Boosting Savings in Troubled Times: Harnessing Innovation

Peter Tufano

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Co-Founder and Chairman
Doorways to Dreams Fund, Inc.
Agenda

- Savings in America
- Savings Levers: Fun
- Savings Levers: Easy
- Building Demand and Skills
- Questions / Discussion
Doorways to Dreams (D2D) Fund

**Mission:**
expand access to financial services, especially asset building opportunities, for lower-income families by creating, testing and deploying innovative financial products & services

- Boston (Roxbury) based, non-for-profit
- Founded in 2000
- Focus on scale, sustainability
- Record of linking private sector capabilities to public (non-profit) ideals
D2D Supporters & Collaborators

- Ford Foundation
- The Rockefeller Foundation
- Walmart
- CFSI
- H&R Block
- The Annie E. Casey Foundation
- Sungard
- Filene Research Institute
- Intuit
- W.K. Kellogg Foundation
- New America Foundation
- MCU
- The Aspen Institute
Macro-Data on Savings

Personal Savings Rate by Quarter
1960-2008

Source: Federal Reserve Bank of St. Louis

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Micro-Data: US Households’ Financial Picture

How confident are you that you could come up with $2,000 if an unexpected need arose within the next month?”

- I am certain...I could
- I could probably...
- I could probably not...
- I am certain...I could not
- Do not know.
Fraction of “fragile” households

Not Able to come up with funds

- I don’t know
- Can’t or Probably Can’t

<table>
<thead>
<tr>
<th>Country</th>
<th>Fragile Households (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MEX</td>
<td>2%</td>
</tr>
<tr>
<td>UK</td>
<td>7%</td>
</tr>
<tr>
<td>GER</td>
<td>7%</td>
</tr>
<tr>
<td>USA</td>
<td>7%</td>
</tr>
<tr>
<td>POR</td>
<td>5%</td>
</tr>
<tr>
<td>FRA</td>
<td>6%</td>
</tr>
<tr>
<td>ARG</td>
<td>11%</td>
</tr>
<tr>
<td>CAN</td>
<td>5%</td>
</tr>
<tr>
<td>NETH</td>
<td>4%</td>
</tr>
<tr>
<td>SING</td>
<td>4%</td>
</tr>
<tr>
<td>ITALY</td>
<td>5%</td>
</tr>
<tr>
<td>HKG</td>
<td>6%</td>
</tr>
<tr>
<td>LUX</td>
<td>10%</td>
</tr>
</tbody>
</table>

How confident are you that you could come up with [USA: $2,000, GB: £1,500; France, Germany: €1.500] if an unexpected need arose within the next month?
Basis: all

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### Who’s more/less able to cope?

<table>
<thead>
<tr>
<th>More able to cope</th>
<th>Less able to cope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher wealth (21-36%)</td>
<td>Women (7%)</td>
</tr>
<tr>
<td>Higher income (16-35%)</td>
<td>Unemployed (8%)</td>
</tr>
<tr>
<td>Higher ed (16-28%)</td>
<td>Gamblers (7%)</td>
</tr>
<tr>
<td>Older 40+ (15-29%)</td>
<td>Lost 30%+ of assets (13-30%)</td>
</tr>
<tr>
<td>Prior Fin Ed (20%)</td>
<td>Prior Fin Ed (20%)</td>
</tr>
</tbody>
</table>
How do people cope?
Lots of ways!
Form of coping and required means

Figure 6. Ways of Coping by Number of Listed Coping Strategies, USA only

For Those Listing Only One Coping Strategy

Proportion of respondents

0 0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8

0.66 0.14 0.11 0.02 0.04 0.06

For Those Listing Two Coping Strategies

Proportion of respondents

0 0.1 0.2 0.3 0.4 0.5 0.6

0.05 0.38 0.41 0.09 0.24 0.24

For Those Listing Three Coping Strategies

Proportion of respondents

0 0.1 0.2 0.3 0.4 0.5 0.6

0.53 0.61 0.51 0.24 0.39 0.47

Legend:
- Draw from savings
- Use mainstream credit
- Sale things
- Help from family/friends
- Use USC credit
- Increase work

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So what? Relationship of financial confidence and life decisions

Table X. Relationship between Confidence in Ability to Cope and, As a Result of the Economic Crisis, Being Less Likely to..., Marginal Effects from Probit Regression

<table>
<thead>
<tr>
<th></th>
<th>Many</th>
<th>Divorce</th>
<th>Have Child</th>
<th>Go Back to School</th>
<th>Change Job</th>
<th>Retire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Confidence in Ability to Cope</td>
<td>-0.062</td>
<td>+</td>
<td>-0.103</td>
<td>*</td>
<td>-0.047</td>
<td>-0.016</td>
</tr>
<tr>
<td>Constant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>865</td>
<td>695</td>
<td>872</td>
<td>1302</td>
<td>1307</td>
<td>918</td>
</tr>
</tbody>
</table>

Marginal effects: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001

Notes:
1. Model includes controls for gender, region, age, education, household composition, marital status, race/ethnicity, income, wealth, changes in wealth, financial planning, financial education in school, and gambling behavior.
2. Confidence in Ability to Cope = 1 if respondent reports that it is “certain” or “probable” that she would be able to come up with $2000 in the event of an emergency.
3. Dependent variables = 1 if the respondent would be less likely to engage in the action as a result of the economic crisis.
So what?

- After controlling for income, wealth, age, gender, education, race...
- Your ability to come up with $2000 in 30 days is related to decisions to:
  - Marry
  - Have kids
  - Retire
- Savings matters!
Supporting saving: Coercion to Excitement

- Force to Save
- Make Hard Not to Save
- Make Easy to Save
- Bribe to Save
- Social Support
- Make Fun & Exciting

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Quick Poll – What’s More Exciting?

[Image of lottery ticket]

[Image of deposit slip]

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Gaming & Saving?

38% of those with incomes below $25,000 think that winning the lottery represents the most practical way for them to accumulate several hundred thousand dollars.

- 2006 Consumer Federation of America study*

Lottery players may seek:

1) entertainment
2) financial planning / wealth building

Can we strengthen #2 without losing #1?

* http://www.commondreams.org/news2006/0109-05.htm
How about “Prize-Linked Savings”? 

• Concept:
  ▪ Earn chance(s) to win by saving
  ▪ Forego part of return to fund prize(s)

• Why?
  ▪ Make saving fun, exciting, interesting
  ▪ Divert gaming dollars to saving
  ▪ Exploit our weakness for evaluating odds

• Consider:
  ▪ $60 billion in US lottery sales (2008)*
  ▪ Average of $515 per household
  ▪ 80% of gambling revenue from HH w/ income <$50k**

*Sources: *North American Association of State and Provincial Lotteries **Tufano, Maynard and De Neve, Consumer Demand for Prize-Linked Savings.

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International Precedent

- Argentina
- Brazil
- Denmark
- Germany
- Great Britain
- Kenya
- India
- Indonesia
- Ireland
- Mexico
- New Zealand
- Oman
- Pakistan
- South Africa
- Spain
- Sri Lanka
- Sweden
- Turkey
- United Arab Emirates

Noteworthy:
- $47B in UK “Premium Bonds” outstanding, 23MM holders
- Swedish “Lottery Bonds” program est. 1918
- Prizes range: $1.7M tax free (UK), Mercedes (Oman), Motorcycle (Pakistan), DVDs (Mexico)
One version: UK Premium Bonds

Premium Bonds

A £1 million jackpot every month

We hold a prize draw every month with a £1 million jackpot plus over a million other tax-free prizes. The more Bonds you have, the better your chances of winning.

Why choose this product?

If you want an investment which offers the fun and excitement of a chance of a big win.

Who can invest?

Anyone aged 15 or over, can also be bought on behalf of under-16s by parents and grand-parents.

Minimum purchase

£100

Maximum holding

£30,000

Investment term

No set term

Prize draws

Instead of paying interest, Bonds are entered into monthly prize draws. Remember that inflation can reduce the true value of your money over time.

Tax status

Free from UK Income Tax and Capital Gains Tax

Benefits

- A £1 million jackpot every month
- Chance to win every month
- All prizes tax-free

Investor’s guide

- Our range
- Our interest rates
- Need help to decide?
- Tax and savings

Security

- Privacy policy
- Online security
- Backed by HM Treasury
A Test:

• **Test concept in the US**
  - 8 credit unions in the state of Michigan
  - $100,000 grand prize
  - $3.3K / month in smaller prizes
  - $25 deposit in 1 year Share Cert. = 1 chance to win
  - Max = 10 chances / month (120 per year)
Critical Prize-linked Savings Questions

- Do people want it (demand)?
  - Does “fun” work?
- Does it make a difference (impact)?
  - New savers? New savings?
- Is it good business (sustainability)?
Save to Win Results (2/09 – 12/09)

- **Sales**
  - 11,600 accounts opened
  - $8.6MM deposits

- **Survey findings (n=~6k / 50%+)**
  - Household income < $60K: 67%
    - Less than $40k: 44%
    - Less than $20k: 16%
  - < $2k in financial assets: 28%
  - Less than a college education: 65%
  - Spent on lottery / gambling in prior 6 mos: 59%
  - Racial / ethnic minority: 27%
A Second Approach to Prize-Linked

Who runs lotteries today?
- States have legal authority
- 200k retailers in 44 states
  - Many in underserved communities

How about a ‘no lose’ lottery game?
- Play game for chance to win
- But player can get funds back

Exploration underway
- FDIC Committee on Economic Inclusion (COMEIN) subcommittee meeting in July, 2009
What Can State Legislators Do?

• Challenge
  ▪ State law generally prohibits “private lotteries”

• How state legislator can help
  ▪ Facilitate deposit-based programs
    ▪ Michigan, MCL 490.411 allows for a savings promotion raffle defined as:
      “a raffle conducted by a domestic credit union where the sole consideration required for a chance of winning designated prizes is the deposit of at least a specified amount of money in a savings account or other savings program offered by the domestic credit union.”
  ▪ Encourage State Lotteries/Treasurers to study lottery-version PLS programs
Progress

State action to date:

- MD legislators Olszewski & Klausmeier introduced Bill 990, 886; signed by Governor O'Malley 5/20/10
- RI Senator Pichardo introduced Senate Bill 2399; signed by Governor Carcieri June 2010

- Prize-linked savings discussions underway
  - With non-profits, credit unions, state CU leagues
  - in WA, MN, GA, CA, NY
490.411 Savings promotion raffle.
Sec. 411.
(1) If authorized by the credit union board, a domestic credit union may conduct a savings promotion raffle. The domestic credit union shall conduct a savings promotion raffle so that each token or ticket representing an entry in the raffle has an equal chance of being drawn. A domestic credit union shall not conduct a savings promotion raffle in a manner that jeopardizes the domestic credit union's safety and soundness or misleads its members.

(2) Pursuant to his or her supervisory powers under article 2, the commissioner may examine the conduct of a savings promotion raffle. The commissioner may issue a cease and desist order for a violation of this section under article 2.

(3) A domestic credit union shall maintain records sufficient to facilitate an audit of a savings promotion raffle.

(4) As used in this section, "savings promotion raffle" means a raffle conducted by a domestic credit union where the sole consideration required for a chance of winning designated prizes is the deposit of at least a specified amount of money in a savings account or other savings program offered by the domestic credit union.
Supporting saving

Force to Save  Make Hard to Save  Make Easy to Save
Not to Save  Make Easy to Save  Bribe to Save
Social Support  Make Fun & Exciting
What Makes “Easy”? Right time, place and offer

- Convenient
- Timely
- Painless (relatively)
- Relevant
- Simple
- Someone available to help
What do you need?
$: Annual Tax Season

• Huge financial event
  ▪ $250 billion to 107MM households
  ▪ Households < $40k AGI (68MM): $115 billion
  ▪ Average refund $2,300
  ▪ Up to $7k (25%+ of annual income)

• Also...
  ▪ Universal
  ▪ Permanent
  ▪ Recurring

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

- What if one could pre-commit to save at tax time?
- Single decision vs. series
- Funds already available
- Finances on the mind
- Someone to help (2/3rds of US filers seek help)

But How?

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Idea: Tax Refund Splitting

Before: Spend / Save choice after $ refunded

Split Refunds: choice before $ refunded
What Can State Legislators Do?

- Challenge: link refunds to saving products
- Solution: split refunds
  - Federal
    - took effect for TS07
    - Administrative change (rather than legislation)
  - California
    - Took effect for TS07
    - Bill (AB 2439) passed 7/20/06
  - Maryland
    - Took effect for TS10
    - Bill (HB 883) passed 5/19/09
AN ACT concerning Income Tax Refund – Direct Deposit – Multiple Accounts

FOR the purpose of requiring the Comptroller, if a certain request is made, to directly deposit an income tax refund into multiple accounts; providing for a delayed effective date and generally relating to the direct deposit of an income tax refund.

BY adding to Article – Tax – General
Section 13-905(f)
Anotated Code of Maryland
(2004 Replacement Volume and 2008 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Articulo – Tax – General
13-905.

(f) IF REQUESTED BY A CLAIMANT ON A FORM PROVIDED BY THE COMPTROLLER, THE COMPTROLLER SHALL DIRECTLY DEPOSIT PORTIONS OF AN INCOME TAX REFUND INTO AT LEAST TWO ACCOUNTS AT ONE OR MORE FINANCIAL INSTITUTIONS, BEGINNING IN TAX YEAR 2010.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2000 January 1, 2011.

Approved by the Governor, May 10, 2000.
But Where to Save?
Destination?

- More than $250 billion in refunds, substantial amounts to low income
- Banks and funds demonstrate little interest (or disinterest) – denials of service
- While no one has a right to a bank account, everyone should have a right to save.
- Properties of “safety net” savings vehicle?
  - Small denominations
  - Low risk
  - Portable
  - Fairly liquid
  - Brand name
  - Available widely
One solution: An old (threatened) innovation

- Indexed for inflation
- $50 minimum
- Slightly tax advantaged, more for education
- Can withdraw after 1 year (3 mos interest penalty); after 5 years no interest penalty
- Can redeem at any bank
Excellent base savings product

ZVI BODIE | MICHAEL J. CLOWES

"This book is a must for those timid souls who don’t enjoy risk taking… like me.”
—Franco Modigliani, Nobel Prize Winner, Economics

WORRY-FREE INVESTING
A safe approach to achieving your lifetime financial goals

REAL SAVINGS +
An automatic investment option for the automatic IRA

THE ASPEN INSTITUTE INITIATIVE ON FINANCIAL SECURITY

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Inflation does happen!

US Inflation Rate 1916-2009

Rate in Percent

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Four years of field research

- “Reinventing Savings Bonds” – Oct 2005
- First Pre-Test Schaumburg, IL -- March/April 2006
- Just Keep My Money, Part I -- Fall 2006
- HRB/HBS/D2D testing and paper -- Jan-April 2007
- First D2D/VITA testing – Jan- April 2007
- Block change in management: Nov 2007
- “Cease and Desist” – Fall 2007
- Waiver from Secretary of Treasury – Dec 2007
- Second D2D/VITA Testing – Jan- April 2008
- Savings Bond Working Group Formed - 2008
- “Just Keep My Money” Op Eds - Fall 2008
- Third Wave of D2D/VITA Testing – Jan-April 2009
Some Findings: Easy Matters

• Pilots encouraged first time savers
  • no prior money saved; 64%
  • First time saving part of tax refund: 37%
  • “I would’ve saved less if hadn’t bought savings bond”: 51%

• Offer people what they care about
  • bought for kids: 59%; grandkids: 8%
  • saving for education or retirement: 74%
  • 74% “familiar” w/ bonds (vs. 26% IRAs)
An Easy National Saving Strategy?

Tax (refund) + U.S. Savings Bonds
Time...

$100,000,000,000+

+ Refund Splitting...

IRS Form 8888 (state tax forms?)

Spend Some

Save Some

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“...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.”

Improvements for 2010

- IRS will allow purchase for others
  - E.g., children or grandchildren
  - Up to three others
  - Co-ownership & beneficiary

- Savings bonds for unbanked
  - No longer necessary to use direct deposit
  - First tax time saving option for unbanked

- Planned national marketing campaign
What Can State Legislators Do?

- **Challenge:**
  - Drive use of new IRS option
  - In 2010: 22k people saved $10.5MM

- **Solution:**
  - Local & state marketing & awareness
    - Events, newsletters inserts
    - Direct state tax authority to join awareness effort?
  - Complementary state policy
    - California: introduced legislation (AB (1693) )
ASSEMBLY BILL No. 1693

Introduced by Assembly Member Eng

February 23, 2007

An act to add Section 18512 to the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL’S DIGEST

AB 1693, as introduced, Eng. Income tax returns: refunds: savings bonds.

Existing income tax laws specify requirements for filing income tax returns and receiving refunds for over payments.

This bill would require the Franchise Tax Board to revise the California personal income tax return, and take other specified actions, in order to allow filers to purchase United States Savings Bonds with refunds, as provided.


The people of the State of California do enact as follows:

SECTION 1. This act shall be known, and may be cited as, the
Refunds to Savings Act.

SEC. 2. The Legislature finds and declares all of the following:

(a) The state should explore new ways to make it easier for
Californians to save. Californian's savings may be at their lowest
levels ever. Nationally, the savings rate recently dropped below zero
and stayed there for over a year. The last time it was that low was
during the Great Depression.

(b) Thirty percent of California families don't have enough
savings to get by, at the poverty level, for three months if they
were to lose their source of income. This is the fourth highest "asset
poverty" rate in the country. Without savings, these families may
be one divorce, layoff, or health care crisis away from the streets
and government dependence. According to the United States
Census, twenty-eight percent of California adults do not have
checking or savings accounts.

(c) For the eight million Californians who receive an average
eight hundred dollar ($800) state income tax refund, these tax
windfalls present one of their best opportunities to save. California
can make it easy for people to save, right on their tax forms, before
their refunds are in hand and spending temptations set in.

(d) Recent academic research, and much common wisdom,
suggests that people will be more likely to save, if saving is made
easy. A California tax time savings initiative aims to apply this
logic in order to facilitate the savings of tax refunds.

(e) The State of California should amend its state income tax
forms to allow filers to purchase savings bonds, for themselves or
their children, with a portion of their refunds. Linking tax forms
to savings bonds makes sense, especially for lower and modest
income tax filers. Savings bonds, a simple and affordable financial
product that does not require the buyer to own a bank account,
could be appealing to "unbanked" Californians.

(f) The ability for people to purchase savings bonds with a portion of their
tax refunds will make it easier for California families to save for
their children. Over time, these initial tax time investments could
grow into a resource for California youth to draw on to finance
education, put towards a down payment on a home, or purchase a
car to get to a job. These nest eggs will provide a crucial leg up as
these young people enter adulthood and strive to succeed economically.

(g) By making it easier for Californians to save part of their
hard earned refunds, policymakers can help families build the
personal safety nets they need to thrive in today's economy. With
this change, California would lead the nation in harnessing tax
time savings to build families' economic security.

SEC. 3. Section 18512 is added to the Revenue and Taxation
Code, to read:

18512. (a) In order to make it as easy as possible for California
tax refund recipients to invest all, or some, of their tax refunds in
savings bonds, the state personal and electronic income tax forms
shall be amended pursuant to this section to allow filers to purchase
United States Savings Bonds.

(b) The Franchise Tax Board shall do all of the following:

(1) Revise the California personal income tax return to include
a savings bond option.

(2) Work with online and software vendors to update programs
with the bond option.

(3) Work with free tax preparation sites and commercial
preparers to spread awareness of the new option.

(4) Develop public information about the bond purchase option.

(5) Collaborate with the federal Bureau of Public Debt (BPD)
to create a batch file interactive option for bond purchase information.

(6) Establish a mechanism for remitting bond purchase funds
from tax return dollars to the BPD.
How Can I Find the Money to Save?
Changing Decision-Making Behavior

• Consider:
  - $24 billion in overdraft fees (2008)*
  - $12 billion in credit card penalty fees (2003)**
  - $40.7 billion US credit card industry profit (2007)***

• Imperfect Solutions
  - Regulation – blunt instrument, may stifle innovation, limit choice
  - Education – hard sell to consumers, effectiveness unclear, expensive

There must be a better way„„

Sources: *Center for Responsible Lending, **PBS Frontline, ***Time Magazine
Changing the emphasis

Financial Entertainment!
“D2D’s vision is financial entertainment. Taking cues from business and entertainment, we need to work with and for consumers in the development of engaging new media that teach them how to better manage their money.”

For example, a library of casual video games, each teaching a simple financial lesson, such as:

- Wise use of credit & debit cards
- Value of direct deposit
- Budgeting
- Saving for retirement
- Manage student & other loans
- Avoiding expensive pitfalls (e.g., pay-day lending, check cashing)
Why Casual Video Games?

Digital media offers the potential to marry fun and education:

- 72% of Americans play video games*
- Rates of play highest among those under age 35
- Casual video games are fastest growing segment in game industry
- Casual segment dominated by female players
- Players learn-by-doing, by repetition, and get instant feedback

* Source: NPD Group, August, 2008
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In this casual game, players become the financial manager for up-and-coming celebrities who spend beyond their means. Players must effectively use a bank account, debit card, and credit card to be successful.

While focused on fun, the game’s explicit learning objectives include:

- Paying more than the minimum credit card payment;
- Minimizing credit card finance charges;
- Avoiding all fees including bank overdraft, credit card late payment, and credit card over-limit; and
- Making good annual percentage rate (APR) choices.
Meet the stars…
**Preliminary Testing: Self-Confidence**

**Table 1: Self-Confidence (Pre and Post, % Change)**

<table>
<thead>
<tr>
<th>Rate your degree of confidence in the following:</th>
<th>Pre</th>
<th>Post</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change bad spending habits</td>
<td>3.50</td>
<td>3.89</td>
<td>11%</td>
</tr>
<tr>
<td>Identify needs and wants separately</td>
<td>4.02</td>
<td>4.30</td>
<td>7%</td>
</tr>
<tr>
<td>Avoid impulse and emotional spending</td>
<td>3.23</td>
<td>3.93</td>
<td>22%</td>
</tr>
<tr>
<td>Pay off new charges on credit cards every month</td>
<td>3.16</td>
<td>3.84</td>
<td>21%</td>
</tr>
<tr>
<td>Pay more than the minimum amount on credit card bills</td>
<td>3.16</td>
<td>4.09</td>
<td>29%</td>
</tr>
<tr>
<td>Avoid late fees, over-limit fees, and overdraft fees</td>
<td>3.23</td>
<td>4.05</td>
<td>25%</td>
</tr>
<tr>
<td>Save money regularly</td>
<td>3.14</td>
<td>4.14</td>
<td>32%</td>
</tr>
<tr>
<td>Manage my finances</td>
<td>3.57</td>
<td>4.09</td>
<td>15%</td>
</tr>
<tr>
<td>Perform assigned job-related tasks</td>
<td>4.23</td>
<td>4.43</td>
<td>5%</td>
</tr>
<tr>
<td>Follow directions from my boss/supervisor</td>
<td>4.66</td>
<td>4.61</td>
<td>-1%</td>
</tr>
</tbody>
</table>
Preliminary Testing: Knowledge

Table 2: Knowledge (Pre and Post, % Change)

<table>
<thead>
<tr>
<th>Knowledge Area</th>
<th>Pre</th>
<th>Post</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Percentage Rate (APR)</td>
<td>55%</td>
<td>86%</td>
<td>58%</td>
</tr>
<tr>
<td>Finance Charges</td>
<td>48%</td>
<td>82%</td>
<td>71%</td>
</tr>
<tr>
<td>Pay More Than the Minimum</td>
<td>82%</td>
<td>93%</td>
<td>14%</td>
</tr>
<tr>
<td>Interest Compounding</td>
<td>61%</td>
<td>64%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Qualitative Feedback

- Enthusiasm: “Can I have a copy of the game? Where can I buy it?”

- Engagement: “I’ve got the hang of it now, I can do this.”

- Education: “I’ve had credit cards for a while now, but I did not know what annual percentage rate, APR, was, until now.”

- Empowerment: “It helped me to better understand how to manage money.”
…and the real stars>
What Can State Legislators Do?

**Challenge:**
- Re-orient discussion on financial “literacy” or education to “financial entertainment”
- Emphasis on fun, innovation, scale, distribution and more “bite sized,” timely interventions

**Role for legislators:**
- Change focus, language of state financial literacy & asset building commissions, task forces
- As an example, in *The National Strategy for Financial Literacy* (2006, 162 pages) the word:
  - “useful” appears 13 times, “comprehensive” 11 times
  - “fun” just once, “entertain” / “entertainment” not at all
One more (less fun) approach: Teach to test

- Many calls for financial education in schools
- States are reviewing educational standards for schools
- Normal approach: change *content* of educational programs
  - Create new courses
  - Train teachers
- A “baby step”: change *context* of reading and quantitative reasoning testing
  - Embed financial skills in math training
Takeways: When I go back home…

- Ask if we can create prize linked savings programs for depositories
- Ask if we can create a savings product using the lottery
- Check about how taxpayers can split refunds
- See if we can help people move refunds into savings
- Investigate financial entertainment
- Check to see if new educational standards embody some financial skills, maybe through context of reasoning skills
Boosting Savings in Troubled Times: Harnessing Innovation

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