
Using Behavioral Science to Increase Financial Well-being

Wendy De La Rosa

41% of Americans can't cover
a \$400 unexpected expenses

45% of Americans with debt spend up to half of their monthly income on debt repayment

47% of U.S. households are carrying at least \$25,000 (not including mortgages)

36% say they will be in debt between 6-20 years; 14% say the rest of their life

--2017 Northwestern Mutual Planning and Progress Study

**On a scale of 1-100, how much
do you agree with the
following statement?**

I am financially secure

On a scale of 1-100, how much do you agree with the following statement?

I am financially secure



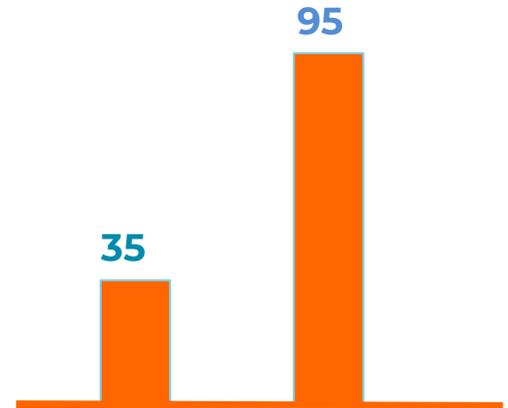
On a scale of 1-100, how much do you agree with the following statement?

I want to be financially secure



On a scale of 1-100, how much do you agree with the following statement?

I want to be financially secure



Take a moment to think about what specific actions you can take to become more financially secure...Think about actions that you can **easily start within the next month.**

92% could list 3 or more
actions

People **want** to be financially secure
They **know** what to do to become
financially secure
Yet, they are **not** financially secure



**Increasing
information**

does NOT

**lead to behavior
change**

**Financial education programs account
for just 0.1% of financial behavior
change**

--Fernandes, Lynch and Netemeyer (2014)

We need behavioral interventions

3B Framework

Behavior

↓ **Barriers**

↑ **Benefits**

3B Framework

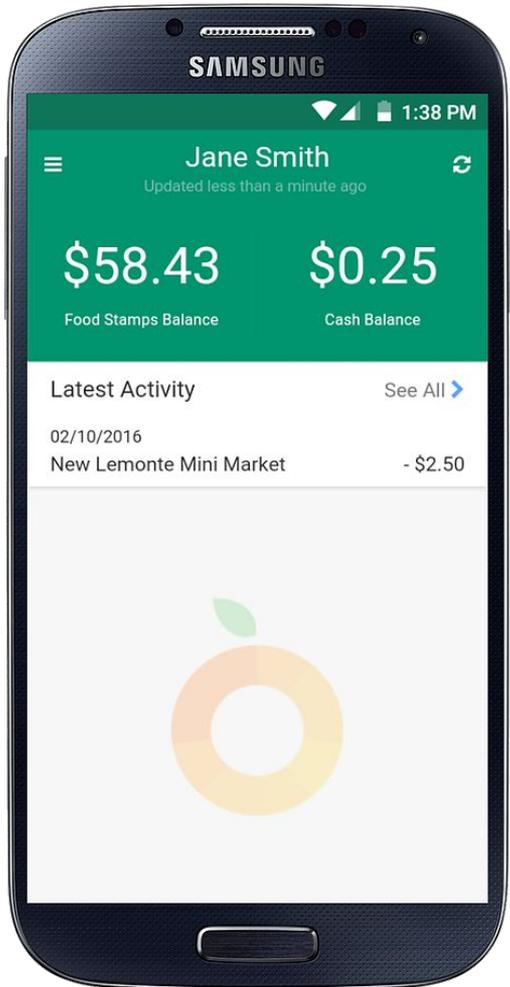
Behavior

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Barriers

**Every click, every field, every signature,
every step, every call, every choice is a
barrier ...**

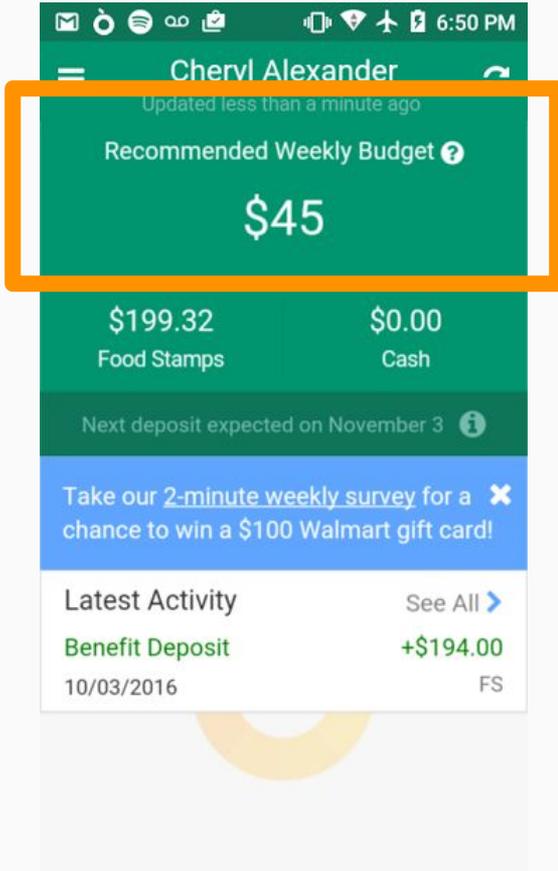


FRESH EBT

- Check EBT card balance in 5 seconds
- View spending and transaction history
- Stretch your EBT dollars with local deals
- Find nearby stores that accept SNAP

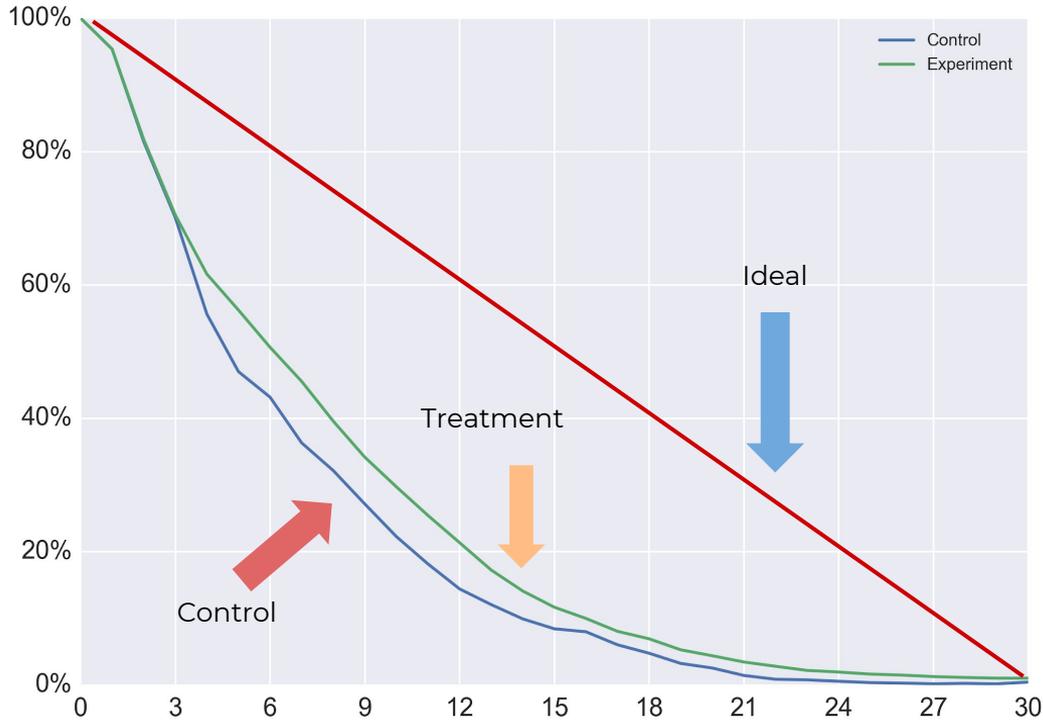


PROPEL



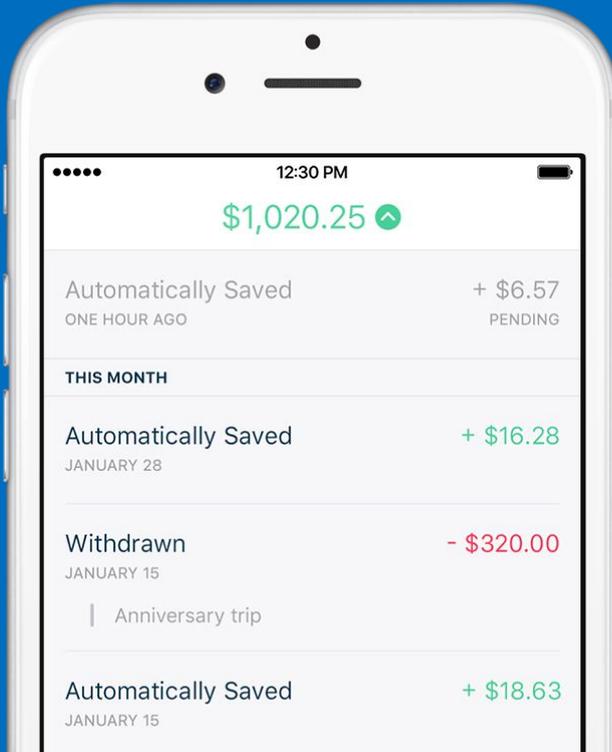
Combating the windfall effect

% of balance



Extended budget by 2-3 days

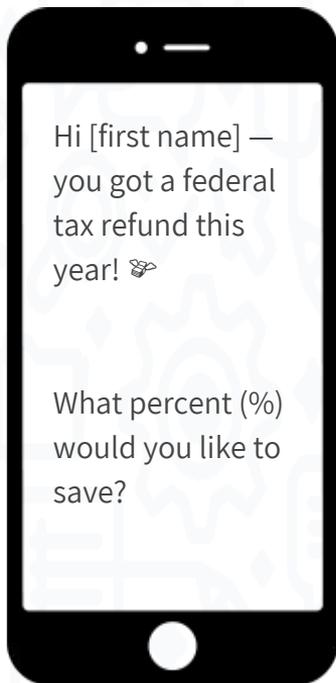
Days since deposit



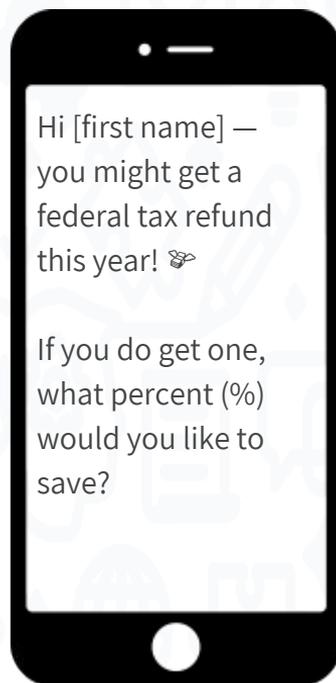
- ▶ Automated savings tool
- ▶ Digit figures out a user's spending patterns and withdraws a few dollars when the user can afford it
- ▶ SMS based interaction

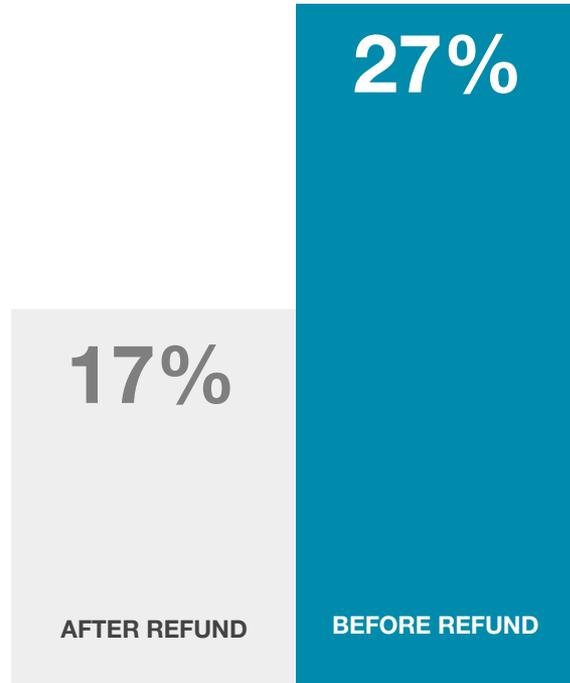
Tax time savings example

Sent **AFTER**
tax refund was
received



Sent **BEFORE**
tax refund was
received



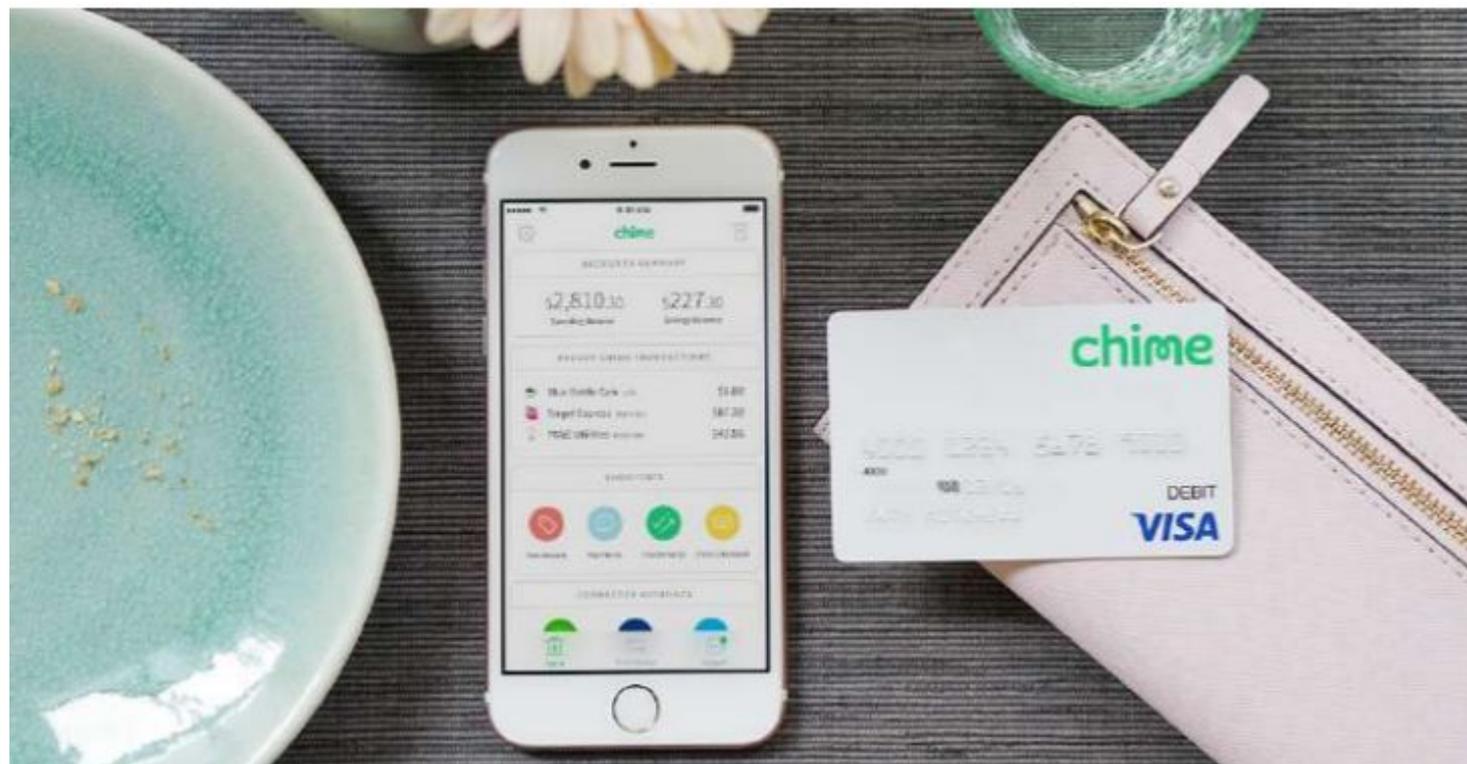


Average Savings Rate (Excluding 0s)

**What's the standard way to save
from a bank account?**

Open a bank account

Set up an auto transfer \$50 every month



**There are times when you want to
increase barriers**

Increasing Benefits

Long-term benefits are not benefits...What is our nutella on the carrot?



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You're 64 turning 65. Are you ready for retirement? House sharing can help.



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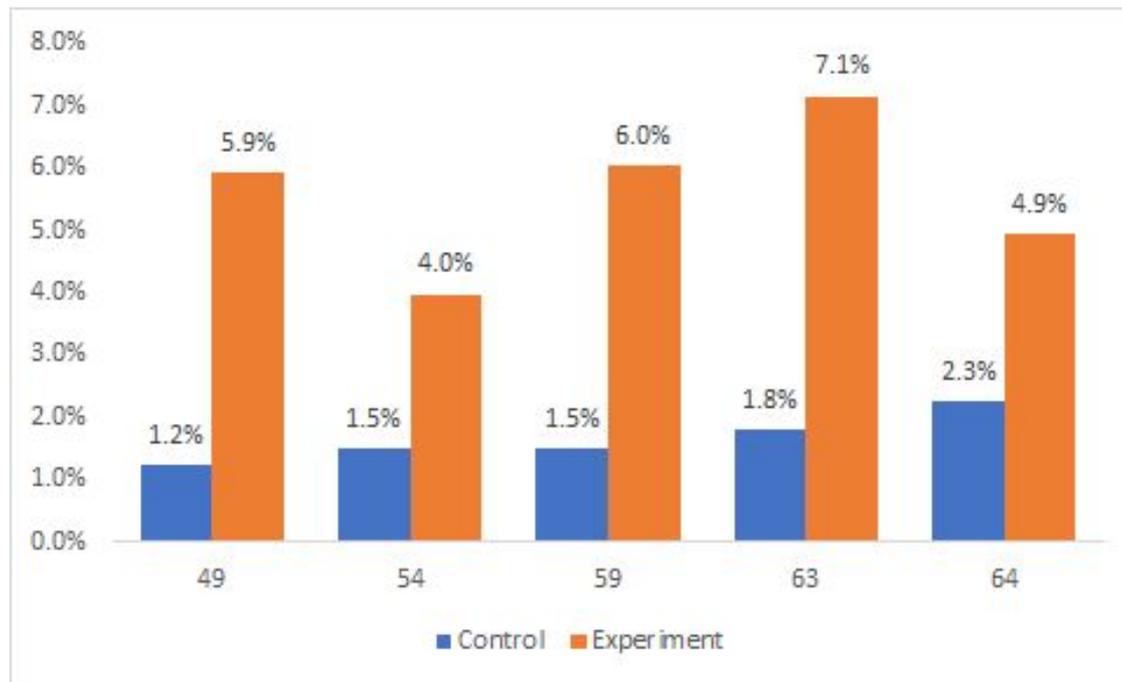
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Click-Through-Rates



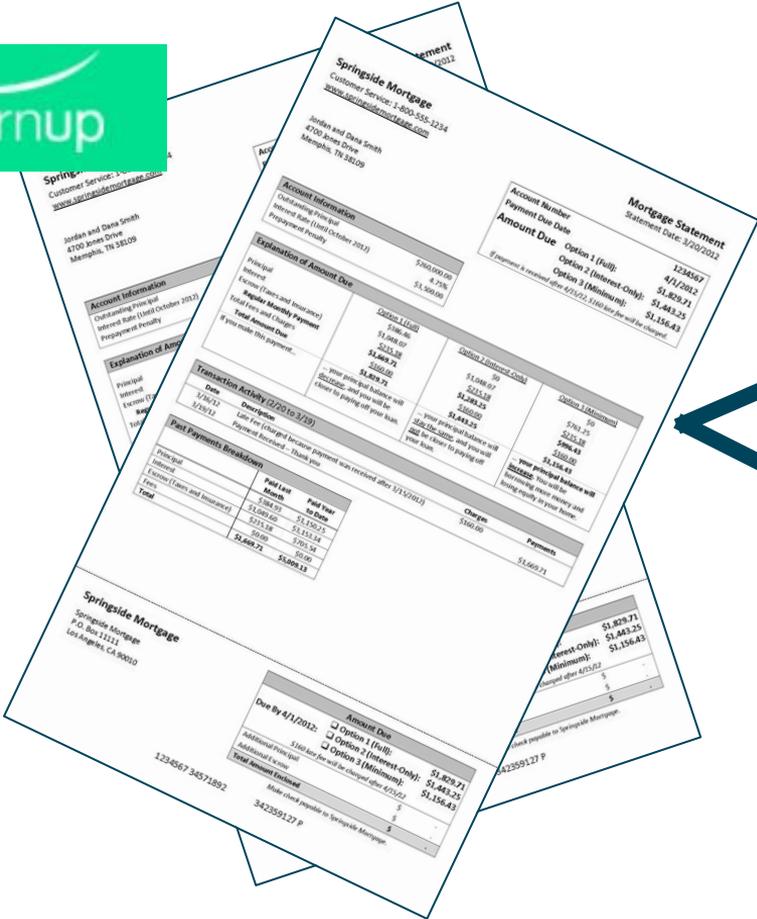


Where do you stop?



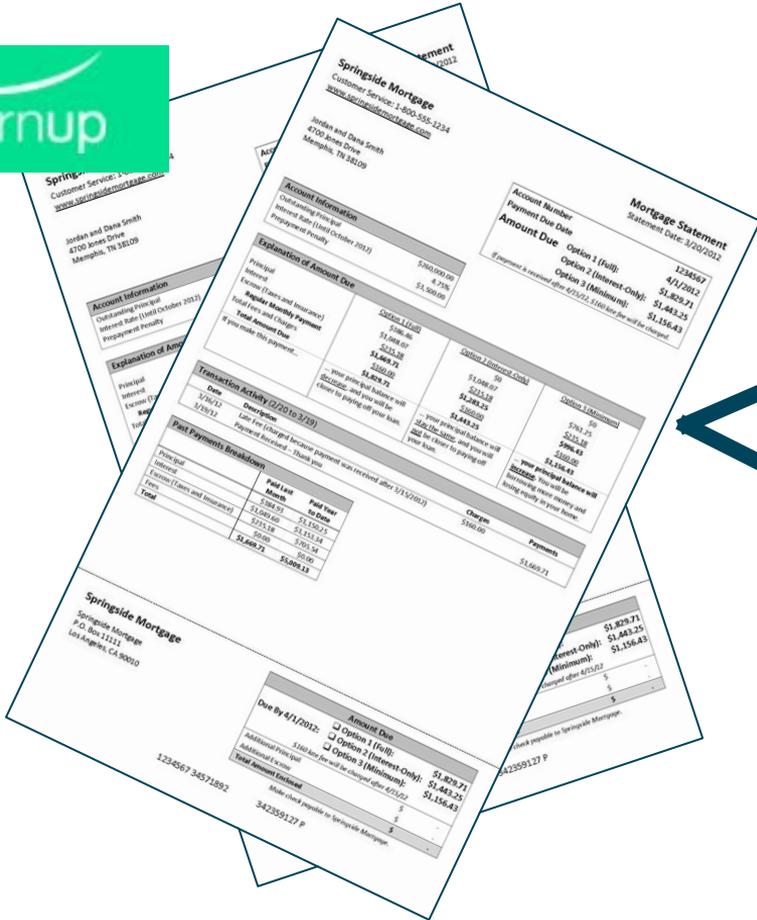
56% stop at round numbers

**We are attracted to
psychologically satisfying
numbers**



Add \$14 to your loan payment and save 3 years off your loan

Round up to \$1150 and save 3 years off your loan



Add \$14 to your loan payment and save 3 years off your loan

10.8%

Round up to \$1150 and save 3 years off your loan

14.6%

+\$64 a month

3B Framework

Behavior

↓ **Barriers**

↑ **Benefits**

Questions?

Appendix