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

35
On a scale of 1-100, how much do you agree with the following statement?

I want to be financially secure

35
On a scale of 1-100, how much do you agree with the following statement?

I want to be financially secure

95

35
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

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↑ Benefits
Every click, every field, every signature, every step, every call, every choice is a barrier ...
● 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
Combating the windfall effect
Days since deposit

Extended budget by 2-3 days
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
Hi [first name] — you got a federal tax refund this year!

What percent (%) would you like to save?

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Hi [first name] — you might get a federal tax refund this year!

If you do get one, what percent (%) would you like to save?

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**Tax time savings example**

Sent **AFTER**
tax refund was received

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Sent **BEFORE**
tax refund was received

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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?
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.

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

+$64 a month
3B Framework

Behavior
↓Barriers
↑Benefits
Questions?
Appendix