



Making Savings Fun

Save to Win Webinar

August 20, 2009

SAVE TO WIN

Spotlight Michigan

Using Lottery Effect to Make People Save - WSJ.com

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THE INTELLIGENT INVESTOR | JULY 19, 2009

Using the Lottery Effect to Make People Save

By JASON ZWEIG



Based on recent headlines, you might think that Americans are finally saving again. Want to bet?

In 2007, the latest year for which final numbers are available, Americans spent \$92.3 billion on legalized gambling, according to Christiansen Capital Advisors; that same year, says the U.S. Bureau of Economic Analysis, Americans saved only \$57.4 billion.

So, if Americans are to save more, maybe we should make saving feel more exciting than just a dull deposit into a bank account.

The BEA recently estimated that personal saving -- what is left of Americans' disposable income after all our spending -- has risen to a 6.9% annual rate. Starting in the late 1980s, the personal-saving rate began to fall from the 8%-to-10% range. By 2005, households were spending 99.6 cents of every dollar they earned. Now, however, frightened by foreclosures and menaced by rising unemployment, Americans are saving almost as much as they used to.

Or are they?

Charles Biderman of TrimTabs Investment Research, an economic-analysis firm in Sausalito, Calif., has studied the saving rate for years. He adjusted for one-time boosts from the stimulus package and used daily income-tax reports from the U.S. Treasury to take the latest job losses into account. By this revised estimate, the saving rate may actually be running as low as 0.9%. (People who have been thrown out of work often can't save.) A BEA spokesman declined to dispute Mr. Biderman's adjustments, saying only "TrimTabs has a different method of calculating."

It makes sense that the saving rate might be lower than it looks; spendthrifts don't turn into misers overnight. But we would be better off as an economy and as a society if Americans spent less and saved more.

The late, great investment manager Sir John Templeton warned me 20 years ago: "Those who spend too much will eventually be owned by those who are thrifty." If you wonder how China, Japan, Hong Kong and Taiwan ended up amassing \$1.65 trillion in U.S. Treasury bonds, the answer lies largely in our own credit-card bills.

Today, credit cards and online shopping make deferring gratification harder than Ben Franklin ever could have imagined. And Americans are in hock up to their ears, with \$10.5 trillion in mortgages and another \$2.6 trillion in consumer credit. It isn't any wonder that saving feels impossible to many people.

But psychologists have long known that people tend to overestimate the odds of rare events. Applying



A Lottery for Smart People - Freakonomics Blog - NY Times.com

<http://freakonomics.blogs.nytimes.com/2009/07/30/a-lottery-for-smart-pe...>

The New York Times
Freakonomics
The Hidden Side of Everything

JULY 30, 2009, 9:59 AM

A Lottery for Smart People

By FREAKONOMICS

Most lotteries are a sucker's game. But a group of credit unions in Michigan has come up with a lottery that everyone wins. The idea is that each time a customer makes a savings deposit of \$25 or more, he or she is entered into a raffle to win \$400, plus a chance to win the \$100,000 annual jackpot. Even if you lose, you've still increased your personal savings. The *Wall Street Journal* reports that the savings lottery has brought in some \$3.1 million in new deposits so far.

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Today's Presenters



- ◆ Mike Bridges, Director of Public Affairs, Michigan Credit Union League



- ◆ Denise Gabel, Chief Innovation Officer, Filene Research Institute



- ◆ Tim Flacke, Executive Director, Doorways to Dreams Fund (D2D)



- ◆ Stacy Dugan, CRI Coordinator, Michigan Credit Union League

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Michigan Credit Union League

The MCUL has focused exclusively on serving its members throughout its 75-year history, a commitment that is concisely expressed in its Mission Statement: "To foster, protect and promote the vitality of credit unions by providing programs and services that will enhance their ability to enrich the lives of their members." That commitment is as real and alive today as it has ever been.



SAVE TO WIN

The Filene Research Institute

Your Think and Do Tank

Through independent research and innovation programs, the Filene Research Institute explores issues vital to the future of credit unions and consumer finance.

filene
RESEARCH INSTITUTE



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D2D Fund

- ◆ The Doorways to Dreams Fund (www.d2dfund.org) was co-founded in 2000 by Harvard Business School Professor and Associate Dean, Peter Tufano; D2D is
 - ◆ A non-profit 501(c)3 headquartered in Roxbury, Massachusetts,
 - ◆ Whose mission is to increase savings and asset-building for poor and working poor Americans,
 - ◆ And our corporate analogues are an out-sourced:
 - ◆ R&D lab
 - ◆ New products group
 - ◆ Product management team



SAVE TO WIN

Today's Agenda

- ◆ Welcome
- ◆ Credit Union Innovation and Prize-Linked Savings
- ◆ Save to Win: A Michigan Innovation
- ◆ Year Two
- ◆ Question and Answer

SAVE TO WIN

Mike Bridges

Director of Public Affairs of Michigan Credit Union League

- ◆ Save to Win is a great opportunity for credit unions to differentiate themselves from other financial institutions and service providers
- ◆ Save to Win is a “call to action” project that reinforces the credit union difference because credit unions are encouraging people to save
- ◆ Save to Win is a learning experience for those persons that did not believe personal savings was an achievable goal
- ◆ The MCUL would like to acknowledge the leadership and innovation of the Doorways to Dreams Fund and the Filene Research Institute, and MCUL hopes to grow this innovation in Michigan

SAVE TO WIN

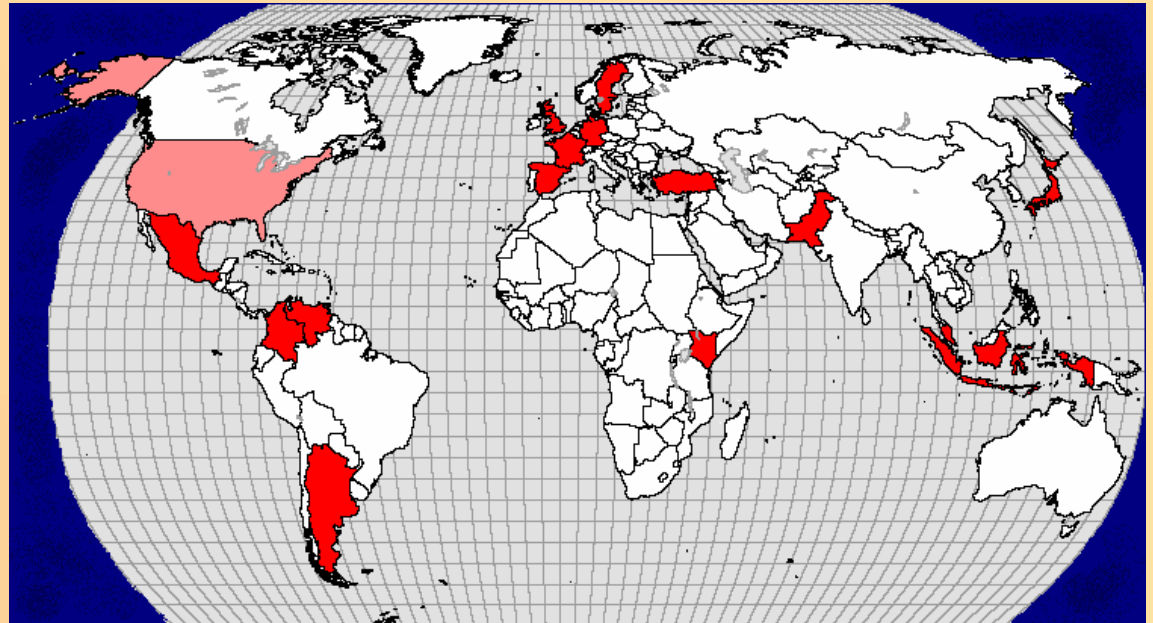
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SAVE TO WIN

Prize-Linked Savings: Global Experience

- ◆ United Kingdom
- ◆ France
- ◆ Columbia
- ◆ Venezuela
- ◆ Japan
- ◆ Sweden
- ◆ Indonesia
- ◆ Spain
- ◆ Germany
- ◆ Kenya
- ◆ Turkey
- ◆ Pakistan



SAVE TO WIN

Psychology of Prize-Linked Savings

RISK-FREE
PRINCIPAL



HIGH-RISK
RETURN

- ◆ Source: Dr. Peter Tufano, The Harvard Business School and Filene Fellow

SAVE TO WIN

This is way more interesting than interest!

Introducing the fun way to save...

Centra Super Savings!



Prizes!

As part of our "Super Savings" account, you're eligible for monthly random drawings for exciting prizes like mp3 players, portable DVD players, music downloads, gift cards, cash and more! Over \$1,000 in prizes will be given away every month!



Vacations!

For every \$25 you save, you earn additional chances to win. You could even double your savings or win a grand prize luxury vacation for two!



Savings!

As your savings grow, so do your chances of winning! There's never been an account quite like this.



CENTRA
CREDIT UNION

Ask how you can open your account today!

See Centra branch for details.



SAVE TO WIN

Credit Unions Lead the Way

ELGA's Sweepstakes Savings Account



Deposit Accounts | Super Savings

The Fun Way to Save...
Centra Super Savings

The Centra Credit Union logo is at the top left. Below it, the text 'Deposit Accounts | Super Savings' is displayed. At the bottom, it says 'The Fun Way to Save...' followed by 'Centra Super Savings' in a larger, bold font.

Play and WIN! A total of \$5,000 in cash awarded monthly to thirty lucky members. To be eligible for the drawings, members need only to increase the total balance in their Membership Savings Account by \$50 monthly. Click here for more details.

The graphic features a large gold dollar sign on the left. To its right, the text 'The PRIZE is Right' is written in a playful, colorful font. Below this is the '@ WEWEEKIE CREDIT UNION' logo. The background is a pattern of colorful polka dots.

Break the bank with our

\$25,000 GRAND PRIZE



Open a Prize Savings Account today! ↗

Prize-Linked Savings in Michigan

Brought to you by:



With Special Sponsorship by D2D Fund, Inc.

D2D Fund, Inc. is a non-profit corporation seeking to encourage people to save money. More generally, D2D's mission includes expanding access to financial services for low-income families by creating, testing, and deploying innovative financial products & services.

SAVINGS BARELY
SCRATCHING THE
SURFACE?

**\$100,000
GRAND PRIZE**

- ◆ With a grant from the Center for Financial Services Innovation (CFSI) Nonprofit Opportunities Fund made possible by The Wal-Mart Foundation

SAVE TO WIN

Save to Win: Project Intro

- ◆ An idea on paper in April 2008 from Doorway to Dreams and the Filene Research Institute with a grant from Center for Financial Services Innovation's Nonprofit Opportunities Fund supported by The Wal-Mart Foundation
- ◆ Michigan Credit Union League became a sponsor of the pilot
 - ◆ Potential membership growth opportunities for MI CUs
 - ◆ Strongly support programs with savings component
 - ◆ Positive CRI impact
- ◆ 8 Michigan credit unions signed-on to the pilot during 2008
- ◆ Product launched January 2009

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Prize-Linked Savings Pilot

- ◆ The Save to Win pilot team consists of eight innovative Michigan CUs of various sizes and from different geographies

Credit Union	Location	Assets	Members
Central Macomb Community CU	Clinton Township	\$119 million	17,371
Christian Financial CU	Roseville	\$237 million	34,518
Communicating Arts CU	Detroit	\$25 million	7,255
E&A CU	Port Huron	\$179 million	31,916
ELGA CU	Burton	\$264 million	38,513
Frankenmuth CU	Frankenmuth	\$189 million	21,384
NuUnion CU	Lansing	\$821 million	89,007
Option 1 CU	Grand Rapids	\$246 million	33,831

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SAVE TO WIN

Michigan Credit Union Act: Excerpt

- ◆ Act 215 of 2003
- ◆ 490.411 Savings promotion raffle.
- ◆ Sec. 411.
 - ◆ (1) If authorized by the credit union board, a domestic credit union may conduct a savings promotion raffle. The domestic credit union shall conduct a savings promotion raffle so that each token or ticket representing an entry in the raffle has an equal chance of being drawn. A domestic credit union shall not conduct a savings promotion raffle in a manner that jeopardizes the domestic credit union's safety and soundness or misleads its members.
 - ◆ (2) Pursuant to his or her supervisory powers under article 2, the commissioner may examine the conduct of a savings promotion raffle. The commissioner may issue a cease and desist order for a violation of this section under article 2.
 - ◆ (3) A domestic credit union shall maintain records sufficient to facilitate an audit of a savings promotion raffle.
 - ◆ (4) As used in this section, "savings promotion raffle" means a raffle conducted by a domestic credit union where the sole consideration required for a chance of winning designated prizes is the deposit of at least a specified amount of money in a savings account or other savings program offered by the domestic credit union.

SAVE TO WIN

Product: Share Certificate

- ◆ 12-month share certificate
 - ◆ Opening deposit: \$25
 - ◆ Unlimited deposits
 - ◆ One withdrawal allowed in 12-month period
 - ◆ \$25 penalty
 - ◆ Interest rate set individually by each credit union (ranges from 1-1.5%)
 - ◆ Accountholder requirements:
 - ◆ Member in good standing, with traditional share account
 - ◆ 18 years old or older
 - ◆ Resident of Michigan
 - ◆ Save to Win account must be open and active to win

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Savings Raffle

- ◆ Every \$25 deposit into Save To Win certificate is a chance to win
 - ◆ Maximum of 10 entries earned per month (\$250)
 - ◆ Account holder may deposit as many times and as much money as possible, but will only earn maximum of 10 entries per month or 120 entries for a year
- ◆ \$100,000 guaranteed prize
 - ◆ First grand prize to be awarded January 2010
- ◆ Each credit union awards monthly prizes to its Save to Win certificate holders
 - ◆ January, February, April, May, July, August, October, November
 - ◆ Two \$100 prizes, Three \$50 prizes, Two \$25 prizes, One \$15 prize
 - ◆ March, June, September, December
 - ◆ One \$400 prize, One \$15 prize
- ◆ Third-party vendor administers all prize drawings

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Winners (and Savers!)



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Marketing Save to Win

- ◆ Posters for teller windows
- ◆ 22x28 posters for other branch areas (two versions)
- ◆ Brochures and take ones for branch lobbies
- ◆ Statement stuffers for quarterly mailings
- ◆ Web banners and content
- ◆ Official rules Web site, www.michigansavingsraffle.org
- ◆ Lobby cut-outs



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Sales: Coop-etition

- ◆ Friendly competition between the 8 participating credit unions
- ◆ From Memorial Day to July 4th
- ◆ 2,471 certificates opened
- ◆ “Chicken Trophy” awarded to the winner, Christian Financial Credit Union
 - ◆ CFCU opened 648 certificates



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Current Results

- ◆ During the last 30 weeks, the 8 participating credit unions have helped Michigan members save \$142,000 per week

Credit Union	Accounts	% Take-Up	Deposits	Avg Deposit
Central Macomb	1,160	6.7%	\$ 627,945	\$ 541
Christian Financial	1,744	5.1%	\$ 853,139	\$ 489
Communicating Arts	961	13.2%	\$ 170,047	\$ 177
E&A	708	2.2%	\$ 275,498	\$ 389
ELGA	1,424	3.7%	\$ 549,661	\$ 386
Frankenmuth	647	3.0%	\$ 351,078	\$ 543
NuUnion	1,159	1.3%	\$ 673,487	\$ 581
Option 1	2,098	6.2%	\$ 782,411	\$ 373

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Survey: Key Findings

- ◆ While the product has seen broad appeal among credit union members, we have seen a positive impact on different types of members:
 - ◆ Non-Savers: 55% of Save to Win certificate holders do not save money regularly
 - ◆ Product Aspirers: 63% have never had a share certificate or certificate of deposit (CD) before
 - ◆ Asset Poor: 38% have financial assets (excluding mortgage) of \$5,000 or less
 - ◆ Gamblers: 59% admit to spending money on the lottery in the last 6 months
 - ◆ Low-to-Moderate Income: 44% have household income less than \$40,000

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2009 Pilot Economics

Credit Unions

- ◆ Credit Unions contributed upfront a per capita share to the headline grand prize (\$100,000)
 - ◆ Grand prize partially subsidized by grant monies
 - ◆ Contribution depends, currently, on number of credit unions involved (\$10,000 per credit union in pilot)
- ◆ Credit Unions committed to a monthly prize budget
 - ◆ Currently \$415 per month per credit union (or ~ \$5,000)

Collaboration

- ◆ Marketing campaign funded through grant monies and in-kind contributions
 - ◆ Individual credit union marketing and sales efforts funded through credit union marketing budgets
- ◆ Legal work funded both through grant monies and in-kind contributions
- ◆ Prize administration funded through grant monies
- ◆ Overall project management funded through grant monies

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2010: A Look Forward

- ◆ Build on the 2009 success and leverage accomplishments of pilot
- ◆ Expand the number of credit unions in the state of Michigan
- ◆ Offer larger headline prize or prizes
- ◆ Continue to position Michigan credit unions as national innovators

SAVE TO WIN

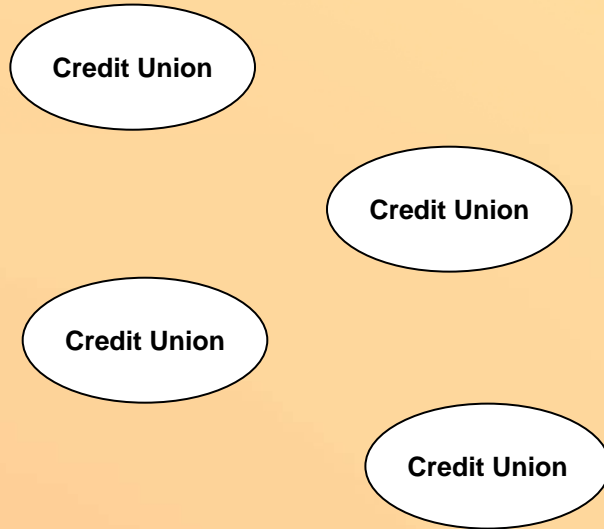
Benefits of Participation

- ◆ Encourage saving - help members reach their savings goals
- ◆ Attract members – draw in new members
- ◆ Support LMI – attract lower-income members to saving
- ◆ Collaborate – work with and learn from fellow credit unions
- ◆ Innovate - join a groundbreaking project with national attention
- ◆ Sum exceed parts - offer your members a large, pooled grand prize

SAVE TO WIN

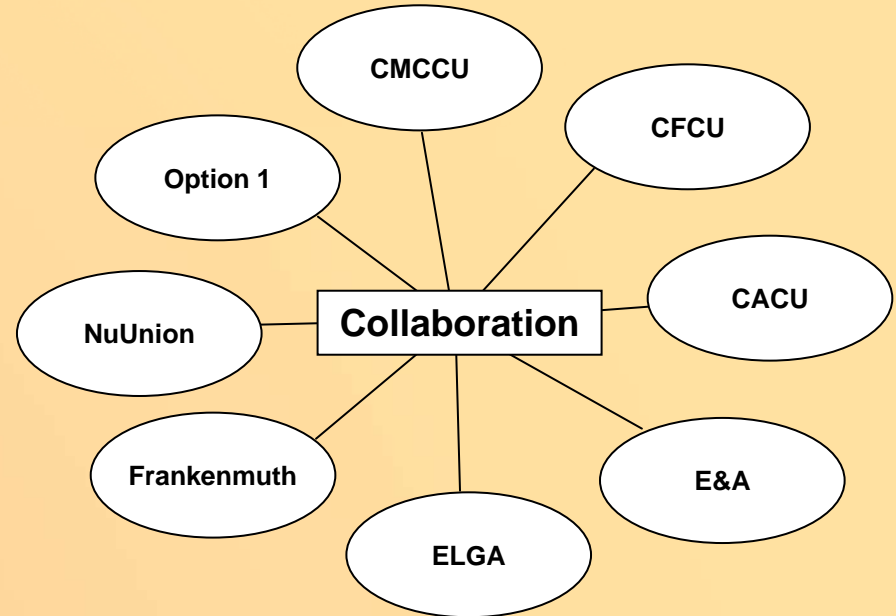
Benefit: Collaboration

Each Alone



- ◆ Prize size and marketing budget limited by single credit union scope
- ◆ All functions and activities pursued alone

Working Together



- ◆ Larger prizes and bigger marketing budgets
- ◆ Share best practices and learn from each other
- ◆ Coordinate unique product components, like prize drawings

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Potential Results

Credit Union Size	Penetration	Members	Average Balance	Savings
30,000	3%	900	\$400	\$360,000
30,000	6%	1,800	\$600	\$1,080,000
30,000	9%	2,700	\$800	\$2,160,000

- ◆ Results will vary for each participating credit union
- ◆ The more deposits accrued the faster the upfront prize costs are recouped
- ◆ Interest cost is incurred as savers build balances

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Participation Requirements

- ◆ Support and buy-in of CEO-leadership at your credit union
- ◆ Board approval (Michigan “carve-out”)
- ◆ Project Champion at your credit union
 - ◆ Ability to engage many areas of organization (operations, marketing, sales, IT, etc.)
- ◆ Prize Investment: Per Capita Share, Monthly Prizes
 - ◆ Dependent on number of participating credit unions
 - ◆ 2009 was ~\$15,000 per credit union (grand prize was partially subsidized by grant monies)
- ◆ Willingness to generate excitement among members around winning cash prizes

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What to Expect

- ◆ Investment of resources pre-launch in getting product platform set up and training deployed
- ◆ Legal agreements with all participating credit unions around prize contribution
- ◆ Regular communication with other credit unions to share project updates and best practices
 - ◆ Collaboration and learning
- ◆ A year-long effort to drive growth and deposits in order to get the product to scale
- ◆ Monthly drawing data collection, data verification, and submission
- ◆ A year-long marketing effort to drive growth and deposits in order to get the product to scale
 - ◆ Employ provided marketing materials
 - ◆ Commit credit union marketing resources and efforts (such as word-of-mouth)

SAVE TO WIN

Research Opportunities

- ◆ All-star cast of academics
- ◆ Ability to be part of national studies
- ◆ Treatment and control
- ◆ Answer questions of utmost importance to policymakers
 - ◆ Is this new savings?



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Question and Answer

- ◆ What questions do you have about Save to Win?

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Credit Union Contacts

- ◆ If you'd like more information from the credit unions in the pilot, any one of the folks below would be happy to speak with you:
- ◆ Central Macomb, Heather Bade (hbade@cmccu.com)
- ◆ Christian Financial, Lauren Vance (lvance@cfcumail.org)
- ◆ Communicating Arts: Kim Vermander (Kim@cacuonline.org)
- ◆ E&A, Jenny Bulgrien (jmbulgrien@eacu.org)
- ◆ ELGA, Anne Winn (Anne.Winn@elgacu.com)
- ◆ Frankenmuth, Jenny Bickel (JBickel@frankenmuthcu.org)
- ◆ NuUnion, Mike Dittenber (MDittenber@nuunion.org)
- ◆ Option 1, Sarah Doll (sarahd@option1cu.org)

SAVE TO WIN

THANK YOU

- ◆ Please contact Stacy Dugan (Stacy.Dugan@mcu.edu) to let us know you are interested in Save to Win 2010
 - ◆ By Friday, September 4, 2009
- ◆ You will be contacted by someone from the project team

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