PART FIVE
Delivering 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

INTRODUCTION

How a savings solution ultimately reaches consumers can be as important to success as its features or the quality of its consumer experience. Even the best-designed solutions will have limited impact if they are not reaching their
target consumers through the right places, at the right moments and with methods that effectively connect with consumers and successfully encourage them to engage in the solutions. As part of the overall analysis of savings solutions, Prosperity Now interviewed 22 individuals ranging from academic researchers, to financial product developers, to staff at nonprofit institutions. Through these interviews and other research, we explored:

- The role of delivery partners in the landscape of savings solutions for LMI consumers
- How savings solutions are currently being delivered to LMI consumers
- Where promising delivery partnerships currently exist
- Gaps in delivering savings solutions
- What we still need to learn about delivering savings solutions

**THE ROLE OF DELIVERY PARTNERS IN PROVIDING SAVINGS SOLUTIONS**

Our conversations and research reinforced our understanding of the central role that delivery partners play in getting savings solutions to consumers who could benefit. For LMI consumers and communities of color, the organization or institution that is delivering the savings solution and the level of trust people have in this delivery partner are critical to whether the consumers will take up the solution. When consumers receive a savings solution through a trusted institution (by referral, for example), that trust may then, at least in part, be extended to the solution itself.

As such, what role do delivery partners have in delivering savings solutions? Overall, most Americans have access to savings solutions through physical financial institutions and other products such as prepaid cards, but a gap often exists in their relationship with consumers. While solutions are available, many consumers lack trust in the savings products or institutions (as noted in previous briefs). Some causes of mistrust include lack of information, products without transparent fee structures, a confusing or uninviting consumer experience and the fact that many people—particularly people of color—were adversely affected by the 2008 recession and more recent banking scandals that wiped out significant amounts of wealth. Savings solutions are also not broadly designed to meet the needs of LMI families or households of color (link to previous brief). As a result, delivery partners—those who do not make savings products themselves but connect consumers to them—fill a gap by conferring trust on products, helping provide savings solutions that are a good fit for targeted consumers, offering a welcoming environment for financial conversations and experiences, and demystifying financial services for consumers.

Delivery partners—including asset-building organizations, employers, social service agencies and many others with which LMI households interact—can identify and engage participants who are a good fit for certain solutions, get products in front of people who might not see them otherwise, tailor support through engagement with savers and help improve the reach of savings solutions as a result. They also are able to use existing financial products and mechanisms to design savings programs, like matched or emergency savings, that are more responsive to the needs of households.

It is worth noting that when we are talking about savings solutions, we must continue to underscore the importance of trust in the relationship. Unlike lending or payment solutions, where the consumer is receiving money or passing money from one place to another, in a savings relationship the consumer is giving their own hard-earned money to an institution. They are asking them to keep it safe, to not erode it away with fees and to make it easily available if and when they need it. While institutions such as the FDIC help generate trust that the funds will be there should a crisis occur at the financial institution, there are many other pieces that go into making someone comfortable with an institution as a savings solution—particularly when we’re talking about communities where trust in the financial system has been eroded.
HOW SAVINGS SOLUTIONS ARE CURRENTLY DELIVERED TO HOUSEHOLDS

With this understanding of the role that delivery partners play, we explored how savings solutions are currently delivered and how different entities are involved in this process. We found that savings solutions reach LMI consumers through many different avenues. They may be:

- **Delivered directly** to the consumer from the product provider, like an individual entering a financial institution or downloading and signing up for a fintech product.
- **Brought to consumers via a third-party delivery partner;** for example, a nonprofit may help ease clients’ comfort with opening bank or credit union accounts, or they may introduce clients to a fintech product or prepaid card that fits their needs. An employer may provide a retirement product through its human resources package. Financial coaches may help participants set and achieve savings goals, which may include opening an account or using a specific solution.
- **Packaged within larger programs and solutions** and then delivered to consumers. For example, individual development account (IDA) providers connect participants to savings accounts to further the goal of receiving matching funds to purchase an asset. A lender may offer an emergency savings component paired with loan repayment. Family Self-Sufficiency programs set up escrow accounts to facilitate public housing renters’ savings as their incomes grow.

Within this broader framework, specific entities and organizations that deliver savings solutions to participants can be categorized into three main channels: financial services providers, employers, and nonprofit and governmental entities.

**Financial Services Providers**
- Banks
- Credit unions
- Fintech products
- CDFIs
- Retirement savings providers

**Employment Channels**
- Employers
- Unions
- Retirement Savings providers
- Benefits providers
- Trade associations

**Non-Profit and Government**
- Asset building organizations
- Financial capability service providers
- Social service providers
- Education institutions
- Public benefits administrators
- Treasury Department

Financial services providers often provide solutions (savings accounts, apps that encourage savings, etc.) directly to consumers. As noted above, delivery partners, such as nonprofits, may connect consumers to these solutions or incorporate their solutions within larger savings initiatives (such as Children’s Savings Accounts programs, IDAs, emergency savings initiatives, etc.).

Employers commonly are a delivery partner for retirement savings products. This role has been broadening in recent years as they’ve become a channel for more solutions, including earned wage access products and emergency savings, as well as broader financial capability services. In our analysis, we found that unions are beginning to explore their role as a savings delivery channel as well.
Of course, nonprofits and local government agencies also deliver savings solutions. Asset-building and financial capability providers offer programs like IDAs, lending circles and emergency savings products among others. Delivery of savings solutions is also often integrated into social services, educational institutions and public benefit programs. Like employers delivering retirement products to employees, housing providers, workforce development providers, youth employment programs, community colleges and others have identified savings as a need for their clients and integrated solutions into their service delivery. When clients engaging in these services are able to receive financial services in addition to the core social service (e.g., job coaching), they can achieve greater outcomes in both areas: financial well-being and employment.

PROMISING INNOVATIONS AND OPPORTUNITIES

While further work needs to be done to learn more about these channels, who they are reaching and what it would take to integrate savings solutions into them, we also learned about potential areas that may lead to positive outcomes. The following are examples of how financial institutions, nonprofits, employers and others are working in unique ways to deliver solutions through trusted partners:

- Labor unions present an interesting opportunity for connecting LMI consumers with safe and impactful products. For example, SEIU Local 2015 in California is beginning to offer a prepaid card to their members, primarily home care, assisted living center and skilled nursing facility employees. Their effort to distribute the product includes partnerships with California state employers to market the product and relies on field organizers to help with uptake and building trust. This presents an opportunity to expand offerings to additional savings-specific solutions.

- Retirement product providers are starting to help employees save for emergencies while they save for retirement. Prudential is currently piloting a program where employees can automatically deposit savings into an emergency savings vehicle at the same time funds are moved to their retirement accounts. This program can help employees weather financial storms without having to resort to early withdrawals of funds from their retirement savings. Many employees are already comfortable with saving for retirement through their employer, and there is an opportunity to build on this trust and comfort to increase emergency savings as well.

- EARN’s SaverLife, a fintech product that provides monetary incentives for emergency savings, is commonly provided directly to consumers via their website. They’ve also been exploring partnerships with nonprofits to introduce the product to LMI clients and help them enroll and save. This sort of partnership—nonprofits as the trusted delivery partner for fintech products—will be critical to explore as fintech products become more omnipresent and the need for trust and comfort-building remain.

- GreenPath, a nationwide credit counseling agency, and EarnUp, a fintech product focused on consolidating and automating loan payments, have partnered to provide GreenPath’s credit counseling clients with Simple Payment Plan, where clients use the EarnUp app to budget, save and automate bill payments. This partnership offers a look at what scaling fintech products through large delivery channels—in this case a credit counseling agency—can look like.

Through our interviews and research, we also learned about promising opportunities for exploring and expanding delivery partnerships for savings solutions, including:

- Many Boys and Girls Clubs across the country have long provided IDAs and other savings solutions to youth and their families. Boys and Girls Clubs, and similar settings where kids, youth and families are served, should be explored more deeply as a robust savings delivery partner. They have a unique place in
the community in that families engage with them over long periods of time, are highly trusted and their programs can be replicated and scaled in other sites.

- Places of worship offer a unique opportunity as trusted community hubs where families can spend a significant amount of time over a period of many years.
- Retail outlets such as pharmacies are often used by many to purchase and load certain pre-paid and debit cards. Given the omnipresence of these retail outlets and their point of sale technology, they should be explored more deeply as a venue for engaging customers around saving. However, the short duration of visits to retail outlets, as opposed to the time spent in a place of worship or Boys and Girls club, may pose difficulties to making retail locations a scalable delivery partner for savings solutions.

GAPS IN DISTRIBUTION

While we identified promising areas in which savings products are reaching consumers, the current delivery landscape is fragmented and highly dependent on local conditions, relying on community-based organizations and financial institutions in communities to connect with consumers who need solutions. The delivery of these solutions is far from universal, and individuals rely on trust with local institutions or organizations to take up products and services.

While there are multiple promising partnerships to deliver savings solutions to LMI families (e.g., SaveLife and EarnUp’s delivery through nonprofits), these are relatively few in relation to the number of savings products available on the market. More partnerships need to be piloted to reach the many people who could benefit from the diverse array of solutions available.

Additionally, there is a lack of data on who receives savings solutions through different delivery partners. In exploring bringing savings solutions to LMI consumers through delivery partners at scale, it is important to consider who will be reached and who may be left out. Which population segments will benefit (by income, wealth, race, geography, gender, etc.), and how do we design delivery partnerships to ensure equity and that those who could most benefit from solutions are the ones receiving them?

NEXT STEPS FOR EXPLORATION

As a next step, Prosperity Now is exploring which sectors (e.g., retail, unions, workforce development) are poised to advance the delivery of savings solutions. Through this exploration, we will identify next steps for sectors to advance saving solutions within their networks, with the goal of bringing responsive products to more people at moments when they are likely to use them.

Moreover, to address the lack of understanding around who is being reached (and who is not) with savings solutions, it will be important to do population-specific analysis to understand where delivery partnerships can reach those who are commonly underserved. Within broader sectors, such as housing, workforce development, employers, etc., where are the opportunities to ensure access and take-up of responsive savings solutions?

Finally, as noted above, it is critical to match the delivery partner setting with the opportunity. For savings solutions providers to ensure their solutions are reaching targeted consumers, they will need to explore a number of conditions for successful partnership. For example, the amount of time consumers spend with a channel partner, the nature of that engagement, the mind frame of the consumer during these interactions, the levels of trust with the institution and other elements are vital to success. We will continue to explore how these matches can best take place.
ANALYZING THE LANDSCAPE OF SAVING SOLUTIONS FOR LOW-INCOME FAMILIES:
DELIVERING SAVINGS SOLUTIONS

Authors: Santiago Suelo, Parker Cohen  |  June 2019

ACKNOWLEDGEMENTS

The authors would like to thank The Prudential Foundation, especially Kimberly Ostrowski, for their generous support and partnership in this work.

Throughout 2016, Prosperity Now engaged with an All-in-One Savings Advisory Council composed of leaders in the savings field. For sharing their expertise and contributing their time, energy and ideas to this work, the authors would like to thank Andrea Ambriz, SEIU Local 2015; Mariel Beasley, CommonCents Lab; Patricia Belden, Preservation of Affordable Housing; Marla Blow, FS Card; Jimmy Chen, Propel; Katy Davis, Ideas42; Tim Flacke, Commonwealth; Sarah Gordon, CFSI; Steve Grant, Prudential; Carla James, John H Boner Community Center; Clinton Key, Pew Charitable Trusts; Karen Landry, War on Poverty, Florida; Lisa Mayse-Lillig, Feeding America; Linda Munoz, WINGS Dallas; Kim Ostrowski, Prudential; Ram Palaniappan, EarnIn; Ida Rademacher, Aspen Institute; Janet Raffel, NeighborWorks; Kate Rios, UnidosUS; Ann Solomon, Union Federation; Katie Taylor, National Urban League; Megan Wong, EARN; and Martha Wunderli, Triple A Fair Credit Foundation.

We would also like to thank those nonprofit partners, product developers and researchers for the knowledge and insight shared through interviews to inform this brief and this work: Jeff Lubell, Abt Associates; Don Baylor, The Annie E. Casey Foundation; Tanya Ladha, CFSI; Brian Gilmore and Nick Maynard, Commonwealth; Maggie West, Community Empowerment Fund; Keith Soranno, DoubleNet Pay; Megan Wong, EARN; Quinten Farmer, Ever; Carl Morris, Flexwage Marla Blow, FS Card; Anice Chenault, HUD’s Family Self-Sufficiency Program; Carla James, John H Boner Community Center; Sheri Flanigan-Vasquez, Justine PETERSEN; Jim Riccio, MDRC; Jonathan Morduch, New York University; Safwan Shah, PayActiv; Clinton Key, The Pew Charitable Trusts; Lauren Gates, Raise Texas; Andrea Ambriz, SEIU Local 2015; Katherine Lucas McKay and David S. Mitchell, The Aspen Institute; and Allison Padget, UDW.

Finally, the authors would like to recognize colleagues at Prosperity Now who contributed to this work: Pamela Chan, Sandiel Grant, Kate Griffin, Melissa Grober-Morrow, Stephanie Landry, Shehryar Nabi and Laura Yepez.

PROSPERITY NOW

Prosperity Now (formerly CFED) believes that everyone deserves a chance to prosper. Since 1979, we have helped make it possible for millions of people, especially people of color and those of limited incomes, to achieve financial security, stability and, ultimately, prosperity. We offer a unique combination of scalable practical solutions, in-depth research and proven policy solutions, all aimed at building wealth for those who need it most.

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