

## Prize-Linked Savings Update (June 6, 2012):

Last year, legislation was introduced to link prizes to savings behavior. The Credit Union Association, along with Prosperity Works and our partners, backed the bill. The FIR brought up concerns regarding the NM State Gaming compact which were not able to be resolved during session. Ultimately we asked the bill sponsors to allow the bill to die if they were willing to do so. Over the past year several credit unions have been organizing a modified version of a “Save-To-Win” product that would not require legislation. They are currently working on raising the prize money so that they can offer the product.

### General Information:

- Prior to the US economic crash, savings behavior in the US was at an all time low, with the average net worth of individual households at -1.8%.
- Prizes appeal to our human nature, as demonstrated in the vast body of behavioral economic research.
- Nationally, **nearly eight-in-ten workers are living paycheck to paycheck**<sup>1</sup>.
- Local economies are stronger when families have emergency savings.

### How does it work?

- A financial **product is developed**<sup>2</sup>. For example, a “buy in”, secure CD. *Credit Union participation is voluntary.*
- A chance to win a prize is **associated with deposits**. *Nothing is purchased. There is never a chance that money will be lost.*
- The number of chances a person can win correlates with the number of deposits made, with limits. For example, the **chances may be limited to the first 5 deposits each month**. This provides an equalizer between those who can make many deposits each month and those who can not.
- Regular drawings happen monthly to encourage regular savings; a modest grand prize is awarded at the end of the year.
- Savings build; savings are secure; savings are available in times of crises. Savings behaviors are developed.

In a recently conducted survey, nearly half of Americans stated that they couldn't come up with \$2,000 in even the most dire circumstance. In other words, nearly half of all Americans are standing one economic blow away from crises.

### 2-Year Results in Michigan:

Over 28,000 new savings accounts were opened.

\$36.6 million in new savings.

Nearly 60% increase in savings behavior is associated with these accounts.

Globally Savings promotions have been practiced for decades in:

Great Britten

Sweden

South Africa

United Arab Emirates

<sup>1</sup> National survey conducted by CareerBuilder in September of 2010.

<sup>2</sup> A product design team met throughout 2011 in order to introduce a product in 2012. Design team participation is open and welcome.