 682-685.

[14] Dilip Soman and Amar Cheema. "Earmarking and Partitioning: Increasing Saving by Low-Income Households." Journal of Marketing Research Vol. XLVIII (Special Issue 2011), S14–S22 http://journals.ama.org/doi/abs/10.1509/jmkr.48.SPL.S14

induces feelings of guilt and reduces the likelihood that the consumer will spend the funds on an unrelated expense.

The current research project, which encourages saving on a prepaid card with a feature dedicated for a consumer to set aside funds, provides a unique opportunity to test whether certain interventions indeed can drive consumers to utilize this savings feature. Further, we are interested in learning whether providing a ready way for prepaid card users to separate or earmark funds can increase the rate of saving among the company's customers and the "stickiness," or persistence, of the funds once they are set aside in the savings feature. Finally, the project provides an opportunity to test whether encouraging savings results in better outcomes over time.

2. Research Goals and Study Design

The study design, which was executed by the company, enabled the Bureau to explore two major research questions using data stripped of direct identifying personally identifiable information (PII) the company provided to the Bureau:

1. Can certain strategies encourage consumer savings behavior?

2. Is savings behavior associated with better outcomes for consumers, particularly for consumers who are underserved and/or have low incomes?

Within these broad questions, the research goals for this project were to:

- Gain insight into consumer savings behavior and identify practices that promote savings behavior over the short and medium-term among prepaid card users.
- Evaluate the short-term and medium-term impact of saving on consumer well-being among prepaid card users.

To encourage consumer savings behavior, the company tested four strategies in the field to promote savings to prepaid customers who had not previously signed up for the savings feature[15]:

1. **Encouragement via email** – The company sent a series of emails highlighting the benefits of saving to a subset of prepaid customers to encourage them to set up and use the savings feature.

2. **Encouragement via Direct mail** – The company sent a refrigerator magnet highlighting the benefits of saving to a subset of prepaid customers to encourage them to set up and use the savings feature.

3. **Promotional incentives** – The company offered a monetary incentive to a subset of prepaid customers to encourage them to set up and use the savings feature.

4. **Automatic Transfers** – The company encouraged a subset of their prepaid customers to set up automatic transfers from their transaction account into the savings feature.

[15] By the time the company actually deployed the interventions on January 9, 2015, 696 customers (approximately 0.13% of the sample) had already signed up for the savings feature.

3. Methodology

Through CFPB's Project Catalyst initiative, the company agreed to collaborate on a research pilot with the CFPB. The company deployed a trial pilot program from January through March 2015 focused on encouraging saving among a subset of prepaid card users. Using data provided by the company, the CFPB evaluated the effectiveness of these efforts to encourage prepaid users to set aside funds in the savings feature on the prepaid card.[16]

In order for these research questions to be studied in a rigorous and statistically-meaningful way, the study employed a randomized controlled trial (RCT) using a sample of approximately 540,000 prepaid card users. In short, some customers received a treatment (a condition or combination of conditions to encourage savings) and others did not (control group), with random assignment to treatment and control groups during the sample period. To determine whether the intervention had any effect, we looked at the differences between the treatment and control groups and assessed whether customer savings rates and other relevant outcomes

[16] The information shared by American Express was stripped of direct identifying personally identifiable information (PII), and appropriate precautions, such as implementation of access controls, training, and adherence to privacy and cybersecurity policies and procedures, were incorporated to ensure that individual consumers cannot be identified or re-identified through the data.

differed in a systematic way. The RCT methodology allowed us to determine whether the observed outcomes were caused by the intervention.[17]

The trial pilot program employed seven different treatment groups and a control group. Customers in all treatment groups received email messages related to the savings feature on the prepaid card. Some treatments employed targeted language encouraging individuals to save (encouragement condition), some included an offer of $10, provided by the company, if individuals saved $150 by March 31st (incentive condition), and others encouraged the use of an automatic transfer feature (automatic transfer condition) that would automatically transfer funds from the transaction account to the savings feature on a periodic basis or as a single transfer on a specific date determined by the customer. In addition, some customers received a direct mailer from the company (direct mail condition) that included a free refrigerator magnet encouraging them to picture what they could do with the money they set aside in the savings feature. As shown in Table 1, some customers received a combination of the conditions, but the pilot did not include all possible combinations.

Approximately 540,000 prepaid card users (including both control and treatment participants) were included in the trial pilot program, some of which were identified by the company as "active" card users (approximately 240,000 users) and others who were identified as "inactive" card users (approximately 300,000 users). Active user status was determined on December 5, 2015 using the company's standard definitions.[18]

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[17] For this research project, unique identifiers were used for matching between datasets. This is covered by the System of Records Notice (SORN) CFPB.022—Market and Consumer Research Records, https://www.federalregister.gov/articles/2012/11/14/2012-27582/privacy-act-of-1974-as-amended.

[18] A designation of active or inactive is based on transaction activity in the previous 90 days, where transactions include funds coming in, going out, or being sent via person-to-person functionality. Active accounts are those that had at least one transaction in the previous 90 days, and inactive accounts are all others. Given that inactive individuals may have very different relationships with the prepaid card as compared to active users, only a subset of the treatments were applied to inactive users.

TABLE 1: TREATMENT GROUPS AND INTERVENTION CONDITIONS

	Encourage	Incentive	Automatic	Direct mailer
Control				
Treatment 1	●	●		
Treatment 2		●		
Treatment 3	●			
Treatment 4	●			●
Treatment 5	●	●	●	
Treatment 6		●	●	
Treatment 7	●		●	●

3.1 Data Source

The company provided the CFPB with two types of data stripped of direct identifying personally identifiable information (PII) to evaluate the savings intervention treatments.

3.1.1 Administrative Data

The company shared data with the CFPB that it typically collects and is able to share about their customers, while stripping direct identifying personally identifiable information (PII) to protect consumer privacy. The CFPB received account-level deposit and transaction data for all of the individuals included in the trial pilot program who signed up for the savings feature by June 30, 2015, about 15,700 individuals. Of the individuals who did not sign up for the savings feature by

June 30, 2015, random samples of 2,500 were selected from each randomization set,[19] and the same administrative data was provided for these individuals as well. This led to a total sample size of about 48,000 prepaid customers for which the CFPB received data. The administrative data consisted of information about the individual account, including aggregated monthly data on spending categories from prepaid transactions, transaction-level data for funds loaded onto the prepaid card, and funds moved between the transaction account and the savings feature. Although the trial pilot program ran from January through March 2015, the administrative data covers the period from January 1, 2015 through December 31, 2015. This additional administrative data collected after the conclusion of the trial period provides an opportunity to explore continued customer activity within and between the transaction account and the savings feature.

3.1.2 Customer Survey

In December 2015, nine months after the trial period ended, the company administered a voluntary survey to a subset of its customers. Specifically, the survey was sent to all individuals who had signed up for the savings feature by June 30, 2015 and a random subsample of those who had not from each of the randomization sets. The company received approximately 2,800 survey responses.[20] The follow-up survey was designed to elicit information relevant to the study's second primary research question: Is savings behavior associated with better outcomes for consumers, particularly consumers who are underserved and/or have low incomes?

[19] A randomization set refers to a group of individuals categorized by active status and treatment group. In total the pilot employed 13 randomization sets, eight consisting of active individuals and five consisting of inactive individuals. Two of the 13 randomization sets were control sets, one for active card users and one for inactive users.

[20] This figure does not represent a true response rate, as the number of potential respondents was capped in accordance with the company's budget for the survey portion of the project.

4. Findings

4.1 Savings Feature Uptake

First, the Bureau explored uptake of the savings feature as measured by the date that individuals signed up for the savings feature on the prepaid card. While the savings feature existed prior to the pilot study, many prepaid customers had yet to enroll in the feature when the pilot began.[21]

[21] All individuals selected to participate in the pilot had not signed up for the savings feature by December 31, 2014, however 696 of those selected to participate had signed up for the savings feature by the time the treatments were deployed on January 9, 2015.

FIGURE 1: ENROLLMENT IN SAVINGS FEATURE OVER TIME BY RANDOMIZATION SET

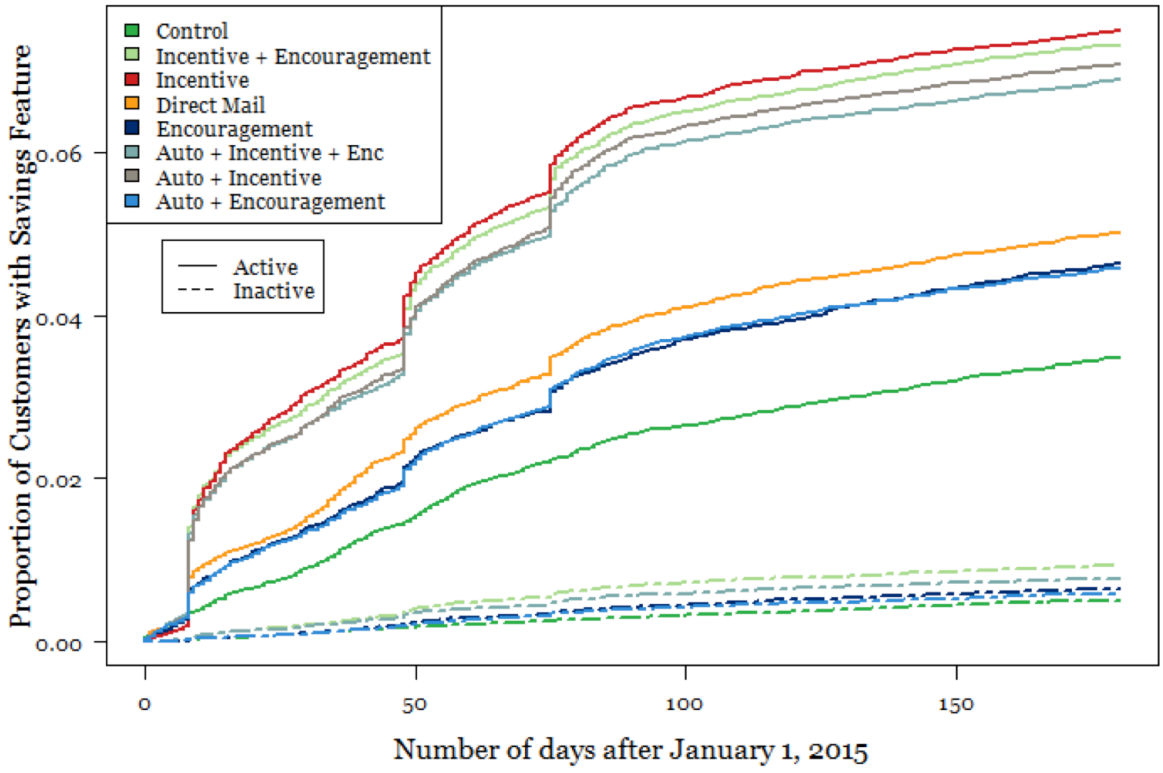
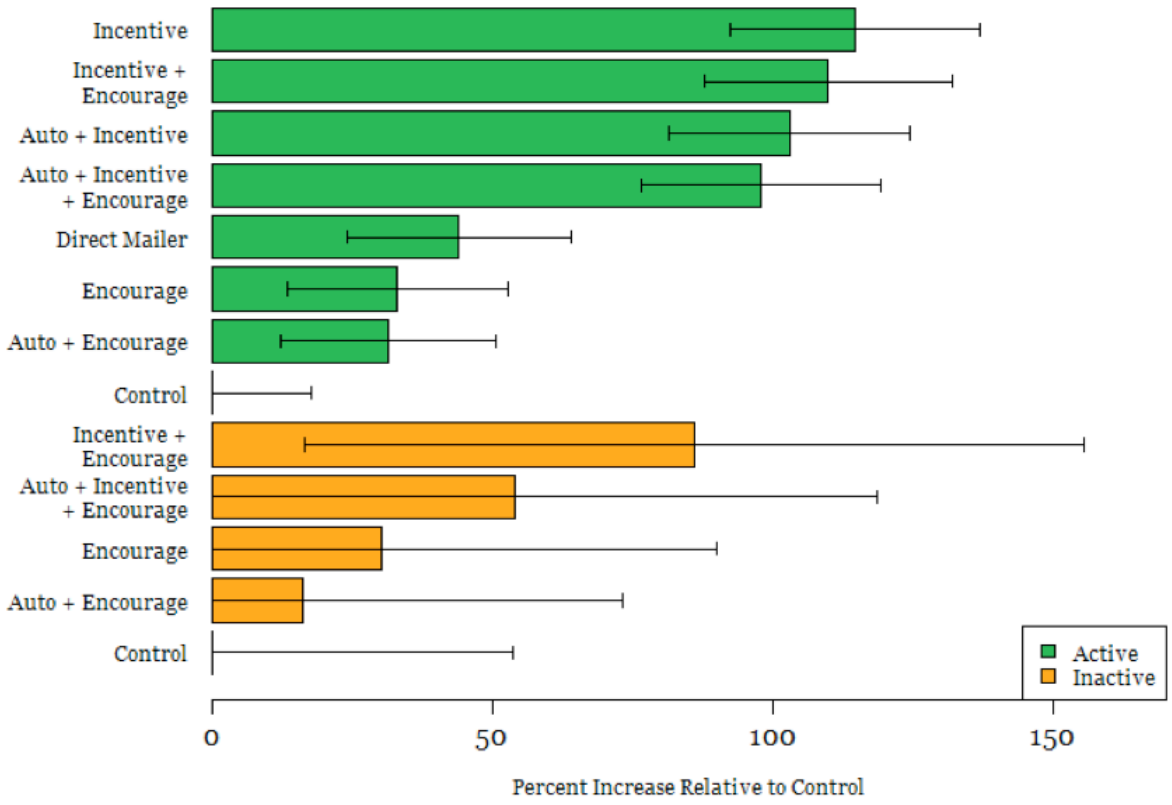


Figure 1 shows enrollment in the savings feature over time for the 11 randomization sets and the two control groups. There were three substantial spikes in savings feature enrollment, each occurring on days when trial pilot participants received the various treatment emails about enrolling in the savings feature. Enrollment occurring on the three email dates accounted for 20.7 percent of all enrollments within the study sample occurring in the first six months of 2015. The direct mailer was sent out shortly after the first email; however, there was no corresponding spike in enrollment around the time when the mailers likely would have arrived. For the randomization sets comprised of active prepaid card users, all four sets that contained an incentive component showed the highest levels of enrollment in the savings feature. For the randomization sets comprised of inactive prepaid card users, the sets with the highest enrollment in the savings feature were those that a) included the combination of the incentive and encouragement to save via email, and b) included a combination of the incentive and encouragement to enroll in automatic transfers.

Of particular interest is the relative impact the various treatments had on enrollment in the savings feature compared to the control group. To highlight these effects, Figure 2[22] shows enrollment in the savings feature for participants in each randomization set as a percentage of enrollment for the relevant control group (i.e., active or inactive).

FIGURE 2: SAVINGS FEATURE ENROLLMENT AS OF JUNE 30,2015



[22] Enrollment is determined as of June 30, 2015. All enrollments are relative to the corresponding active or inactive control set. Error bars represent plus and minus two standard errors.

Again, the sets containing individuals originally categorized as active card users who were sent emails that included an incentive message displayed large increases in enrollment in the savings feature compared to the control group. For those originally categorized as active users who received the email message containing only the incentive offer (i.e., the incentive group in Figure 2), this represents a 4.0 percentage point increase, or 115 percent increase, in enrollment compared to the control group. The next three largest increases also occurred with randomization sets comprised of individuals originally determined to be active card users. Specifically, active users who were sent a message containing the incentive offer and an encouragement to save via email (i.e., the incentive + encourage group in Figure 2) showed an increase in enrollment in the savings feature of 3.83 percentage points, or 110 percent, compared to the control group; active users who were sent the incentive offer and the automatic transfer message showed an increase in enrollment of 3.59 percentage points, or a 103 percent increase, relative to the control group; and finally, active card users who were sent a combination of the incentive offer, encouragement to save via email, and encouragement to use automatic transfers (i.e., the auto + incentive + encourage group in Figure 2) showed a 3.41 percentage point, or a 98 percent, increase in enrollment compared to the control group. While the subset of treatments is different for those originally categorized as inactive card users, a pattern similar to that found with active card users emerges, but with a much smaller magnitude.

4.2 Balances in Savings Feature

Table 2 shows the median maximum monthly balance in the savings feature for individuals who had at least some funds in the savings feature at any point during each month. As expected, median maximum balances in the savings feature were higher during the treatment period—from January through March. Importantly, however, non-zero balances remained remarkably

constant through the remainder of the year, suggesting that for consumers still using the savings feature, balances generally did not decrease even after the treatment period ended.[23]

TABLE 2: MEDIAN MAXIMUM SAVINGS FEATURE BALANCES BY MONTH

Month	Median Balance
1	$75.00
2	$150.00
3	$150.00
4	$150.00
5	$102.00
6	$100.00
7	$100.00
8	$100.00
9	$100.00
10	$100.00
11	$100.00
12	$100.00

4.3 Longer-term Treatment Effects

In order to determine whether the savings-related treatments were associated with better financial outcomes for consumers, we also analyzed the causal impacts of our treatments on other financial behaviors using the survey the company fielded in December of 2015, nine months after the trial pilot program ended. Specifically, one survey question asked individuals

[23] For context, the median of the maximum transaction account balance in June (month 6) was $264.25 for customers using the savings feature that month; in December (month 12), this value was $269.35.

whether they had used or engaged in any of the following products or services in the last year: a refund anticipation loan (RAL), a rent-to-own agreement, selling an item at a pawn shop, using a check cashing service, using money orders, using wire remittances, and using a payday loan or paycheck advance service.[24] Our analysis of this survey question revealed that certain treatments had a robust and statistically significant impact on the likelihood of reporting use of payday loans.

Figure 3 shows reported payday loan use relative to control across all conditions.[25] Based on survey responses from a subset of the pilot population,[26] an estimated 14.7 percent of individuals in the pilot used payday loans in the past year. Participants who were sent an incentive offer as part of the messaging reported statistically significantly less payday loan use compared to those in the control group. Specifically, based on the subset of the pilot population responding to the survey, individuals who were sent an incentive offer were 19.5 percent less likely to use a payday loan in the past year compared to the control group; this represents a 3.1 percentage point decrease in reported payday loan use. Individuals who were sent a direct mailer were estimated to be 35.8 percent, or 5.1 percentage points, less likely to report using a payday loan than those in the control group, although this difference was not statistically significant.

If we look more specifically at survey responses from participants in individual treatment groups (not shown in Figure 3), we estimate that pilot participants whose email messages included a combination of the incentive offer, encouragement to save, and encouragement to enroll in

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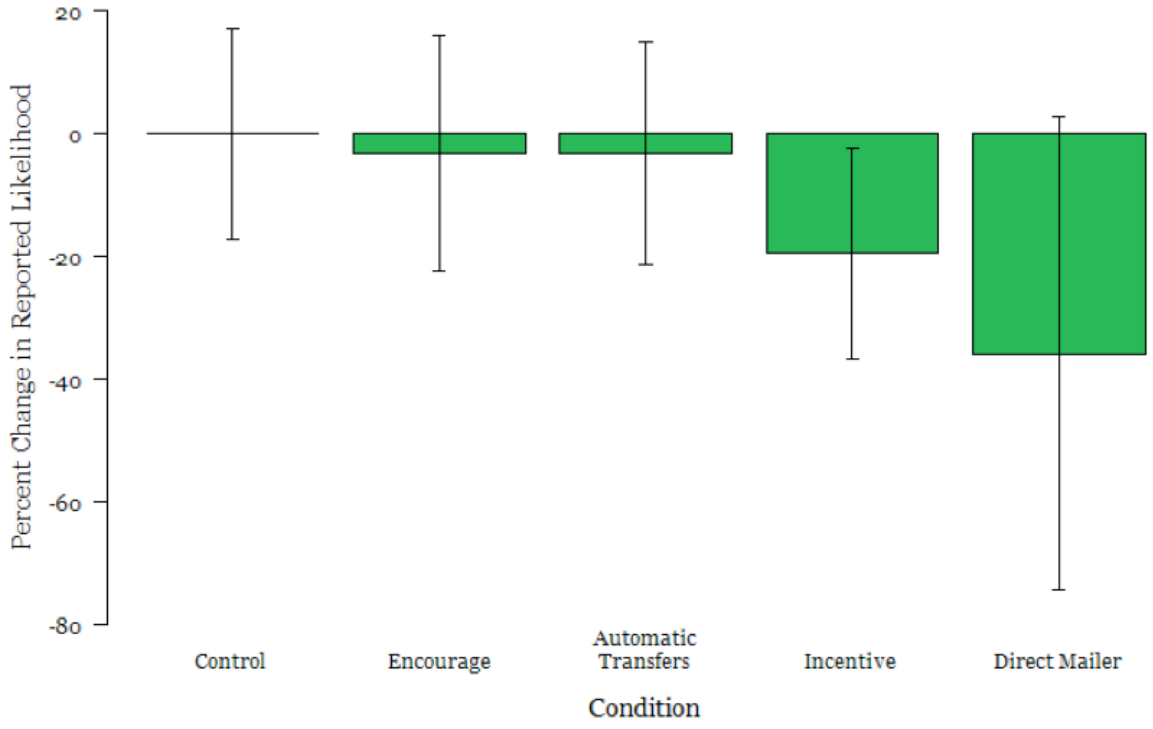
[24] This particular survey response option mentioned both payday loans and paycheck advance services. For simplicity, we use the term "payday loan" when describing responses to this option.

[25] The control, incentive, encouragement, and direct mailer bars all represent the estimated causal impact of each condition, controlling for all other conditions, displayed as a change relative to the control group. Error bars represent two standard errors above and below the change.

[26] Results derived from survey responses are reweighted to account for relevant population and survey response characteristics. As such, values reported in this section are estimates based on actual survey responses from a subset of pilot participants.

automatic transfers to the savings feature, were 40 percent, or 5.8 percentage points, less likely to use a payday loan in the past year than those in the control group, which is a statistically significant difference.

FIGURE 3: DIFFERENCES IN REPORTED PAYDAY LOAN USE BY CONDITION RELATIVE TO CONTROL



5. Summary

Across the income spectrum, consumers report a desire to save more than they actually do.[27] This mismatch between intentions and behavior in the savings space can be influenced by many factors, including insufficient income to cover regular expenses, an abundance of debt, or a lack of a convenient and readily available savings vehicle. While each of these barriers to saving can occur across the income spectrum, such barriers may be particularly problematic for those with lower levels of income. These individuals are more likely to be unbanked, and therefore may be less likely to have access to and use traditional tools that make saving for emergencies easier, such as an account dedicated to savings. The research pilot conducted by the company and CFPB explores strategies to encourage consumers to set aside money for future use, employing an alternative savings vehicle for individuals who may not have access to or choose not to participate in traditional bank accounts: a savings feature on a prepaid card.

The trial pilot program described here employed various treatments aimed at encouraging prepaid card users to enroll in and use a savings feature on the prepaid card. Results from the pilot indicate that, in particular, offering customers a $10 incentive for using the savings feature during a 12-week period was highly effective at encouraging enrollment in the savings feature. Importantly, non-zero balances remained remarkably constant through the remainder of the

[27] According to a 2014 Gallup poll, 62 percent of all Americans stated that they enjoy saving money more than spending it (report found at: http://www.gallup.com/poll/168587/americans-continue-enjoy-saving-spending). However, data from the U.S. Department of Commerce show that the 2013 average personal savings rate was 5 percent, which was the lowest rate since 2008 and low historically; the U.S. average personal savings rate in the 1970s was 11.8 percent, 9.3 percent in the 1980s, and 6.7 percent in the 1990s (report found at: http://www.bea.gov/newsreleases/national/pi/2016/pdf/pi0716_hist.pdf).

year, suggesting that for consumers still using the savings feature, balances generally did not decrease even after the treatment period ended. That is, being offered a one-time, nominal incentive to save appears to have lasting effects on behavior even months after consumers are offered the incentive. In addition, the provision of a simple refrigerator magnet encouraging individuals to picture what they can do with money they save using the savings feature drove a significant increase in enrollment compared to the control group.

Taken together, these findings indicate that simple, low-touch methods of encouraging uptake of a savings feature on a prepaid card drove customers to take an action that resulted in reduced utilization of a high-cost source of credit, as evidenced by the impact the treatments had on reported payday loan use. Participants who were offered an incentive reported significantly less payday loan use than those in the control group.

As with any field study, the findings of the pilot conducted by American Express and CFPB may be unique to the *Serve* population and may not translate to other prepaid card users or other similar products offered by different industry players. However, the results emerging from this pilot suggest that incentivizing prepaid card customers to save, and providing an opportunity for them to do so using a savings feature that keeps separate funds earmarked for saving, could provide tangible financial benefits. Consumers in this pilot were not only willing to take up such a feature, indicating interest in alternative savings vehicles, some customers also reported actual changes in their financial behavior.