



NEW AMERICA
FOUNDATION

Applying Behavioral Economics to Improve Financial Outcomes: The AutoSave Experience

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Agenda

- The Role of Financial Education
- The Role of Behavior
- AutoSave Pilot
- Early Pilot Observations
- Closing Thoughts, Insights for Policy

Financial Education

- What we know
 - Iterative relationship with account ownership
 - Knowledge \neq capacity \neq what's tested
- What we need to know
 - Effectiveness, What causes behavior change
 - Demand and Supply

Intention \neq Action

- Experiences and perceptions influence our actions
- Financial knowledge \neq changes in behavior

The Need for “Ready” Savings

- Large segments of the population have insufficient levels of “ready” savings despite a desire to save for precautionary purposes
- A dearth of savings increases likelihood and impact of hardship
- One of many financial goals, needs



- 6-12 month operational feasibility pilot
- Implementation, Research Partner MDRC
 - 6 Pilot Sites
 - Product Development
 - Process Refinement
 - Account Performance
 - Policy Analysis



Preferred Account Features

- Statement savings account
- Individually-owned, portable
- Low or no opening balance
- Low or no minimum balance to maintain
- Low or no fees
- Access to savings at teller and ATM
- ATM card provided, but not enabled for POS
- No possibility for overdraft or negative balance
- Federal Insurance (FDIC, NCUA)
- Interest bearing

Behavioral Principles

AutoSave Design Features

Simplify Minimize Hassle Factors	→	Streamline new account paperwork Pre-populate form fields Enroll at work, no bank/credit union trips
Constrain Choices	→	Recommend a standard saving amount Pre-screen the account and its terms
Automaticity	→	“Set it and forget it” Direct deposit automates savings
Mental Accounting	→	Segregate savings from transaction account New account (perhaps) in new depository Not linked to checking
Create Social Norm	→	Presented as a standard employee benefit

Employer: Direct Deposit Authorization



Bank: New Account Application

AmCheck
ANNUAL PAYMENTS

Rosanne Lopez

DIRECT DEPOSIT & CAMPAY VISA AUTHORIZATION FORM

I hereby authorize AmCheck, hereinafter called COMPANY, as herein more fully set forth herein, to make direct deposit and adjustments for my entire pay to one or more of the accounts indicated below and for financial institutions named below, hereinafter called DEPOSITORY, to credit such direct deposit for each pay period. This authority is in effect from the date hereof and shall remain in effect until such time as I or you or we mutually agree to terminate this authorization form by written notice to each other and to each other as to effect COMPANY and DEPOSITORY a reasonable opportunity to act on it.

CHECK ONE:
 ADD-Deposit my pay to the account above* CHANGE-Change financial institutions and/or account number*
 ADD-Deposit my pay to my CashPay Visa Account* CHANGE-Stop my participation in the program

*Use the line required for COMPANY and bank processing, when one or two pay periods for processing. You will be receiving a regular paycheck until the change can be processed.

CHECK ONE:
 Deposit Entire Net Pay Checking Account (Verify Account # & Routing # With Bank)
 Deposit Part Dollar Amount \$ _____ Savings Account (Verify Account # & Routing # With Bank)
 Deposit Percentage of Net Pay _____ % CashPay Visa Account

All Fields Must Be Completed In Full:

Today's Date: _____ Employee Name (Print): _____ Company Name: _____

Employee SSN: _____ Bank Name: _____

Bank Routing Number (as seen from CashPay Visa): _____ Bank Account Number (as seen from CashPay Visa): _____

Additional Information Required For CashPay Visa Only:

Address: _____ Apartment Number: _____
 City: _____ State: _____ Zip: _____
 Home Phone: _____ Work Phone: _____ Date of Birth: _____ Marital Status: _____

INCLUDE A COPY OF A VOIDED CHECK
(Not required for CashPay Visa)

Employee Signature (Required): _____

Consumer Account Application (Offline Use)

PERSONAL INFORMATION

First Name: _____ Last Name: _____
 Middle Name: _____
 Date of Birth: _____
 Social Security Number: _____
 Home Address: _____
 City: _____ State: _____ Zip: _____
 Home Phone: _____ Work Phone: _____
 Date of Birth: _____ Marital Status: _____

EMPLOYMENT INFORMATION

Employer Name: _____
 Employer Address: _____
 Employer City: _____ State: _____ Zip: _____
 Employer Phone: _____
 Job Title: _____
 Start Date: _____
 End Date: _____

ACCOUNT INFORMATION

Account Type: _____
 Account Number: _____
 Routing Number: _____
 Account Name: _____

AGREEMENTS

I agree to the terms and conditions of this account application and to the terms and conditions of the account agreement.
 I agree to the terms and conditions of this account application and to the terms and conditions of the account agreement.
 I do not agree to the terms and conditions of this account application and to the terms and conditions of the account agreement.

Signature: _____
 Date: _____

AutoSave
DIRECT DEPOSIT FUND

Today's Date: _____

First Name: _____ Last Name: _____
 Middle Name: _____
 Date of Birth: _____
 Social Security Number: _____
 Home Address: _____
 City: _____ State: _____ Zip: _____
 Home Phone: _____ Work Phone: _____
 Date of Birth: _____ Marital Status: _____

Primary payroll deposit: Check one

Deposit into my existing bank account Complete only if you expect for your primary deposit to be made into an existing checking or savings account. Please attach a voided check.
 Cut me a paper check

Bank Name: _____
 Bank Routing Number: _____
 Bank Account Number: _____

AUTOSAVE BENEFIT

Fill in below to set up AutoSave, either with your own savings account, or to have us set up a ABC Bank savings account for you, free of charge.

Sign me up for the standard savings amount of \$25 per pay period.
 I'd like to save more. Enroll me at a savings amount of \$25 per pay period.
 I can't save at the recommended rate right now. Please enroll me at a savings amount of just \$15 per pay period.

Sign Me Up for a New, Guaranteed ABC Bank AutoSave Account Use My Existing Savings Account

Bank Name: _____ City: _____ Bank Name: _____ City: _____
 Bank Routing Number: _____ Bank Routing Number: _____
 Bank Account Number (To Be Completed by Institution Filing): _____ Bank Account Number: _____

I have received information about the AutoSave benefit, and I do not wish to participate.

Signature: _____
 Date: _____

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Initial Results on Take-Up

- 10-25% take-up at most sites
 - 2-62% in the first month
 - 51% chose recommended savings level
 - 0 chose smaller amount
 - 0 made subsequent changes
 - More than half left savings untouched 3 months later

FEATURE	RESULT	LEARNING
<p>“Recommended” Savings Dollar Amount Pre-checked on Form</p> <p>(ANCHORING)</p>	<ul style="list-style-type: none"> •51% chose preferred level •None chose smaller amt. •No subsequent changes 	<ul style="list-style-type: none"> •“Stickiness” happens •Recommendation was trusted
<p>Information, Knowledge about the Program and Reasons to Save</p> <p>(REMINDERS)</p>	<ul style="list-style-type: none"> •Higher enrollment rates in sites with: •Small group orientation •Advance notice •Prep supervisors •Individual follow-up 	<ul style="list-style-type: none"> •Must have ability to move quickly on decision •Leaves open question of how much information is efficient amount to provide
<p>Ease of Immediate Enrollment</p> <p>(CHANNEL FACTORS)</p>	<ul style="list-style-type: none"> •Site with most complex procedure had lowest take-up 	<ul style="list-style-type: none"> •Appears important, but difficult to quantify

FEATURE	RESULT	LEARNING
Segregated Savings (Mental Accounting)	Many articulated value of having separate account not linked to transaction accounts ("I'm participating in AutoSave to hide money from myself")	•Separate "mental accounts" matter
Strong Encouragement; Message of "expectation" that employees will enroll (Social Norming)	•Strong take up in sites with this feature	•Seems effective, but difficult to replicate •Potential issues with pressuring of employees
Pre-commitment, option to defer contributions for 3 mo.	No employees took this option (2 sites)	•Option to delay payroll deductions may not be powerful for this intervention •Further testing of timing may be helpful

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Next for AutoSave

- Continue tracking current sites, expand
- Strengthen opt-in model with behavioral tweaks
- Legal and policy research for opt-out, automatic enrollment design

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Closing Thoughts

- Adopting behavioral framework/ideas ≠ Abandoning financial education goals
- Recommendation: Financial Services Corps
 - Personalized financial planning/advice
 - Model on the Legal Services Corporation
 - To collect and analyze data to understand needs

Product and Policy Implications

- Adopt criteria for affordable, attractive, basic savings
 - Makes it profitable to begin saving at small dollar amounts
 - Protects the account as much as possible from being depleted by fees, overdrafts and everyday purchases
 - Makes funds readily accessible when needed
- Acknowledge costs to financial institutions
 - Increase interest reporting level? Default electronic statements?
- Reform use ChexSystems for low risk savings account
 - Design accounts so they are accessible and not risky for FI or EE
- Continue Encouraging Direct Deposit and Split Paycheck
- Proceed cautiously with tradeoffs (e.g. transparency)

For More Information

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[Project Page](#)

http://www.mdrc.org/project_16_98.html



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