

PAVING THE WAY FORWARD: SAVINGS ON PREPAID CARDS



Acknowledgements

This paper focuses on the potential of savings on prepaid cards, highlighting a case study innovation and its findings, the “Rainy Day Reserve”, a savings purse on the UPSide prepaid card. The Rainy Day Reserve design is a collaboration between Doorways to Dreams (D2D) Fund and Banking Up. D2D would like to acknowledge the generous support of the Ford Foundation for funding this work, which is part of D2D’s Household Risk work that focuses on designing innovative solutions to help consumers better manage financial emergencies.

This report was written and prepared by the Doorways to Dreams Fund’s Household Risk Team: Sarika Abbi, Shaheen Hasan, and Elizabeth Straghalis. The team would also like to thank Jeff Steinberg, an independent consultant, for his help analyzing the data and Melissa Goldberg for her design inputs.

Design and layout by Ryan Montgomery
www.montgomerycreative.net



The Doorways to Dreams Fund (D2D)

www.d2dfund.org

Doorways to Dreams Fund envisions a world where the financial system promotes lasting social and economic prosperity for every family and addresses this vision through innovation, incubation, and stimulation of new financial products and policies. D2D Fund strengthens the financial opportunities and security of low and moderate income consumers by working with the financial services industry, national non-profit groups, grassroots community agencies, and public policy organizations to generate promising ideas, pilot test systems and programs, build awareness of the needs and potential of low-income communities, and advocate progressive social and economic policies.



Banking Up

www.bankingup.com

Banking Up delivers full checking account capability on top of prepaid foundation to businesses and financial institutions with large audiences of cash-based customers. Through its platform, Banking Up enables businesses and financial institutions to deliver better banking and payment services to all consumers via mobile and web. Consumers enjoy a personal finance service with all of the benefits of a checking account and none of the access restrictions nor the overdraft risk and fees. In addition to a platform offering for businesses and financial institutions, Banking Up offers consumers the UPSide card, a general purpose reloadable prepaid card.

FOREWORD

More than half of the world's population is unbanked, lacking access to the basic financial tools each of us take for granted in our daily lives. This phenomenon is pervasive around the world, but also common in the U.S., where according to the FDIC roughly 68 million adults are either unbanked or underbanked.

At MasterCard we believe financial inclusion is a journey that starts with empowerment. The empowerment of a secure transaction account - which provides safety and convenience - and continues on with additional features that provide consumers with utility and confidence, such as electronic bill pay, access to affordable credit and even insurance. To begin the journey, we must find ways to provide consumers with secure accounts to store and access their money.

Savings are at the foundation to improving a consumer's financial health, providing security and peace of mind. For the millions of underserved consumers in the U.S., a relatively benign event such as an illness or temporary work stoppage can mean financial catastrophe. Lacking the means to save, people have no safety-net to fall back on for support to weather a temporary blip in cash in-flow or shock to cash out-flow. While it is true that much of this is due to the fact that it is difficult to set aside money when living paycheck to paycheck, the lack of access to a savings instrument also creates a significant barrier. To that end, prepaid cards have the potential to serve as an entry point to savings.

To succeed, consumers must not only have robust financial education tools but also access to well-designed products that are within reach, engage consumers and help guide and reward savings behavior. Programmed savings, similar to traditional 401k programs can be one step: setting aside funds in small increments but on a regular basis will better prepare consumers when unexpected needs arise. Further, merchant savings offers provide an opportunity to build savings as well.

For savings products to be successful, there is also a need to focus on a design that is both a win for consumers as well as a win for the provider. A product that benefits the consumer with increased financial stability through savings and benefits the provider with stronger relationships with more engaged, satisfied consumers has the potential of creating sustainable impact in the marketplace.

Savings are an important safety net for consumers and a crucial part of the Financial Inclusion journey for the underserved. I applaud the work D2D is doing in exploring innovative solutions to this complex problem, raising awareness of the issues facing the underserved and driving financial inclusion.

Ron Hynes
Group Executive, Global Prepaid Solutions
MasterCard Worldwide

INTRODUCTION

While all consumers have the same core financial needs - to transact, store and borrow funds - for many households, gaps in access to convenient and affordable ways to address these needs continue to persist. For millions of these underserved Americans, prepaid cards have become an attractive financial tool to help them meet their core needs, essentially serving as an alternative to traditional banking products.

However, with the personal savings rate in the United States at 2.5%,¹ it is clear that many consumers – indeed, many of these cardholders – are still struggling to find a saving solution that works. For many underserved households, having limited funds to save and a lack of access to affordable products designed to meet their needs makes saving even more challenging. With nearly half of consumers' liquid asset poor, lacking savings to cover three months of expenses,² there is a need for innovations that help consumers save when funds are available. And for many consumers, this need is especially pronounced for liquid savings – which is not only a top motivator for savings but also a source of vulnerability, with nearly one-half of Americans lacking confidence in their ability to cope with a \$2,000 financial emergency.³

So, why not savings, especially short-terms savings, on prepaid cards? The widespread availability and use of prepaid cards, especially by underserved consumers, means that there is a real opportunity for these cards to help close the savings gap, making savings accessible, easier and less costly for consumers. For prepaid card providers, many of whom struggle with customer retention, we believe the addition of a savings offering has the potential to enhance the value to consumers, strengthening both engagement with and the longevity of their cards. While we

know that some prepaid card providers have already been offering a savings feature, our work discussed in this report uniquely focuses on:

- a) An emergency frame** - Exploring an emergency savings offering on a prepaid card.
- b) Active consumer engagement** - The design of a savings feature focused on actively engaging consumers, especially underserved ones, in savings.
- c) Careful evaluation** - An evaluation to share with the marketplace the potential impact of the savings feature on both consumers and prepaid card providers.

This report makes a case for savings on prepaid cards by discussing the:

- **Opportunity** - The importance of savings opportunities for prepaid card providers and consumers.
- **Approach** - Prepaid cards as a well-suited tool to help consumers capture short-term, liquid savings.
- **Case study** - The design of an innovative savings feature, coined the “Rainy Day Reserve”, a collaboration between Doorways to Dreams (D2D) Fund and Banking Up.⁴
- **Findings** - Promising findings from a pilot of the Rainy Day Reserve (RDR), which show the potential of savings on prepaid cards to help consumers save for short-term needs, and to help providers improve the stickiness of and engagement with their cards.
- **Implications** - Ideas about the future scalability of savings on prepaid cards.

¹ www.research.stlouisfed.org/fred2/series/PSAVERT/, as of April 2013

² Brooks, J., Wiedrich, K. (2013). *Living on the Edge: Financial insecurity and policies to rebuild prosperity in America*. CFED, Assets and Opportunities Scorecard.

³ Lusardi et al. (2011). *Financially Fragile Households: evidence and implications*.

⁴ Plastyc Inc. formally changed its name to Banking Up in May 2013

HIGHLIGHTS OF OUR FINDINGS

(see page 10 for more details in Key Findings Section)

Consumer Impact

- Strong demand exists for a savings feature on a prepaid card
- The Rainy Day Reserve is reaching and attracting financially vulnerable consumers
- Bundling savings into existing products and services is key to driving take-up
- The Rainy Day Reserve feature is engaging consumers in the act of saving
- Consumers are using the RDR as a liquid, revolving savings reserve, setting savings aside when available but dipping into it for short-term needs
- Access to savings, even a little bit of savings, can help reduce consumers' reliance on alternative financial services
- Access to savings on a prepaid card can help consumers capture savings at key "saving" moments such as tax time
- The Rainy Day Reserve is helping consumers manage financial emergencies, and strengthens consumer confidence in their ability to manage future emergencies

Prepaid Card Provider Impact

- A savings feature has the potential to reduce churn of GPR cards
- Savings is correlated with higher levels of card engagement, with savers loading more and transacting more with their prepaid card
- Savings can build and strengthen a provider's relationship with consumers
- A savings feature can be designed to be cost-effective and sustainable for a provider

OVERVIEW OF THE PREPAID CARD LANDSCAPE

In the United States, prepaid card transactions are the fastest growing form of non-cash payments.⁵ In 2009 there were 6 billion prepaid card transactions,⁶ and an estimated 32% of all U.S. households used some type of a prepaid card.⁷ The prepaid card market has not yet reached saturation. It is projected to continue expanding at a rapid pace as more and more Americans – including more of the 34MM unbanked and underbanked households⁸ - turn to prepaid products to meet their banking needs, and as more banks offer prepaid as a way to remain competitive and reach a new consumer base. The prepaid card industry is helping pave the way forward for financial service innovation, with the spectrum of products and features available to consumers blurring the lines between traditional and the next generation of financial services.

While there are various types of prepaid cards, general purpose reloadable (GPR) cards, with their expanded functionality and services, now serve as a non-traditional alternative to banking. The GPR card market continues to see substantial growth in the number of players, users, and load values. According to Mercator Advisory Group, the amount of money loaded on GPR cards almost tripled from 2008 to 2012, rising to \$76.7 billion, and is predicted to hit \$168.4 billion by 2015.⁹

As the industry evolves, GPR cards have been expanding beyond plain vanilla prepaid cards that are purely transactional in nature, to ones with a diversity of attractive features that can enhance the value to consumers. Services and features such as direct deposit, bill pay, cell phone top-offs, remittances, ACH transaction capabilities, mobile applications, check depositing and savings mean prepaid cards can potentially provide customers with a one-stop shop for a full suite of financial services. For financially vulnerable consumers especially, GPR cards can functionally serve as an alternative form of banking that meets consumers where they are and addresses many of their financial needs.

⁵ *The Federal Payments Study (2010). The Federal Reserve.*

⁶ *Ibid*

⁷ *Foster et al. (2011). The 2009 Survey of Consumer Payment Choice. Federal Reserve Bank of Boston (Public Policy Discussion Paper No. 11-1).*

⁸ *National Survey of Unbanked and Underbanked Households (2011). FDIC. 2013*

⁹ *Bell, Claes. (April 16, 2013) Prepaid Debit Cards Close the Gap on Checking. www.foxbusiness.com`*

REACHING AN UNDERSERVED MARKET OF CONSUMERS

A growing number of Americans lack access to affordable and high-quality financial products and services. According to the FDIC, approximately one in four households is either unbanked or underbanked.¹⁰ The Great Recession has further swollen the ranks of the underserved – from 2009 to 2011, the number of unbanked increased from approximately nine to 10 million households and the underbanked from approximately 21 to 24 million households.¹¹

An increasing number of households without traditional bank accounts now manage their money with prepaid cards, and this trend will likely increase over time. For the underserved, a prepaid card serves as a key financial tool to help manage cash flows, and budget to pay bills and cover expenses. When asked why they value prepaid cards, cardholders point to many reasons, including convenience, ubiquity of acceptance, liquidity, simplicity, transparency, cost effectiveness relative to available alternatives, and built-in discipline due to an inability to overdraw.¹² The FDIC estimates that from 2009 to 2011 the proportion of unbanked households that have

used a prepaid card climbed from 12% to nearly 18%, while among the previously banked—those who once had a traditional bank account but no longer do—usage increased from 19% to 27%. Overall, in 2011, nearly six million unbanked and underbanked households were using prepaid cards.¹⁴

While in recent years there has been a decrease in mainstream financial institutional services utilized by consumers, there has been an increase in prepaid card usage. Javelin Strategy and Research found that from 2010 to 2011, debit card ownership fell by 12%, credit card by 7%, checking accounts by 4% and savings accounts by 10%.¹⁵ During this time, however, the only financial product that grew in usage was a prepaid card, where ownership increased from 11% to 13%.¹⁶ *The moment is ripe for prepaid card providers to reach consumers with a product that, with the right offerings, can attract and build a new, long-term financial relationship with them.*

SAVINGS FEATURE – AN OPPORTUNITY FOR PREPAID CARD PROVIDERS

As the industry grows, prices decline, innovations in technology hasten, and consumers' relationships with financial service providers change, prepaid card providers face the challenge of remaining competitive. For prepaid card providers to continue to strengthen their attractiveness to consumers and enhance longevity of their product, they need to incorporate features and services that more holistically address consumers' financial needs. A recent study from the Philadelphia Federal Reserve has shown a "U-shaped pattern" of consumer usage of prepaid cards: some GPR cards are used infrequently and for a short term, while others are used intensively, much like a substitute for a traditional checking account.¹³

One of the biggest challenges facing the prepaid card industry as a whole is the life span of a prepaid card. On average, a GPR prepaid card has no more than a six month life span,¹⁷ although specific usages and features strongly correlate with longer lifespans. For instance, prepaid card customers that are not using direct deposit on average use their prepaid card for about two months whereas customers using direct deposit engage with their card for closer to a year.¹⁸ The promise of this lengthened lifespan is motivating prepaid card companies to provide numerous incentives for consumers to sign up for direct deposit on their cards.

Similar to direct deposit offerings, savings can be a valuable offering for prepaid card providers. Many consumers using prepaid cards have limited to no access to savings products, and can immediately benefit from easy access

¹⁰ FDIC (2011)

¹¹ Ibid

¹² Gordon, S. et al (2012). *Prepaid Cards: A Tool for Getting By or Getting Ahead?* Center for Financial Services Innovation

¹³ *Consumers Use of Prepaid Cards: A Transaction-Based Analysis* (2012). Federal Reserve Bank of Philadelphia and CFSI

¹⁴ FDIC (2011)

¹⁵ Zywicki, T. (2013) *The Economics and Regulation of Network Branded Prepaid Cards*. Mercatus Center, George Mason University

¹⁶ Ody, E. (April 11, 2012) *Prepaid card use up 18% as consumers drop debit: study*. Business Week

¹⁷ Federal Reserve Bank of Philadelphia and Center for Financial Services Innovation (2012)

¹⁸ Ibid

to savings on their prepaid card. According to the FDIC, 29% percent of all households lack a savings account. Among underbanked households, this number increases to 31%.¹⁹ For a prepaid card provider, addressing the core financial needs of their consumers and helping them better manage their financial lives has the real potential to improve usage and stickiness of their card.

A number of prepaid card providers have been or have recently started to offer savings features on their cards, including Banking Up, NetSpend, Mango Financial and AARP. As the industry evolves, this is also a way for prepaid card providers to transition into a model that is not purely

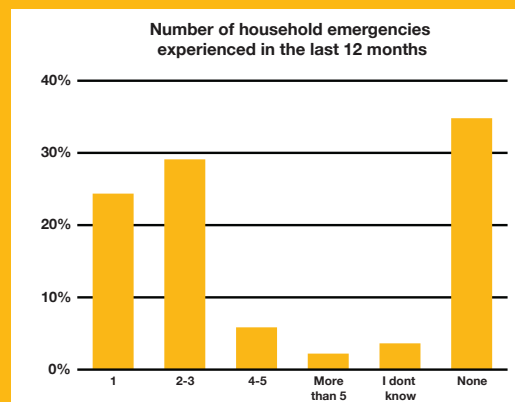
volume-based but also one that is relationship-focused. As more consumers turn to prepaid cards to fill their banking needs, and as more institutions offer prepaid cards to strengthen their position in the marketplace, the ability to offer savings features opens up the door to provide a more robust prepaid card.

NEED FOR EMERGENCY SAVINGS

More than ever, consumers are struggling to not only build for the future but to manage day-to-day living, as income and expense shocks can destabilize the very foundation families have worked so hard to build and sustain. Nearly half of American households are vulnerable to financial shocks, with a 2011 study finding that 46% lack confidence in their ability to come up with \$2,000 in 30 days.²⁰ A study by D2D of families with \$20K to \$60K in annual income found that 62% of households experienced at least one financial shock in the last twelve months and 51% of households lacked any emergency savings to help them cope.²¹

While nearly half of consumers are liquid asset poor,²² liquidity is stated as the most frequent (35%) motivator for saving.²³ Although saving is difficult for many LMI households, due to limited and volatile income and high fluctuations in monthly expenses, when funds are available, households lack access to basic, affordable, and well-designed financial services and products to capture these funds into savings. Without savings, when faced with financial emergencies, they often turn to expensive alternative financial options, such as payday lenders.

One study found that one in five Americans have used high cost borrowing options in the past five years to manage financial emergencies.²⁴ Without an easy and accessible way to set aside funds and hold onto them, underserved households lack a cushion to cope with financial emergencies. This means even a small shock, such as a flat tire, can result in hardships with destabilizing ripple effects.



¹⁹ FDIC (2011)

²⁰ Lusardi et al. (2011).

²¹ Abbi, S. (2012). *A Need for Product Innovation to Help LMI Consumers Manage Financial Emergencies*. D2D Fund.

²² Brooks, J., Wiedrich, K. (2013).

²³ Board of Governors of the Federal Reserve System. (2010). *2010 Survey of Consumer Finances*.

²⁴ Lusardi, A. (2011). *Americans' Financial Capability*. National Bureau of Economic Research, Working Paper (No. 17103).

WHY EMERGENCY SAVINGS ON A PREPAID CARD?

While households are challenged to set money aside for emergencies, a prepaid card with the right design features has the potential to help them close the gap between the need for and access to emergency savings. Given their ease of access, convenience and increasing popularity especially among LMI consumers, prepaid cards can be a great vehicle for emergency savings. Specifically, savings innovations on prepaid cards can address the challenges to short-term savings including a) reaching consumers to drive take-up, b) driving use of products to build and replenish savings and c) maintaining savings to use for emergencies.²⁵

Reaching consumers with emergency savings. Many consumers have limited access to savings, and often savings opportunities present themselves in channels unaware and unfamiliar to them. Given this fact, bundling features on existing products, such as prepaid cards, can be an effective way of reaching them with emergency savings and making the decision to act easier. At the same time, connecting the product to consumer desire to protect their families from emergencies and hardships has the potential to enhance take-up.

Driving use of emergency savings products. With limited access to disposable income, setting aside funds in savings products can be challenging. However, research conducted by D2D Fund demonstrates that LMI households report the desire to save, with 62% of households that lacked any emergency savings reporting the ability to set aside at least \$25 each month for emergency savings.²⁶ Making saving as easy and accessible as possible, by removing some of the traditional barriers to access such as large initial deposits and high minimum balances, is crucial to helping households save. Offering LMI consumers access to short-term savings on a prepaid card meets these consumers where they are financially – meeting their transactional needs but also enabling their ability to set aside a small amount at a time, while prioritizing a need for liquidity.

Maintaining savings for emergencies. For emergency savings, consumers need both easy access to funds as well as some barriers to ensure funds are maintained

for emergency purposes. When an emergency hits, households differ in the immediacy of when funds are needed. In a D2D Fund survey, 34% of households reported needing access immediately or within 24 hours, 32% within one to five days, and 28% by the end of the month.²⁷ A prepaid card with a savings feature addresses this variability in need, providing consumers the flexibility to transact on or cash out their savings when needed. The tangibility in one's wallet also provides security and the comfort that when an emergency hits, the funds are easily accessible and available. At the same time, the inability to access savings until money is moved into one's spending pocket on the card creates opportunity for an innovative design that helps deter unnecessary withdrawals.

INNOVATION: THE RAINY DAY RESERVE

In 2011, D2D reached out to Banking Up, a prepaid card provider, to test and design a savings feature on their UPSide card with a specific interest in helping households save for financial emergencies. Banking Up was already interested in exploring a savings purse, so D2D and Banking Up collaborated to design a new savings feature (coined the "Rainy Day Reserve"). The Rainy Day Reserve (RDR) officially launched in November 2011²⁸ and is available to all existing and new UPSide consumers.

While D2D and Banking Up entered this space knowing that some prepaid card providers have already been offering a savings feature, this innovation and collaboration was uniquely focused on exploring: a) An emergency savings offering on a prepaid card, b) The design of a savings feature focused on actively engaging consumers, especially underserved ones, in savings, and c) An evaluation to share with the marketplace the potential impact of the savings feature on both consumers and prepaid card providers.

Because D2D was specifically interested in offering and testing design features to help households take-up the savings offer, save on an ongoing basis, and maintain savings for emergency purposes, the team focused on these goals to design the savings feature. As a starting point, the team placed emphasis on branding, promoting the ease of savings, and limiting withdrawals for non-emergency purposes.

²⁵ Abbi, S. (2012)

²⁶ Ibid

²⁷ Ibid

²⁸ First RDR transactions occurred on October 31st, 2011

Addressing Saving Challenges in the Rainy Day Reserve Design

Challenge	Opportunity	Rainy Day Reserve Design
Reaching Consumers	Motivating savings by emotionally linking it to consumers	Branded as a Rainy Day Reserve, to keep you and your household safe especially from financial emergencies
	Bundling savings with other products	A feature on a prepaid card, creating a more diverse and accessible financial tool
Driving Use	Making the act of saving more accessible	No minimum deposits or balance requirements Manually deposit funds when available
	Making the act of saving easy	Automate savings
	Make the act of saving fun and engaging	Link with SaveUp
Maintaining Savings	Ensuring easy access to savings	Funds immediately available for use on card once transferred to spending pocket
	Creating barriers to limit use	Withdrawal reminder when you go to withdraw

Reaching consumers with the Rainy Day Reserve.

Since consumers need to opt-in to begin saving in the Rainy Day Reserve, we focused primarily on branding the product in a way that emotionally resonated with consumers to take it up. The savings feature is branded as a Rainy Day Reserve and D2D developed language on the user interface around the importance of saving “now” (immediacy) in the Rainy Day Reserve to prepare the cardholder and cardholder’s family for financial emergencies.

To make the savings feature easy to try and accessible to consumers, it was designed with no minimum deposit or balance requirement, and funds can easily be moved from the spending pocket of the prepaid card. Banking Up’s mobile app, launched in 2012, incorporated the Rainy Day Reserve feature, thus making it easy for consumers with mobile access to choose to save through a quick tap on their phone.

Driving use of the Rainy Day Reserve. To provide ease and flexibility of use, the Rainy Day Reserve is designed with both automatic and manual savings options. Consumers have the opportunity to sign up for automated savings, which allows them to set a savings goal and choose a saving frequency and an amount. A default option was set at \$10 per week, for a goal of saving a total of \$1,000, to anchor consumers to a specific automatic savings choice.

Consumers also have the option to pause automation if needed. Knowing that some consumers prefer manually saving, especially given uncertainties in cash flows as well as moments when extra funds are available, such as tax time, the savings pocket also has a manual feature that promotes and encourages one-time deposit of funds.

Banking Up currently offers cash back rewards on their UPSide card, and D2D and Banking Up explored opportunities to incent savings behavior through rewards. The opportunity to earn rewards materialized through a partnership between Banking Up and SaveUp²⁹, an organization with a free online rewards program. If a Rainy Day Reserve saver chooses to sign up with SaveUp, links their prepaid account, and engages with the SaveUp platform, increases in their savings translates into rewards to play games for chances to win prizes on SaveUp.

Maintaining savings in the Rainy Day Reserve. To try to encourage consumers to hold onto and use their savings for emergency purposes, D2D designed a withdrawal screen that pops up at the time a consumer chooses to withdraw and reminds the individual of their goal of saving for financial emergencies. When the withdrawal message pops up, individuals have the option to reconsider their decision and choose yes to withdraw or no to cancel the pending withdrawal.

²⁹ www.SaveUp.com

KEY FINDINGS

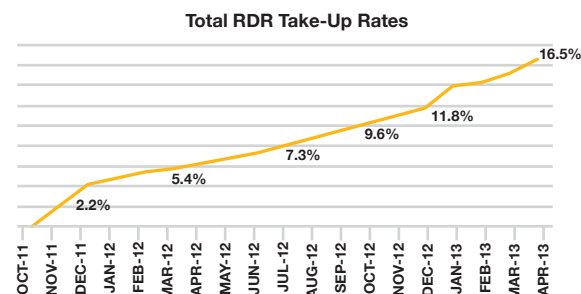
Doorways to Dreams Fund conducted research to understand both the potential impact of the Rainy Day Reserve on consumers and the value of offering a savings feature for prepaid card providers. D2D collected account and survey data from Banking Up consumers who took up the Rainy Day Reserve as well as from consumers who did not. These findings represent initial learnings from individual consumer account data (from November 2011 to June 2012), aggregate RDR savings and take-up data (from November 2011 to April 2013), and a survey administered to both RDR and non-RDR users in June 2012.³⁰

The findings below demonstrate the potential of savings on a prepaid card to not only motivate consumers to save, but also the opportunity for prepaid card providers to improve stickiness of and engagement with their product offering.

Consumer Impact

Strong demand exists for a savings feature on a prepaid card

Since the launch of the Rainy Day Reserve in November 2011, take-up for the feature has been and continues to remain strong. As of the end of April 2013, the take-up rate comprised 16.5% of all active account holders, which is a little over 7,100 users. Since the Rainy Day Reserve feature launched, as more cardholders learned about the savings feature and as more consumers opened up an UPSide card, we have seen steady growth in RDR accounts. In late November 2011, less than a month into launch, there were already over 1,000 RDR users. Less than two months later, that amount had doubled to over 2,000 users. By 2012 year end, there were more than 6,500 RDR users, demonstrating a growth of 217% over the year.



³⁰ The survey findings represented ~14% of users and 2% of non-users (based on the total number of savers and Banking Up UPSide card users at the time the survey was administered)

³¹ *Everyone Can Save: Building Savings One Bond at a Time* (2010). D2D Fund

When comparing the take-up of the RDR with other saving product offerings, we see the real potential of reaching consumers at scale with savings on prepaid cards. In D2D's work with savings bonds at tax time, our research pilot sites had take-up rates ranging from 3% to 6% between 2007 and 2010.³¹ \$aveNYC, a matched savings program offered at Volunteer Income Tax Assistance sites in New York, experienced a total take-up rate of 9% (from 2008 to 2010), reaching 2,165 consumers.³² SaveUSA, an expansion of \$aveNYC, had take-up rates ranging from 6% to 13% in the four cities that offered the program in 2011.³³ In general, reaching consumers with a new product offering can be difficult, and savings on prepaid cards provide an opportunity to reach consumers at scale by bundling savings with a product used by and accessible to millions of consumers.

The Rainy Day Reserve is reaching and attracting financially vulnerable consumers

A strong demand for the RDR exists among financially vulnerable consumers, which represents many of the UPSide card users, highlighting both the need for and potential of a savings feature on a prepaid card to reach underserved households. Based on our survey, we found that RDR users are primarily low-to-moderate income households, with 67% reporting incomes below \$40,000. One third of RDR users are single with dependents and 77% are asset poor, with \$5,000 or less in household savings and assets.³⁴

Financial Vulnerability of RDR Users		
Financial Vulnerable Group	Definition	% of RDR Users
Low-to-Moderate Income	Individuals with household income less than \$40,000	67%
Asset Poor	Individuals with \$5,000 or less in financial assets (excluding mortgage)	77%
Unbanked or Underbanked	Individuals with no certificate of deposit, savings account or checking account at a financial institution	56%
Single with dependant children	Single parents with one or more child	33%

Of the households using the RDR savings feature, 56% of respondents do not have a checking, savings or certificate of deposit account at a financial institution, placing them in the ranks of the unbanked and underbanked. Compared

³² *The \$ave NYC Account Innovation in Asset Building Research Update* (2010). NYC Department of Consumer Affairs Office of Financial Empowerment

³³ Azurdia et al. (2013) *Encouraging Savings for Low- and Moderate- Income Individuals: Preliminary Implementation Findings from the SaveUSA Evaluation*. MDRC Policy Brief

³⁴ Excludes mortgage

to non-RDR users, RDR users are eight percentage points more likely to be underserved by traditional financial institutions. These findings highlight the opportunity for prepaid card providers to fill a savings gap in the marketplace and for financial institutions entering the prepaid space to reach underserved consumers through a new channel.

Bundling savings into existing products and services is key to driving take-up

We find evidence that building a savings pocket onto a prepaid card that cardholders are already using allows savings to be easier, by reducing access barriers that make trying a saving product difficult and costly for consumers. According to RDR savers surveyed, the top three reasons consumers began using the Rainy Day Reserve include “to save money” (84%), “it seemed like a good idea” (62%) and “it seemed easy to try” (49%). Twenty-two percent of respondents also indicated that traditional savings methods have not worked for them, stressing the importance of new savings opportunities, such as on prepaid cards, which can reach consumers through new channels and help them save.

The Rainy Day Reserve feature is engaging consumers in the act of saving

We find that not only has the Rainy Day Reserve feature reached consumers and provided them with a savings vehicle, but consumers are also using the feature to build savings. Seventy-nine percent of users surveyed believe that the RDR savings feature is helping them save. This is particularly noteworthy, given that the majority of RDR users are asset poor and indicate having little to no emergency savings. When RDR users were asked how much they have set aside for an emergency, aside from the savings

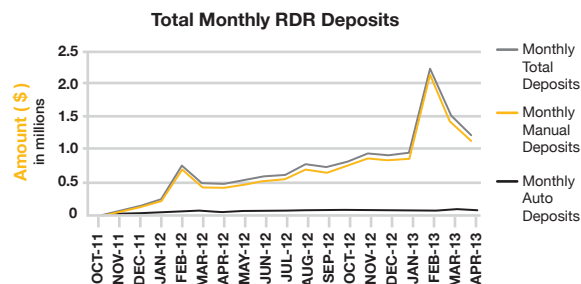
“Seventy-nine percent of users surveyed believe that the RDR savings feature is helping them save.”

in their Rainy Day Reserve, 38% responded that they had no emergency savings and another 30% had less than \$100. These findings are consistent with research that highlights the financial vulnerability of many consumers and their lack of emergency savings to help them cope with financial shocks.

With the RDR, consumers have an easy and accessible place to set some funds aside on a card that they are already using to budget and transact. As of April 2013, more than 7,000 consumers have used the Rainy Day Reserve feature and deposited over \$14.1 million into it. On average, consumers have deposited \$1,980 into their Rainy Day Reserve.

“More than 7,000 consumers have used the Rainy Day Reserve feature and deposited over \$14.1 million.”

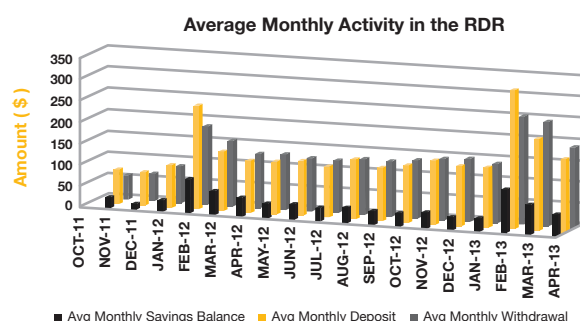
Consumers currently have the option of saving either manually or automatically in the RDR, and having access to both is proving to be important in helping consumers capture both small, frequent amounts and larger one-off lump-sums. As of April 2013, nearly 40% of RDR users were engaged in using the auto save feature. While many consumers are using auto save, the majority of funds are being deposited through manual saving, which represents 92% of the value of all deposits made. The average size of an auto deposit is \$19, whereas the average size of a manual deposit is \$185. This difference between auto and manual amounts isn’t surprising given the reality of what many consumers can and feel comfortable setting aside automatically, with limited discretionary income and cash flow fluctuations and uncertainties. On average, a RDR user has deposited 18 times into their RDR and each day, 3% of RDR users are making a deposit. Both manual and auto deposits are being used by consumers, with manual representing 55% of the total number of deposits made. The usage of both emphasizes the importance of having them available and accessible so consumers can automatically capture those small amounts which can add up over time, and manually capture larger amounts when available.



Consumers are using the RDR as a liquid, revolving savings reserve, setting savings aside when available but dipping into it for short-term needs

Activity in the Rainy Day Reserve seems to indicate that many consumers are using the savings feature as a revolving savings pocket for cash flow smoothing and the management of expense shocks. For these households, their priority is to address immediate needs and to stabilize their financial lives, meaning that building a large emergency reserve might not be a priority or a possibility for them right now. Instead, what they need as a starting point is an accessible savings pocket to park funds when available, but easily dip into it to use when funds are depleted near the end of the month or when an emergency takes place. Having access to this pocket can limit the need for households to access credit, a typical coping mechanism when financial shocks occur and a resource when liquidity is needed.

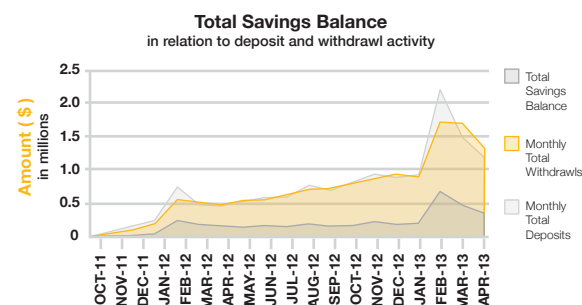
While overall consumers have deposited more than \$14 million into the RDR since inception, the aggregate savings balance as of April 2013 was \$372.6K. This means, the average savings balance per RDR user at the end of April was slightly over \$52. However, this is indicative of a point in time, not of the total amount consumers are saving. The average consumer is adding funds monthly into their RDR and using their funds monthly to meet short-term needs. In our survey conducted in June 2012, of the 79% of RDR users surveyed that indicate that the feature has helped them save, 38% believe they have saved between \$51-250, 12% between \$251-500, and 13% greater than \$500.



Survey results also reveal that not only are RDR users primarily withdrawing funds for important household needs, but they are also able to continue to rebuild savings after funds are used, highlighting the revolving nature of the savings pocket. Of RDR users surveyed, only 7% had

not yet withdrawn from their RDR. Of those that have withdrawn funds, 46% indicated withdrawing for household financial emergencies and 17% have used their funds to help out a friend or family member with a financial emergency. The other top reasons for withdrawing include to pay monthly bills (52%), such as rent, and to pay weekly expenses (44%), such as gas and groceries. The need for liquidity is highlighted by the fact that in frequency, there have been more withdrawals than deposits, with an average withdrawal size of \$76.

Given that many LMI households are struggling to manage their day to day financial lives, it isn't surprising that they are withdrawing from the savings pocket when funds are short at the end of the week or month. But despite the high frequency and use of funds, the accessibility of the feature is helping consumers continue to rebuild savings over time. D2D's study of LMI consumers found that of the 51% of consumers that had no emergency savings, 41% used to have a rainy day reserve.³⁵ Often when these funds are depleted it is difficult for consumers to rebuild. But with the RDR, just as consumers continue to use the card to transact, they are also able to continue to save in their RDR. Twenty-one percent of respondents surveyed said they can begin saving again immediately after withdrawal, while 32% and 25% can begin after a week and month, respectively.



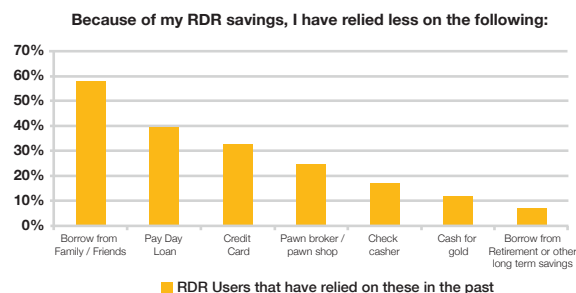
Access to savings, even a little bit of savings, can help reduce consumers' reliance on alternative financial services

With the RDR feature helping consumers set savings aside and dip into it to manage expected and unexpected expenses, we believe it can help reduce a consumer's reliance on alternative financial services. A 2012 study on small-dollar credit usage found that the top three uses reported by consumers for a small dollar credit product were: utility bills (36%), general living expenses (34%),

³⁵ Abbi, S. (2012)

and rent (18%). Consumers are also relying on alternative financial services frequently - on average, pay day loan borrowers take out 11 pay day loans or extensions in a year, remaining in debt 150 days out of the year.³⁶ If instead, these households had access to savings liquidity (instead of credit), and revolving savings (instead of revolving credit) they might instead be able to dip into this pot of savings to cover living expenses, monthly bills, and financial emergencies, avoiding the high financial costs of their short-term borrowing options.

Interestingly, research on RDR financial behavior demonstrates that many consumers are using savings from the RDR for the same reasons they are typically using small dollar credit, to pay for monthly bills and weekly expenses, and to manage financial emergencies. Of all RDR consumers surveyed, 74% indicated that they have previously relied on alternative financial services, credit cards, borrowing from social networks, and/or borrowing from their long-term retirement. Of these consumers, 52% indicated less reliance on alternative financial services with their RDR, with 40% relying less on payday loans; 25% on pawnshops; 17% on check cashers; and 12% on cash for gold. As a result, there is strong potential for a savings feature on a prepaid card to reduce reliance on costly alternative financial products that can often leave LMI households even more financially unstable and mired in cycles of debt.



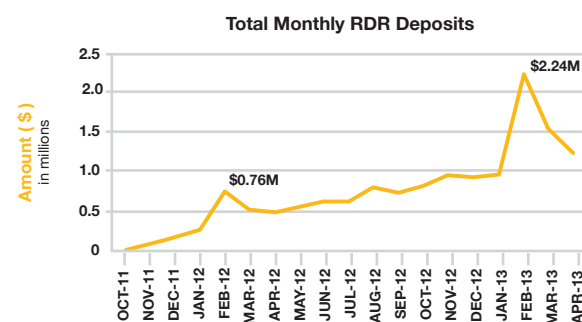
In addition, because RDR users are less liquidity constrained, with even a small amount saved in their RDR, they also indicate less reliance on other frequently used liquidity resources. In this case, consumers who have relied previously on alternatives to short-term savings have indicated less reliance on borrowing from social networks (58%) and charging their credit card (33%). These findings have important implications, especially for consumers struggling with debt and the management

³⁶ A Complex Portrait: An Examination of Small-Dollar Credit Consumers. (2012). CFSI.

of their households' balance sheet and those facing the potential social costs and risks that can arise from borrowing from your networks.

Access to savings on a prepaid card can help consumers capture savings at key "saving" moments such as tax-time

Tax season is a critical and opportune moment to make savings easy and accessible to households so they can set aside a portion of their refund into savings. For LMI households, with average refund sizes of \$2,300³⁷ capturing even 10% of that amount could help provide a savings cushion for future consumption smoothing and financial emergencies. Tax-time savings can also help jump-start savings or address savings gaps that occur given the difficulty faced in setting aside large amounts of one's income. An opportunity to set aside small amounts of income coupled with large amounts from lump-sums, such as a tax refund, can help households maintain a revolving reserve to address their short-term needs.



The RDR users account activity indicates that access to savings on a prepaid card can help households save a portion of their tax refunds. During tax time 2012 and 2013, we see a significant spike in amounts saved in comparison to the rest of the year. If we look at the savings amount deposited during February 2012 and 2013, which represents the time when many LMI consumers received their tax refund, we see that the amount saved (\$3 million) represents 21% of the total amount saved (\$14.1 million) in the RDR. While the amount saved during tax season is not exclusively tax refunds, the total amount deposited in these months is much higher than the total amount deposited

³⁷ Internal Revenue Service, "Statistics of Income 2010, Table 3.3," retrieved from www.irs.gov/file_source/PUP/taxstats/indtaxstats/10in33ar.xls; tax filers who earned less than \$50,000 a year

in preceding and following months. This highlights the likelihood that consumers are capturing a portion of their refunds in the RDR. In addition to the increased savings during tax time, we also see that consumers are able to hold onto these amounts longer, meaning consumers are holding onto their tax-time savings and spreading the usage of it over time to address their short-term needs.

The Rainy Day Reserve is helping consumers manage financial emergencies, and strengthens consumer confidence in their ability to manage future emergencies

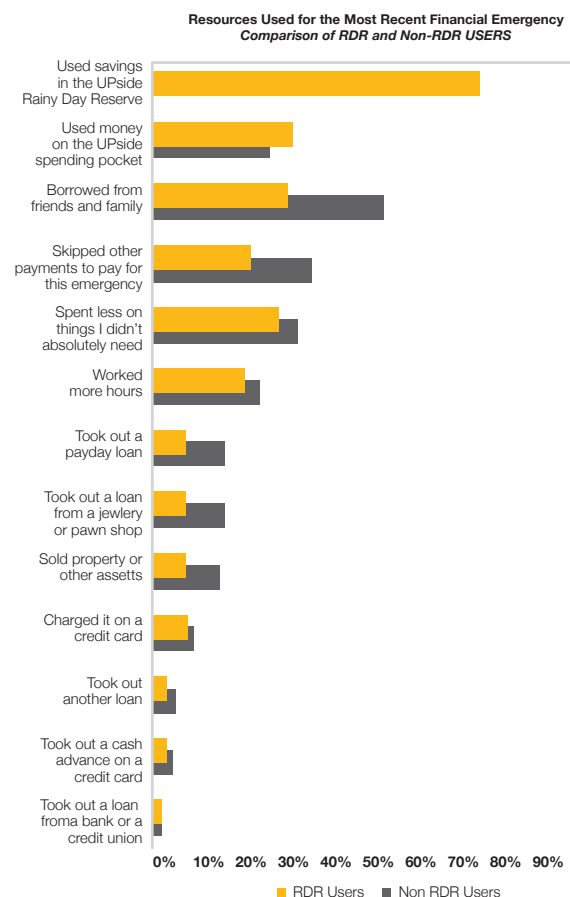
A majority of RDR users have experienced a financial emergency since taking up the Rainy Day Reserve, and have used their savings in it to help them cope. Seventy-one percent of RDR users surveyed experienced at least one financial emergency since they started saving in the RDR, with 50% facing more than one. Of these users, 88% used their RDR to help them pay for all or some of their financial emergencies – 45% used it to help pay for one, 31% for some and 12% for all of their emergencies.

Not only is the RDR helping households manage financial emergencies, but it is also helping reduce the hardships faced as a result of these emergencies. Of those experiencing emergencies, 36% of RDR savers surveyed faced hardships as a result, in comparison to 76% of non-RDR savers.³⁸ This finding aligns with research that shows that having access to even a little savings can reduce the material hardships experienced by households,³⁹ stressing the importance of access to a product that makes it easy to set aside even small saving amounts. When asked if the Rainy Day Reserve is helping them manage financial emergencies and protect their family from hardships faced as a result of these emergencies, 43% of RDR users answered “definitely,” while 37% said “I think so.”

While consumers did rely on additional financial products when faced with emergencies, RDR users were less likely to rely on alternative financial services and social networks than those who chose not to take up the RDR. When asked how they paid for their most recent financial emergency, RDR users were 23 percentage points less likely to borrow from family and friends and 10 percentage points less likely to take out a pay day loan and a loan from a jewelry

or pawn shop. They were also 14 percentage points less likely to skip other payments to pay for this emergency and nine percentage points less likely to sell property or assets. While there are various factors to consider that could help explain some of this difference, such as the size of the shock, having access to some savings seems to be helping consumers’ better cope with financial emergencies and reduce their reliance on costly alternatives.

Not only has the RDR helped consumers manage today’s financial emergencies, but it has also helped consumers feel more confident about the future. Seventy-nine percent of RDR users feel confident in their ability to manage a financial emergency in the future and 75% feel confident in their ability to protect their family from hardships in the future if faced with a financial emergency. In contrast, only 52% of non-RDR users feel confident in their ability to manage financial emergencies and only 51% in their ability to protect their household from financial hardships faced in the future. For consumers, having confidence in the future is important to motivating savings while also reducing the financial stress and worry associated with the unexpected.



38 RDR users were asked questions about their emergencies experienced since they started used the RDR, while non-RDR users were asked questions about their emergencies experienced in the last six months

39 Mills, G. & Amick, J. (2010). *Can Savings Help Overcome Income Instability?* The Urban Institute, Brief 18.

DESIGN MATTERS

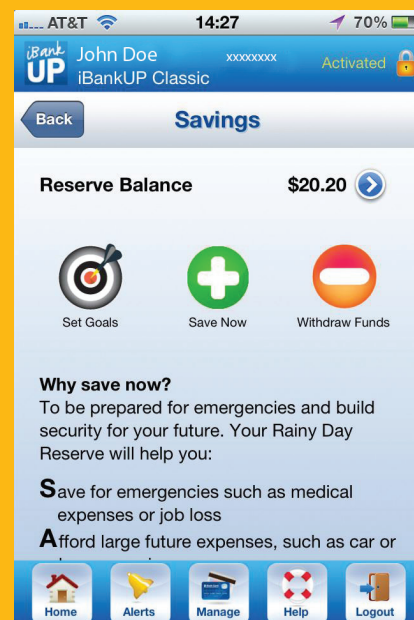
In our work with the Rainy Day Reserve we have learned that meeting consumers where they are and offering them savings opportunities that build off of their existing behaviors are key to driving take-up. But just as important is the branding and design of the product itself - branding that emotionally resonates with consumers as well as a simple and flexible design to reach consumers, drive use of savings, and help them maintain savings for short-term needs.

Reaching Consumers. The savings pocket on the UPSide card was coined the “Rainy Day Reserve”, with descriptive marketing language that aimed to appeal to consumers’ emotions around the importance of saving now for their families. Seventy percent of RDR users surveyed indicated that this messaging helped them decide to save in the Rainy Day Reserve. The simplicity and convenience of the feature also helped reach consumers with savings. While many consumers are motivated to save, especially for liquidity, it is not always easy to do. As indicated before, consumers tried the savings feature because they wanted to save (84%) and it seemed easy to try (49%). Eighty-nine percent of cardholders note that the ability to transfer money from their spending purse into their RDR purse helps them save funds, making savings easy and seamless. We also believe that the combination of the channel through which savings was offered and its branding was effective in both the reach but also the perception and expectation around what a feature like this should look like (versus a more traditional savings account).

Driving Use. While take-up is the initial barrier, once consumers are reached it is important to have features that make it easy to engage them in the act of saving, with flexibility to meet their specific needs. Saving in the RDR was designed to be easy and convenient, with a simple click or two on the UPSide online portal or the mobile application. Seventy percent and 47% of users, respectively, appreciated the convenience of being able to access their Rainy Day Reserve on the UPSide website and on the UPSide mobile phone app. For consumers, the ability to engage with their card often means logging on to their account via the online portal or mobile application – and knowing that when they are there, they can easily transact with the RDR has been important in both trying the feature and engaging with it.

The combination of offering both automatic savings, with the ability to set your own goals, frequency and amount of savings (and pause settings when needed), and manual savings, with the ability to make one-time deposits (and language in the user interface that encourages this), helped consumers save. The ability to set up a savings goal (63%), automate a savings amount and frequency (56%), and make one-time deposits (49%) were all recognized by consumers as key features that helped them save in their RDR.

Maintaining Savings. We also find that the design features of the savings pocket are helping consumers hold onto savings until needed. Consumers surveyed indicate that the features that help them hold onto their savings include auto saving (28%), a savings goal they are trying to reach (37%), and not having immediate access to savings - with the need to go onto their mobile application (16%) or online (34%) to transfer savings to spend it. In addition, the withdrawal reminder message that pops up every time a consumer decides to withdraw has deterred one-third of consumers surveyed from withdrawing funds from their savings pocket. While consumers need easy access to liquid funds, designing savings with features that motivate consumers to hold onto their funds while creating barriers (even soft-barriers) or small hassles to usage is important in helping households maintain savings.



Prepaid Card Provider Impact

A savings feature has the potential to reduce churn of GPR cards

Our findings on the Rainy Day Reserve indicate that savings features on prepaid cards have the potential to improve the attractiveness and stickiness of the product, reducing the high churn associated with GPR cards. The average lifespan of GPR cards is up to six months, but specific features, such as the ability to load via direct deposit, have been found to extend the lifespan of the card. We believe savings is another feature that can reduce the churn of GPR cards. In our survey, 88% of RDR users indicated that they plan to continue using the Rainy Day Reserve over the next six months, meaning they will continue to engage with and transact on their UPSide card. Looking at all accounts active in June 2012, non-RDR users were 21 percentage points more likely to have closed their accounts than RDR users by May 2013.⁴⁰ While more needs to be studied to understand if savings can in fact increase the longevity of cards, these findings show promise of the potential of savings to enhance a card's stickiness.

"Non-RDR users were 21 percentage points more likely to have closed their accounts than RDR users."

Savings is correlated with higher levels of card engagement, with savers loading more and transacting more with their prepaid card

Both volume of loads and transactions are important for the profitability of prepaid card providers. We believe that certain features, such as savings, can motivate consumers to be more engaged with their card. We find that RDR users are more engaged with their card than non-RDR users – loading more funds onto their cards and transacting more with their cards.

During the eight month period between November 2011 and June 2012, we find that RDR users are loading more funds onto their cards than non-RDR users with average

⁴⁰ To be as conservative as possible in estimates, the RDR percentage of closed accounts was calculated to exclude from the denominator the 2% of accounts whose status we could not verify and the non-RDR percentage was calculated to include in the denominator the 24% of accounts whose status we could not verify. Also included in the denominator are consumers whose account statuses fall into other categories where their status is unclear. In addition, closed accounts in the numerator include accounts with fraud or potential fraud statuses given the high likelihood that they will close.

total loads of \$6,099 versus \$2,440, respectively. RDR users are also loading funds more often on their cards, with an average number of value loads of 14 versus 5 for non-RDR users.

RDR users are not only loading more onto their cards, they are also spending and transacting more with their cards. On average, RDR users spent \$5,512 on their cards with an average of 135 spending transactions. In comparison, non-RDR users spent on average \$2,418 on their cards with an average of 41 spending transactions. On average, RDR users are loading 1.7 times and spending 16.9 times a month while non-RDR users are loading 0.7 times and spending 5.1 times a month, showing the overall higher levels of card engagement amongst RDR users than non-RDR users.

Looking at overall load and transaction behaviors, we see that while RDR users are loading more and spending more on their cards, they are also using the card to hold onto funds, more so than non-RDR users. In total over this eight month period, RDR users held onto nearly 10% of their loads versus non-RDR users who held onto slightly less than 1%. This shows that RDR users are using their card to not just transact but to capture savings.

While we can't definitively assert that the savings feature is causing higher levels of engagement, the strong correlation between savers and card engagement⁴¹ highlights the potential of savings to not only enhance stickiness but increase card usage, encouraging consumers to transact more with their card.

Card Engagement in an 8 month period		
	RDR Users	Non-RDR Users
Value Loads		
Average total loads	\$6,099	\$2,440
Average # of loads	14	5
Average monthly # of loads	1.7	0.7
Spending Transactions		
Average amounts spent	\$5,512	\$2,418
Average # of spending transactions	135	41
Average monthly # of spending transactions	16.9	5.1

⁴¹ Without a more rigorous study, we can't eliminate factors that might influence the difference in consumer engagement between RDR users and non-RDR users, such as self-selection bias.

Savings can build and strengthen a provider's relationship with consumers

While volume of loads and transactions are important for the sustainability of the prepaid card provider, so is the ability to keep a consumer by building and strengthening a relationship that extends beyond disbursement of funds or basic transactions. For many consumers, it is important to have a financial provider that they trust, that is meeting their needs and helping them feel more financially stable and confident in their financial future. This is not only a win for consumers, but a win for providers as it has positive implications for them in the long-run by strengthening their position in the marketplace through customer retention and new customer acquisition.

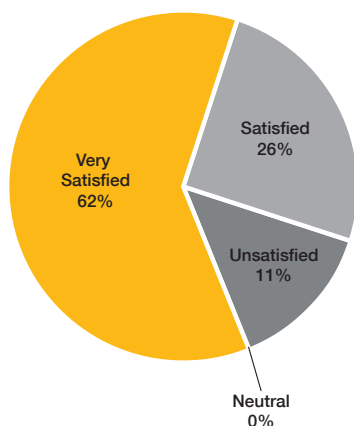
From our survey, we find that RDR users are satisfied with the Rainy Day Reserve and are more likely, given the savings feature, to recommend the card to their social networks. Eighty-eight percent of consumers are very satisfied or satisfied with the feature, and 78% are more likely to recommend the card to family and friends given that it has the Rainy Day Reserve. Consumers will value a product knowing that it is helping them where traditional savings methods have not worked or been accessible to them, reducing their reliance on costly coping mechanisms, and giving them more confidence in their ability to manage future emergencies and protect their household from hardships. And not only is this good for encouraging organic, word of mouth marketing but also for generating good will that can strengthen a prepaid card provider's perception and position in the marketplace.

A savings feature can be designed to be cost-effective and sustainable for a provider

In designing the savings feature, it was important to take an approach that was sustainable for Banking Up to offer its consumers. This was one of the reasons a savings purse was created instead of a savings account, without interest earned on funds sitting in the purse. Instead of offering interest on savings, we pursued other ways to provide some incentive for savings that were more affordable and had the potential to engage consumers to take-up and actively use the RDR. Banking Up partnered with SaveUp, providing consumers who signed up for the RDR chances to win prizes if they engaged on the SaveUp platform and in the Rainy Day Reserve. While we do not know how RDR users engaged with the SaveUp platform, we do know that access to SaveUp was an attractive offer that helped encourage consumers to take-up the savings feature. One-fifth of RDR consumers surveyed said that this was one of the reasons they began saving, knowing that if they saved and joined SaveUp, they could earn chances to win for saving.

This finding highlights the potential of a sustainable savings solution on a prepaid card, and the reality that consumers are not necessarily expecting traditional saving account features when savings is branded and offered in non-traditional ways. It also highlights the role and opportunity of designing innovative cost-effective incentives (both monetary and non-monetary ones) to drive take-up as well as ongoing engagement.

What is your overall satisfaction level with the Rainy Day Reserve?



SCALING IN THE MARKETPLACE

What's the potential impact of offering savings in the prepaid card universe? As the industry evolves from a transaction-based model to one that is more relationship-centered, savings features on prepaid can play a role in helping deepen the relationship with existing consumers and attracting new ones. And for consumers, it provides a real opportunity for access to savings and a new way of saving that might be better suited for them and fit well within their day to day lives. In the U.S., the prepaid card industry reaches one third of consumers,⁴² with nearly six million unbanked and underbanked households using a general purpose reloadable prepaid card.⁴³ Imagine if all these households had access to a savings tool on their prepaid card, to generate and replenish a \$500 revolving savings pocket; this would result in \$3 billion of ongoing savings reserves for unbanked and underbanked households.



With the growth of the prepaid card industry, there is a real opportunity to explore innovative models to provide and scale savings in the prepaid space. Knowing that the saving needs of consumers vary as well as the technology capabilities of prepaid card providers, our initial work with Banking Up on the Rainy Day Reserve represents just one model that can easily be altered and enhanced to scale savings in the prepaid marketplace. Here are just a few savings ideas D2D looks forward to exploring on prepaid cards in the upcoming year:

⁴² Foster et al. (2011)

⁴³ FDIC (2011).

- **Prize-Linked Savings Layer** – From our work with Save to Win⁴⁴ (STW), a prize-linked savings (PLS) product offered at credit unions, and international applications of PLS, we know that PLS engages consumers to save by changing the savings experience.⁴⁵ By rewarding consumers for savings behavior through immediate or near future prizes, saving becomes fun and instantly gratifying. Adding a prize-linked savings layer to a prepaid card can strengthen both take-up and usage of savings on a prepaid card. Plus, by offering consumers the chance to win, instead of a guaranteed return, offering of savings becomes more cost effective⁴⁶ and scalable.

- **Gamification of Savings** – “Gamifying” the savings experience, by adding game elements and game-design techniques, can engage consumers in saving through an experience that is fun and rewarding.⁴⁷ Having a game-like experience linked to savings on a prepaid card that generates or encourages real world savings outcomes can help attract more consumers to try savings but also engage them more in the act of saving. D2D and our prepaid card partners will be piloting a variety of gamified savings pockets in order to identify effective strategies that encourage consumers to save.

- **Gifting of Savings** – Through our work with savings bonds at tax time, we have found that consumers are very motivated to save for others, and will typically save more of their tax refund when they are saving for a loved one than solely for themselves. Given this emotional motivation for savings, combined with the fact that consumers are familiar with gift cards and enjoy the immediate gratification and tangibility of consumption,⁴⁸ D2D will continue to explore ways to “gift” savings via prepaid cards. We have already tested a savings gift card through a pilot with Brooklyn Cooperative Federal Credit Union, and will continue to use insights from that pilot and other research to explore the potential of gifting savings on cards. These include the ability to gift funds to a loved one's prepaid savings pocket; hold onto savings on your card and easily gift it to someone else's savings pocket when needed; and buy a stand-alone reloadable savings card.

⁴⁴ Save to Win is a registered service mark of D2D Fund, Inc.

⁴⁵ *Playing the Savings Game: A Prize-Linked Savings Report.* (2012). D2D Fund.

⁴⁶ Ibid

⁴⁷ Werbach, K. & Hunter, D. (2012). *For the Win: How Game Thinking Can Revolutionize Your Business.* Wharton Digital Press.

⁴⁸ *Emergency Gift Cards: Commoditizing Savings with Prepaid Cards* (2012). D2D Fund

POTENTIAL TO REACH MORE CONSUMERS WITH SAVINGS ON PREPAID CARDS

Our findings from surveying UPSide consumers who did not take-up the Rainy Day Reserve provides insight into the opportunity of add-on features to our Rainy Day Reserve as well as other savings innovations on prepaid cards to engage more consumers to take-up and use savings on their card. Of all non-RDR users surveyed, 76% of them knew about the Rainy Day Reserve, showing that there was strong awareness of the feature among UPSide cardholders. Even though they were aware of the offering, they chose not to take-up the RDR, with the top two reasons being “I do not have enough to save” (50%) and “I have too many bills to pay” (26%). However, when asked, 98% of both of these groups of non-RDR users - those reporting not having enough to save and too many bills to pay - expressed an interest in trying the RDR if it incorporated additional features that would make savings easier, more engaging or more rewarding.

The top features amongst these, with at least one-fourth of non-RDR users interested, were a cash back feature on the card to help fund the savings pocket (38%), reminders via phone or email to save when funds are loaded onto the card (27%), general communication about the savings feature and how to use it (26%), and making savings into a game with rewards, such as earning a coupon from a local merchant, for reaching goals or milestones (25%).

What would help you try saving in the Rainy Day Reserve?	
Cash back feature on my card helped fund my savings pocket	38%
Communications about the Rainy Day Reserve and how to use it	26%
Making savings into a game with rewards for reaching goals or milestones (e.g. earning a discount coupon for a local merchant)	25%
Email reminders to save when I load funds on my card	20%
Ability to name a specific goal I am saving for with money in the Rainy Day Reserve	18%
Reminders on my phone to save when I load funds on my card	15%
A way for family or friends to gift savings to you directly in your Rainy Day Reserve	9%
A way for you and a friend or family member to share your saving achievements	4%
Friendly competition from family or friends	3%
Other	4%
None of the above	26%

• Savings Feature Linked to Disbursement Channels

– With more disbursements to consumers happening on prepaid cards through channels such as payroll, the government (e.g. Social Security and state unemployment benefits) and colleges (e.g. financial aid), there is a real opportunity to explore adding savings features to these cards. While these cards are viewed primarily as disbursement vehicles, where funds are received and immediately (or nearly immediately) cashed out, the amount of and frequency of funds that are and will be disbursed this way creates a real scalable opportunity for savings on prepaid cards; and a crucial access point to consumers to help them capture a portion of these cash inflows into savings.

CONCLUSION

With the need for product innovations to help consumers save for the short-term, prepaid cards offer a potential solution to help address the liquidity problem. From the findings through our work with Banking Up on the design and evaluation of the Rainy Day Reserve purse on their UPSide card, we see that savings is a win-win for consumers and for providers. For consumers, especially underserved ones, it helps them more seamlessly capture savings and better manage their short-term needs and for providers, it has the potential to strengthen engagement and stickiness through an enhanced product offering.

There is a real opportunity now for prepaid card providers to introduce features such as savings, especially as more consumers are being introduced to prepaid cards through new channels, such as their retailers; receiving prepaid through a bundled offering, such as a government ID; looking for add-ons or alternatives to traditional banking products and services; and receiving their government or employer disbursements on prepaid cards. Prepaid card providers can capture these consumers, both who come to them by choice or are introduced to them through a change in services or offerings, and features such as savings will help draw them in and keep them engaged.



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114 Western Avenue
Allston, MA 02134
617.541.9066
www.d2dfund.org

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