PART FOUR
Consumer Experience of Savings Solutions

SERIES OVERVIEW

The financial lives of low- to moderate-income (LMI) and low-wealth households are complicated. Households too often lack a sufficient emergency savings cushion and liquid assets, preventing them from effectively weathering financial storms and moving from instability to prosperity. These challenges—shaped largely by forces outside an individual’s financial control—disproportionately impact the financial stability of households of color. In the face of these challenges, however, households can and do find ways to save, and it is critical to support families as they work to build financial security.

To address challenges around savings, the asset-building and financial services fields have developed an array of solutions that attempt to support savings and wealth accumulation. However, the landscape of savings solutions is complex, difficult for households to navigate and full of solutions that are not designed specifically for low-income and low-wealth households. Savings solutions, a broad category encompassing everything from basic savings accounts to lending circles to income-smoothing mobile applications, are designed to help families build savings for the immediate, medium and/or long terms. Yet the current marketplace is fragmented, with many product options, uneven access to solutions and limited or confusing information on solutions and their features (such as fee structures). These issues make it hard for families, and the nonprofit practitioners working with them, to understand which solutions are available and which savings needs are supported by each solution.

This ongoing series of briefs is designed to help nonprofit practitioners better understand the complicated marketplace of savings solutions and identify savings solutions that are right for clients. The series will analyze the savings landscape, including:

- The savings challenges that households face, their underlying causes and a vision for new solutions
- Existing savings solutions, the savings needs they address and the features they use to do so
- The consumer experience with existing savings solutions
- How products/solutions are reaching, or could be reaching, low- to moderate-income (LMI) or low-wealth families
- Research into the savings needs and preferences of LMI families
- What the future could hold for savings solutions
HOW CONSUMERS EXPERIENCE SAVING SOLUTIONS

In addition to product type and included features, another critical aspect of savings solutions is user experience. The savings solution experience includes how people hear about, enroll and use solutions. Through our analysis,1 researchers, nonprofit practitioners and product developers shared many examples and considerations for how people experience savings solutions in the current marketplace.

Beyond the ways in which people hear about, enroll in and use savings solutions, there are also intangible components of the consumer experience, including: trust; accessibility and convenience; behavioral and

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1 To inform this analysis, we conducted interviews with experts, product developers and practitioners, as well as secondary research. A full list of people we spoke to can be found in the Acknowledgements section at the end of this brief. Please note that this analysis is not meant to be a comprehensive accounting. It is part of Prosperity Now’s exploration of how to meet families’ financial needs through better solution design and delivery. The information in this brief is accurate, to the best of our knowledge, as of the date of publication. Specific savings solutions or organizations are offered as examples or promising innovations due to their design, structure, or features, and not necessarily due to their impact on individuals or communities. Therefore, they are not endorsements from Prosperity Now.
psychological influences; and policy, institutional and systemic barriers. These components often intertwine and greatly impact people’s use of savings solutions to manage their financial lives.

- **Trust** is critical to every step of the consumer experience: from learning about and choosing solutions, to feeling comfortable providing personal information during the enrollment process, to consumer interaction with the solution. Trust also plays a particularly critical element when it comes to savings solutions; financial institutions and fintech providers ask customers to trust providers with their money and to return that money to customers in a timely manner. This is very different than a relationship built on borrowing funds or giving financial advice.

- **Accessibility and convenience** can also greatly impact the consumer experience of savings solutions. This includes, among other things, in-person services with locations and hours that work for people’s busy lives; solutions, materials and support in multiple languages and in language that is understandable rather than technical; and the ability to access savings in a timely manner when the need arises.

- **Behavioral and psychological factors** influence how consumers choose and use solutions. Savings solutions should be designed to work with and support human behavior. For example, volatility and lack of resources can lead to a scarcity mindset, which in turn leads to “tunneling”: focusing on the problem that seems immediate or urgent while neglecting others. Combined with other behavioral tendencies, as well as limited resources, this can make saving quite difficult.

- **Policy, institutional and systemic barriers** play an important role in how consumers use savings solutions. Consumers decide which money management system to use based not only on the savings solutions available, but also on how those solutions will interact with the other systems (such as the criminal justice system or social safety net system) that impact their financial lives. People who fear that their savings could be garnished because of, for example, child support arrears or a creditor with a judgement against them, may avoid using formal savings solutions and instead turn to higher-cost or less safe ways to manage their financial lives. Whether it is the child support system, the justice system or something else, these systems should be critically examined to design a path forward that builds financial security.

**What Gaps Exist?**

Consumers need to navigate multiple financial decisions and time horizons simultaneously with access through trusted channels to solutions that are appropriately designed and tailored to their unique and complex financial lives. There are many gaps in the marketplace that do not meet consumers’ needs and impede their experience with savings solutions.

The current market of savings solutions does not support consumers in navigating multiple financial decisions and time horizons simultaneously:

- **Given policy and institutional barriers, solutions are unable to support consumers in navigating their full financial lives.** Some people may choose not to use a savings solution to help manage their financial lives because of other limiting factors. For example, many federal benefits programs like SNAP and WIC impose asset limits, or “savings penalties”; if a household receiving benefits has more than a certain amount in savings, sometimes as little as $1000, they become disqualified from receiving benefits. Some consumers may choose to be primarily cash-based out of fear of losing these benefits.

- **The fragmented marketplace makes it difficult for consumers to choose solutions and for nonprofits to connect consumers to solutions.** As discussed in the second brief of this series, people do not necessarily know what experience or combination of features will work for them, and sifting through the complex and
ever-expanding marketplace is difficult. Consumers can become overwhelmed or even paralyzed when presented with too many options without guidance and support.

- **Balancing the various features and functionalities needed with simplicity of experience poses a challenge.** The more features a product has, the more difficult it can be to use, which can limit attempts at comprehensive solutions. The conundrum is that financial lives are complicated, and people create sometimes complicated systems themselves. Replicating this in an experience is very challenging. Savings solutions are easiest for consumers to engage with when the solutions address just one, or perhaps a couple of needs (e.g., consumers setting a regular automatic transfer from one account to another). When additional features are added to create a more holistic experience (e.g., automated savings, earned wage access, debt payment tools, etc.), the solution becomes harder for the user to execute.

**Consumers are often unable to access solutions through trusted channels and preferred methods:**

- **Many solutions require a formal financial institution account,** which exacerbates existing barriers discussed above and in the other briefs around lack of trust. Accessibility to these accounts can also be a challenge—certain financial institution policies deny financial institution account access to entire groups of people. For example, some financial institutions will not open accounts for people with Individual Taxpayer Identification Numbers (ITINs) because of how they implement federal Know Your Customer requirements. Some financial institutions will deny access due to ChexSystems or negative information on credit reports. This gap also impacts newer fintech solutions, since many of these companies partner with mainstream financial institutions to hold users’ accounts. Because of these policies and many other practices, financial institutions have lost the trust of many communities, particularly communities of color.

- **Fewer in-person services are available for low-income consumers.** When using savings solutions, low-income consumers are more likely to choose in-person services. Unfortunately, financial institutions continue to close branches in low-income areas and, as discussed below, more and more solutions are being offered solely online.

- **Many solutions are solely mobile applications.** While app proliferation has great potential for maximizing ease of use and consumer experience, consumer trust of mobile banking remains low. Some savings solutions are offered solely through digital platforms, some require the user to link their financial institution account to the app and some offer mobile banking in addition to in-person services, such as many mainstream financial institutions. Here, we have two potential areas of mistrust. First, does the user trust the provider? Second, does the user trust the app to hold the account information or funds safely? These combine to make a significant gap where users often don’t complete enrollment processes due to the lack of trust somewhere in this linked chain.

- **Solutions are not commonly designed for cash-based consumers.** This is especially a problem for consumers who work in cash-based industries, and those (particularly consumers of color) who have lost trust in the financial services system.

**Few savings solutions are appropriately designed and tailored for LMI populations:**

- **Few savings solutions are designed for a specific target population.** Given the diversity of consumer experience and needs, generically-targeted solutions can be a bad fit. For example, few solutions are available in languages other than English, which leaves out a growing number of consumers in the US. Additionally, few savings solutions take debt into account, which ignores the experience of certain consumers, particularly consumers of color.
• **Consumers are unable to tailor their desired level of liquidity.** Some people prefer to not have easy access to their savings so they will not be able to use them. Others may want—or need, due to income volatility and stagnant wages—immediate access to funds.

### What Promising Innovations Exist?

Despite the gaps discussed above, there are some promising innovations in the marketplace of saving solutions:

• Some solutions are **working to restore trust** through transparent fee structures. Aspire, an online bank account, and Earnin, an earned wage access fintech solution, allow users to choose the fee they pay for certain services (ATM withdrawals and access to earned wages, respectively). However, while this is a step in the right direction, it is not nearly enough to restore trust and repair harm, and large mainstream financial institutions have yet to take it.

• Motiv, a free online bank account, has **increased accessibility** to its solution by accepting multiple forms of identification to open an account (including an ITIN) and not denying access based on ChexSystems or credit reports. Motiv also provides its interface in both Spanish and English.

• Several solutions beyond those offered by traditional financial institutions **support cash-based consumers** by allowing people to make cash deposits or withdrawals at various locations. For example, consumers can deposit cash on their PayPal Cash Card at some retail locations and users of Walmart’s MoneyCard can make cash deposits at Walmart. PayActiv, a fintech solution that partners with employers to provide employees with earned wage access between paychecks, installs kiosks at the workplace to allow users to withdraw the earned wages they request.

• Many solutions have **integrated behavioral sciences principles in their design.** For example, EARN’s SaverLife employs nudges by sending users reminders to save.

### NEXT STEPS

This analysis of the consumer experience of savings solutions illustrated many gaps in the market, as well as some promising innovations to meet the needs of families. It has also illuminated several areas of further research and next steps, which will be explored in future briefs in this series, to expand our knowledge and understanding:

• Speaking directly with consumers through interviews, focus groups or surveys will help us better understand how consumers experience savings solutions, which experiences appeal to consumers, and how the other systems with which consumers interact influence their decisions of whether and which savings solutions to use. Increasing the diversity of input that product developers seek will, hopefully, lead to better designed products that overcome many of the gaps discussed here.

• Additional analysis of ways specific systems impede consumers’ use of savings solutions, such as the justice, child support and safety net systems, could lead to better support for consumers in navigating those systems.

• More inquiry into the financial lives and preferences of consumers of color and other distinct populations will help product providers responsively tailor design features and product marketing.
ANALYZING THE LANDSCAPE OF SAVING SOLUTIONS FOR LOW-INCOME FAMILIES:
CONSUMER EXPERIENCE OF SAVINGS SOLUTIONS

Authors: Stephanie Landry | June 2019

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PROSPERITY NOW

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Endnotes


