

ASSET BUILDING PROGRAM

AUTOMATING SAVINGS IN THE WORKPLACE

Insights From the AutoSave Pilot

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AutoSave is a unique savings plan that automatically diverts a small amount of post-tax wages, via payroll deduction, into a savings account. Unlike most existing workplace saving programs, which focus on building retirement assets, AutoSave savings are intended to be fully liquid and available both to cover short-term needs and, potentially, to increase attachment to mainstream financial services or serve as building blocks to longer-term asset accumulation.

The AutoSave model seeks to influence savings decisions using insights from behavioral economics, a field of study premised on the assumption that individuals do not consistently behave as rational economic agents in constant pursuit of their own interests. This is particularly germane to savings behavior. The intent to act — in this case, to set aside savings — is not always followed by the rational behavior to follow through with that intention. For example, individuals are prone to indecision about what kind of savings plan to use, and how much to save — particularly if they are faced with multiple or complex options. Once they have decided how and how much to save, they may be prone to inertia and procrastination; they may never follow through to implement their plans. The AutoSave model seeks to leverage behavioral economics principles to overcome these barriers and maximize participation in a savings plan.

The AutoSave model — in which employers help facilitate automatic contributions to unrestricted savings, and employees are actively encouraged to sign up using a simplified enrollment process — is largely untested. The model also raises major questions about feasibility. Specifically, will employers be willing and able to assist with the implementation? Will financial institutions be willing and able — in this context — to furnish a simple savings product, with terms favorable to the individual? Will workers sign up for, and make sustained contributions to, these unrestricted savings accounts? How much effort will be required of employers and financial institutions to implement the auto-savings mechanism?

In fall 2009, six employers began participating in the AutoSave pilot. Five of these firms have begun to offer new savings accounts on behalf of a financial institution, and are facilitating the ongoing contribution of post-tax employee wages into these accounts on behalf of their employees.

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This paper begins with a short overview of the AutoSave concept, describes the initiative’s phased pilot approach, summarizes operational components — including the behaviorally-informed design elements — and concludes with early observations from the pilot’s launch and initial insights for policy development.

AutoSave Pilot Overview

The AutoSave concept was first formulated by the New America Foundation’s Asset Building Program.¹ To move the concept from proposal to evidence-backed policy, New America teamed with MDRC, a social policy research organization with substantial experience designing, implementing, and evaluating new approaches to improve the prospects of low-wage workers and their families. Together, these two organizations have crafted and implemented the pilot, and begun to identify key operational and policy issues.

Two-Staged Approach

Upon completion of the 2008 planning phase, MDRC recommended that New America proceed with a two-tiered approach: a six-to nine-month operational feasibility pilot, followed by a larger-scale, experimentally designed demonstration, pending results of the pilot (i.e. operational feasibility and meeting certain implementation thresholds). We believe that the testing of a basic savings product and a streamlined enrollment process is necessary before proceeding with wider implementation or further testing of the concept. The potential power of an AutoSave intervention for the worker (as a means to increase financial stability) and their employer (as a low-cost employee benefit), and the new findings that would emerge from such an innovation, further underscore the need to vet the model that is eventually taken to scale, and also to allow for testing of alternative models that would satisfy workers who are not yet able to save using direct deposit.

Pilot Goals

A major goal of the pilot is to determine whether streamlined enrollment and automatic, continuing deposits in a savings plan can induce participation. Testing an idea premised on what worked to increase enrollment in retirement saving plans, we may learn whether an AutoSave model could work for non-tax-advantaged, non-restricted-use saving. Very light uptake of an optional AutoSave savings plan will suggest, among other important lessons, that further testing of a savings intervention might require automatic enrollment — in which, by default, employees are enrolled unless they choose to “opt-out” of the savings plan. Critical questions to be explored in the 2009-2010 pilot include:

- Is it possible, using existing mainstream products and employer practices, to implement a streamlined enrollment process that takes advantage of the behavioral principles of restricting choices and recommending default choices, but stopping short of using automatic enrollment?
- What does it take for employers to implement an easy-enrollment, automatic deduction savings plan?
- Why do employers choose to do so? For example, do employers view AutoSave simply as an employee benefit, or as a means to reach other goals, such as increasing employees’ overall use of direct deposit rather than paper paychecks?
- How do financial institutions decide whether to offer an AutoSave plan?
- Are financial institutions able to offer a remote (workplace-based) account opening process; shorter, simpler account opening forms; and a suitable savings account product with low or no fees?

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- What does it take to enroll individual employees in an AutoSave plan? What proportion of employees participates and what characteristics do they have? What factors influence employees' decisions about whether and how much to save? Once employees have signed up, do they continue in the program, and are they able to accumulate an account balance over time?
 - Overall, can the AutoSave approach be implemented well in a variety of workplace settings? What are the logistical and legal considerations involved in doing so?
 - What potential does the model hold to address both employers' workforce stability goals and employees' financial goals?

Through this field test and related design work — including investigation of the legal and operational requirements of both opt-in and opt-out enrollment mechanisms, and the savings account structures needed to support each enrollment approach — MDRC and the New America Foundation will document, compare, and assess the potential of various AutoSave designs implemented by the employer sites. The project also expects to draw lessons from AutoSave implementation for the asset-building field.

The initial pilot learning agenda is focused on enrollment and participation lessons, and is not intended to measure the ultimate impact of AutoSave participation on employees and their employers. These impact questions include: can the presence of non-restricted-use savings reduce the use of high-interest loans and “bad” credit? Can a cushion of emergency savings help stabilize family finances, reduce unplanned absences from work, or improve job retention? If the initial pilot points the way to an enrollment model that generates sufficient participation, then we will map out these second-tier questions about the short-and long-term effects of participation, and make recommendations for further investigation in a potential, second-stage field test of AutoSave.

Pilot Operations in Brief

The pilot has multiple components, but the major three are discussed below. First, recruiting implementation partners (employers and financial institutions); second, collectively developing a streamlined account enrollment and continued savings process, and a low-fee savings product; and third, integrating AutoSave into human resources and payroll practices (using payroll infrastructure and direct deposit). In addition, the offering is designed to include behaviorally-informed components and to minimize the implementation burden for all stakeholders involved.

Implementing Partners

With assistance from the AutoSave team, participating employers have formed partnerships with federally-insured banks and credit unions to streamline the account opening and AutoSave initiation process. Both stakeholders have also agreed to provide aggregated, anonymous participation data for each quarter. The AutoSave team is customizing the AutoSave intervention for each employer site, allowing for slight variability but consistent execution of the core components.

Six employers have developed an automatic savings plan to offer in the workplace, specifically intended for accessible, shorter-term savings purposes. They include a Southern California distribution warehouse for a national drugstore chain; two large municipal employers on the east and west coasts; a small technology training organization in New York City; a Cleveland, Ohio human service provider; and a growing for-profit, school meal catering start-up enterprise. One or two additional sites may join the AutoSave pilot.

Pilot Process and Product

To the greatest extent possible, the project has reduced the paperwork associated with AutoSave enrollment, for the convenience of both employers and employees, while not compromising the safeguards against potential risks to employers, employees, and financial institutions. To participate, employees consent to allow their employers to direct deposit a small amount of wages each pay period into individual savings accounts. Employers keep costs low by leveraging their existing payroll deduction and direct deposit capacity, and employing “split pay” capabilities, an understood payroll practice that allows direct deposits to be made to two separate bank accounts. The employer makes an effort to enroll employees, who indicate the regular pay period contribution; this fixed nominal contribution will be deposited into the AutoSave account. Workers own and manage the accounts and the funds therein, and are able to withdraw funds or change their contribution level at any time without financial penalty.

Financial institutions routinely open accounts remotely — (e.g., at an employer workplace rather than in a bank office), and the project has sought to build on this practice of new customer acquisition. Each financial institution has worked collaboratively with the AutoSave team and an employer to collect the information needed to open new savings accounts remotely (including documentation of employee identity, and collecting a bank “signature card” to create an account). Financial institution staff members have also participated in simplifying the presentation of required product disclosures (e.g., the terms of the account, credit union membership, access to the account, and FDIC status) from the financial institution to the (employee) customer.

The AutoSave Preferred Account Features

While the AutoSave team originally emphasized the concept as a streamlined savings mechanism, it became clear that the offering would only be as attractive as the account features. So the AutoSave team developed a set of core AutoSave account criteria to guide discussions with partners. In order to participate in the project, financial institutions must offer accounts that meet the criteria described in the table below. The AutoSave project team and the pilot site employers have negotiated the specifications of the AutoSave accounts with each financial institution, including details such as minimum balance requirements and whether access to funds via telephone or ATM are permitted. Employers, financial institution partners, and the AutoSave team have agreed on the terms and conditions of the features below prior to pilot launch in each site. Exceptions to *some* of these guidelines were made if the financial institution offered an alternative option approved by New America and MDRC as being a suitable and safe product for participants.²

Preferred AutoSave Account Features
Individually-owned and portable. ³
Minimum amount to open the account will be the employee’s AutoSave contribution amount. (Many other savings account products require, for example, \$100 to open an account. The AutoSave opening deposit can be as little as \$5.)
Minimum balance to maintain: \$5-\$10 or none, with active, recurring deposits.
Monthly service fee: \$0, with active direct deposits.

Access to AutoSave funds through ATM and in-person tellers.
Up to 6 withdrawals allowed per month, if the account holder needs the funds. ⁴
Low cost for using out-of-network ATM to withdraw funds.
Interest rate established by the financial institution, not below market rates. ⁵
Statement provided to account-holder either electronically or in paper form.
ATM card for withdrawals, but not active for in-store purchases.
AutoSave savings not linked to a checking account and not used for overdraft protection. ⁶
Not possible to overdraw the AutoSave account. Withdrawals from the ATM or teller that exceed the account balance will not be served; no advances honored during the duration of the pilot.
Federally-insured (FDIC, NCUA).

Applying Behavioral Economics Principles to the AutoSave Design

The AutoSave pilot sought to leverage the following behavioral economics principles to maximize employees’ participation in AutoSave. Though measuring the impact of each feature of the AutoSave model is not possible or intended in the pilot, the AutoSave team has worked with experts from ideas42, the Harvard University-based laboratory for applied behavioral economics, to incorporate these principles into the AutoSave offering, with the goal of inducing participation.

By *simplifying and minimizing “hassle factors,”* AutoSave seeks to minimize the burden placed on an employee who otherwise might have been presented with a long and overwhelming set of new account papers that may not be understood without the assistance of a banker. By pre-selecting safe account terms with low or no associated fees, the AutoSave proposition offers a simple, low-risk choice to the individual. Minimal hassle is imposed because the initiative leverages the convenience of the workplace location, and employees do not have to make a special trip to visit a bank or credit union, or meet with one of its representatives, in order to open the savings account.

The goal of *constraining choice* is to make the savings decision as easy as possible. In most AutoSave sites, only one savings product choice with one financial institution is presented to the employee.⁷ Additionally, the enrollment form recommends a “standard savings amount” to aid in the decision making.

It is important to leverage *automaticity*, the power of automation. In the AutoSave plan, once an employee agrees to automatic savings contributions each pay period, no additional action is needed to continue participation. The “set it and forget it” aspect of savings has proved to be very important in other savings plan demonstrations. Further, the direct deposit mechanism makes it possible for employees to save regularly and automatically, without burdening their employer or financial institution.

Knowing that individuals manage their money through *mental accounts*, but that those fungible accounts can lead to under-saving, AutoSave intentionally sought to explain that the AutoSave account was segregated from other funds and could be their stand-alone fund for emergencies or ready savings. Unless an employee designates an existing savings account that is linked to a checking account, AutoSave funds cannot be used for overdraft protection.

By *creating a social norm*, we aim to establish AutoSave as a program in which employees are not just encouraged to enroll, but presented with messaging that intimates their employer’s pre-approval and high support for participation. Additionally, positive messages appear frequently on the enrollment form, reinforcing the smart decision of participation.

Due to *temporal discounting*, individuals tend to diminish gains expected in the long-term and instead favor choices that provide more immediate satisfaction in the near term. In select AutoSave sites, employees will have the opportunity to defer enrollment, that is, commit to a saving plan that begins at a future date. Individuals may react better to a savings plan that begins in the future.⁸

Behavioral Economics Principle	AutoSave Design Feature
Simplify, Minimize Hassle Factors	<ul style="list-style-type: none"> • Streamline new account paperwork • Pre-populate form fields • Enroll at work, no trip to bank or credit union
Constrain Choice	<ul style="list-style-type: none"> • Recommend a standard saving amount • Pre-screen the account and its terms
Automaticity	<ul style="list-style-type: none"> • “Set it and forget it” • Direct deposit automates savings
Mental Account	<ul style="list-style-type: none"> • Segregate savings from transaction account • New account likely in separate bank • Not linked to checking
Create Social Norm	<ul style="list-style-type: none"> • Presented as a standard employee benefit • Use normative language
Temporal Discounting	<ul style="list-style-type: none"> • Option to start saving in 3 months (1-2 sites)

Early Observations from the AutoSave Pilot

Direct deposit and the ability to “split pay” are critical levers

In all but one site, employees must enroll in direct deposit in order to participate in AutoSave. An important group of employees — nearly one-third, in some AutoSave employer sites — do not already use direct deposit, either because they do not have a bank account or because they prefer not to use one to receive their pay directly via direct deposit. In most of the AutoSave pilot sites, such employees would be excluded from participating in AutoSave. In the case of the exception, employees are newly hired and given the option to receive the remainder of their wages by check. However, among workplaces in general, the ability to direct an employee’s pay to more than one destination (split pay) still does not enjoy widespread use by employers or employees. According to the Consumer Federation of America (CFA) polling, only thirteen percent of employees request that their employers split their pay to more than one account using direct deposit.⁹ Moreover, CFA reports that nearly sixty percent of

customers who receive their pay via direct deposit have the option to split deposited paychecks between checking and saving at their financial institution — but many fail to exercise this option.

Organizational policies and degree of flexibility vary

While crafting customized AutoSave interventions, the AutoSave team observed that employer and financial institution stakeholders were permitted various levels of discretion over internal policy, or used different interpretations of existing policy. Given the initiative’s objective of studying effectiveness and potential scalability, we plan to continue identifying common threads — the accommodations that all (or most) of the partners were willing to make — for further research, policy recommendations, and eventual suggestions for replication.

Employee consent is required to open a demand deposit savings account

As individually-owned basic savings accounts cannot be opened on behalf of individual employees, it became imperative that the program simplified each process—new account opening paperwork, enrollment in AutoSave program, and enrollment in direct deposit for AutoSave deposits—to the maximum extent possible.

Employer-financial institution partnership

Entering the pilot, we hypothesized that financial institution recruitment would follow from employers, who would leverage the relationships with their own providers (i.e., for the employers’ corporate and payroll accounts). In practice, however, this has not always been the case. Only three of the established AutoSave partnerships involve the employer’s primary financial institution, though all of these primary institutions were approached initially for involvement. What we have learned, particularly from credit unions, is that their participation is motivated by the prospect of a developing a more robust relationship. One credit union has even acknowledged that, while many small savings accounts alone may not become profitable investments from their perspective, the institutional relationships with the employer and its employees are indeed worthwhile to pursue.

Insights for Policy

Making savings for emergencies easier

Automatically enrolling employees into individual savings accounts *at the workplace* was more complicated than automatic enrollment into employer-sponsored, employer-managed retirement plans (where employers have clear statutory guidance to be able to open an account on behalf of their employees). We learned early in the pilot design phase that it was not legally possible to conduct automatic enrollment into AutoSave using a basic savings account product. In addition to this constraint, several other challenges arose, as we proceeded into the pilot implementation.

Looking ahead towards a model of automatic enrollment would require working through two more additional issues already identified in the AutoSave pilot: state direct deposit and employee consent. First, states have authority over the area of law that pertains to how employers pay their employees—whether with direct deposit or not. Only a handful of states have passed laws that allow employers to exclusively pay employees via direct deposit (i.e. eliminating paper checks) so long as an “alternative paper negotiable instrument” is offered, such as a payroll card. As the pilot is confirming, the efficiency at the heart of AutoSave is direct deposit, hence the importance of ensuring its widespread use. Second, employee consent is required to authorize the opening of a new account and the diversion of some wages to that new account. Legal clarification is needed if this model were to be streamlined to eventually allow new accounts to be opened on behalf of others.

Simplifying

Modifying forms to incorporate behavior-modifying language is not as easy as we expected it to be, but early feedback suggests that small changes to old forms can yield big impressions that result in an affirmative decision to participate. Much of the behavioral economics research has shown that small tweaks do produce large results, and we hope to observe similar outcomes with AutoSave, especially if the learning implies minimal policy change. However, it is imperative that simplifying information is not done at the expense of transparency and disclosure; employees need to have enough information about the AutoSave plan, and the account, to comfortably make an informed decision.

Product offerings

In most cases, existing “off the shelf” bank products required more changes than credit union products to meet the preferred AutoSave criteria. This suggests a potential product gap in the market for “small dollar” savers. Relative to “small dollar” savings amounts, a standard basic savings account is still too expensive, and often must be opened with a checking account to remain affordable—terms that were circumvented in this pilot.

Savings barriers still exist

Despite interventions such as AutoSave that seek to facilitate access to and use of mainstream savings products, individuals, particularly lower-income individuals, may face impediments to saving.

Stagnant or low wages leave households with limited discretionary funds available to save for future use.¹⁰ One in four people in the U.S. workforce holds a low-wage job. The average low-wage worker earns an hourly rate of only \$8.04 and resides in a family earning less than \$25,000.¹¹ Low-wage employment forces families to live paycheck to paycheck, and often leads to a short term, subsistence focus, and prioritizing basic human needs such as housing, child care, health care, and transportation expenses above saving.¹² Moreover, recurring emergencies or fluctuations in income further inhibit the accumulation of money.

Second, strict and inconsistent eligibility guidelines for public assistance programs can discourage saving and formal attachment to depositories, and perpetuate the belief that a modest amount of savings or assets will disqualify one from public assistance. These assets are typically defined as a car valued more than \$2,000 or a bank account with a balance more than \$2,000, but vary by program — SSI, TANF, Food Stamps/WIC, and Medicaid — and state/federal guidelines.¹³

Lastly, nearly all demand deposit accounts (i.e., checking and saving) applicants must demonstrate that they do not pose a financial risk to the depository. Many of the financial institutions we interviewed for participation use the ChexSystems database as part of their applicant screening process. ChexSystems is a registry of bank account usage history that documents whether individual customers have managed their bank or credit union accounts responsibly in the past. Among other details, the database flags any past account closures due to excessively overdrawing the account or using it to commit fraud. Although the financial institutions in the AutoSave pilot have a “can do” attitude towards working with employees who appear in this registry, the use of ChexSystems—at worst, as a blacklist—could be problematic for widespread adoption of basic savings accounts.¹⁴ With 80 percent of U.S. banks and credit unions contributing data on accounts closed due to infractions and relying on this registry to flag risky new customers, a large number of potential customers could be disenfranchised because of perceived financial risk.¹⁵

Policy improvements are needed in these three areas to support savings behaviors by low-wage workers.

Phase 2: Potential Demonstration Learning Agenda

If the initial feasibility questions about AutoSave can be answered, then the following major questions could quantify the effects of participating in an AutoSave plan. A Phase 2 demonstration could use more rigorous field testing to measure the impact of a larger scale AutoSave intervention. Critical questions for potential exploration in such a demonstration test would include:

- Does the AutoSave approach increase personal saving rates? The most direct effect of AutoSave should be to increase the rate of saving among eligible employees. Further testing could examine the program's effects on the number of employees with savings accounts, the timing of deposits to savings accounts, and the accumulation of savings over time. Through its automatic plan of direct deposit, AutoSave should increase the regularity and frequency of contributions to participants' savings accounts and the amount they accumulate over time.
- Does AutoSave reduce the use of alternative, often high-priced, credit options? By helping families accumulate a saving cushion to meet unexpected needs, AutoSave should reduce their reliance on alternative forms of credit, many of which impose high fees. Lower-income employees, who are more likely to be credit-constrained, should benefit primarily from these effects. Potential future impact analyses could examine families' use of various forms of alternative credit, such as pawn shops, payday lenders, employer advances, and borrowing from relatives or friends.
- Does AutoSave improve job retention and performance? The inability to deal with financial emergencies, such as car repairs and child care problems, can affect employee absenteeism, performance, and retention. Further evaluation could examine AutoSave's effects on employee's absenteeism and job retention. AutoSave might also affect job retention if employees view the automatic saving option as an important employer benefit.
- Does AutoSave increase financial stability? Nationally, fewer than half of families in the U.S. have funds set aside for emergencies. By encouraging families to build up reserves through saving accounts, AutoSave should reduce financial insecurity and allow families to weather financial emergencies, ranging from car repair to job loss. Further study could examine families' experiences meeting financial emergencies as well as their perceptions of financial stability and security.
- Does AutoSave increase asset accumulation and wealth? AutoSave could also impact short-and long-term wealth and asset accumulation more generally. AutoSave may increase wealth through a variety of avenues, such as reducing families' use of expensive alternative credit, or helping workers stay employed. AutoSave might also increase wealth accumulation by demonstrating to some families that they do have the ability to save—and the benefits from doing so.
- Do AutoSave's effects vary by employee and employer? Lower-wage employees, for example, may benefit the most from accumulated saving, although these employees may accumulate the smallest amounts; we would be particularly interested in employees who are at the 40th earnings percentile and below. Similarly, employees who did not have saving accounts prior to AutoSave might benefit significantly from being “banked” as well as accumulating saving. Effects might also differ by type of employer. AutoSave's effects might be stronger for employees at firms that offer few benefits of this type (such as retirement

accounts) than at those that already have saving options.

- Are there enhancements to the basic intervention that might have an impact on saving, e.g., adding small “account seeding” incentives, an expanded package of banking services (including checking), and/or with light-touch or marketing-based financial education services?

Conclusion

The great majority of large-scale saving efforts target retirement planning and saving for higher education, and are most successful among higher-income households for whom the tax advantages provided are meaningful. Over the last ten years, however, initiatives to encourage saving of refunds at tax-time,^{16,17} salary advances at the workplace,¹⁸ use of individual development accounts¹⁹ and escrow accounts²⁰ have been establishing credibility for the proposition that low- and moderate-income workers can, will, and do save. For many non-savers, the barrier to saving is access to a savings account or plan that simultaneously encourages the setting-aside of money and allows access to that money in an emergency or for relatively large anticipated expenses (e.g. purchase of a computer or a car). For others, overcoming the inertia to enter a bank lobby and choose among an array of product offerings is the major challenge.

The nature of the AutoSave intervention calls for the creation of a scale-able design that maximizes likelihood of participation and minimizes common barriers to saving—including inertia, indecision about how and how much to save, concerns about the safety or accessibility of funds, and time-consuming enrollment steps. The assessment of the 2009-2010 pilot will illuminate whether there is the potential to explore these questions through further testing and analysis. If the pilot is successful, it may point the way to a deeper examination of the program’s effects on saving, asset accumulation, and job stability.

Notes

¹ Reid Cramer, “AutoSave: A Proposal to Reverse America’s Savings Decline and Make Savings Automatic, Flexible and Inclusive” (Washington, DC: New America Foundation, July 2006).

² The project team identified several advantages to using a special account product for AutoSave (rather than designating an existing savings account that the employee already owns). First, using an account that is dedicated to AutoSave makes it simpler to enroll employees in AutoSave, because they need only to provide a signature — rather than providing routing and account numbers that they may not have brought with them to work on enrollment day (which would cause a delay in enrollment, and likely would mean that some employees never follow through on the steps needed to complete enrollment). Another advantage is that the AutoSave accounts may come with predefined terms that protect account holders from high fees, minimum balance requirements, and below-market interest rates. Additionally, use of dedicated AutoSave accounts will discourage participants from linking their savings accounts to transaction checking accounts (which would likely lead to the savings being depleted for general purchases). These advantages notwithstanding, some AutoSave employers do allow employees the option of designating their own existing savings accounts as the destination for AutoSave deposits. The project hopes to learn whether this flexibility is important to employees.

³ If the employee leaves the employer, the employee still owns and controls the AutoSave account.

⁴ Under the Depository Institutions Deregulation and Monetary Control Act of 1980, every depository institution that has transaction accounts must maintain reserves on those deposits as prescribed by the Federal Reserve Board (the FRB). The FRB’s Regulation D limits the number of withdrawals or transfers from a savings (deposit) account to 6 per month (or statement cycle). This federal law does not mandate that those withdrawals be exempt from fees assessed by the financial institution. However in practice, most financial institutions do not assess a fee for the first six withdrawals. For more specifics, see Regulation D 204.2(e) (2) which defines transaction accounts with great specificity.

⁵ See <http://www.bankrate.com> for current rates.

⁶ However, in the rare case in which an employee designates an existing savings account as the destination for AutoSave contributions, then the employee may have the ability to link the savings account to an existing checking account.

⁷ The definition of “employee” is limited to those receiving regular wages.

⁸ For a more thorough treatment of the behavioral economics principles, please see Marianne Bertrand, Sendhil Mullainathan, and Eldar Shafir, “Behavioral Economics and Marketing in Aid of Decision-Making among the Poor,” *Journal of Public Policy and Marketing*, 25(1): 8-23 (Cambridge, MA: Harvard University, 2006) and Amy Brown, “Behavioral Economics and Asset-Building: How Understanding the Psychology of Financial Behavior Can Empower Participants and Improve Program Outcomes,” (2008).

⁹ Stephen Brobeck, “Access to and Use of Direct Paycheck Deposit: Findings of a 2008 Survey” (Consumer Federation of America, July 2008).

¹⁰ Although lower-income households save less than upper income households, the Detroit Area Household Financial Services Study (Michael Barr) finds that low incomes are the most common barrier to savings (29% said that their expenses exceed their income). A Consumer Federation of America survey from February 2007 found that low savers reported “low or unreliable income” more commonly than high savers.

¹¹ Lawrence Mishel, Jared Bernstein, and Heidi Shierholz (Economic Policy Institute), *The State of Working America 2008/2009*. Table 6.12: “Characteristics of low-wage workers, 2007 (part 1 of 2).” (Ithaca, NY: ILR Press, an imprint of Cornell University Press, 2009).

¹² The National Center for Children in Poverty estimates that a family’s basic needs budget amounts to 1.5 to 3.5 times the federal poverty guideline. Such a basic needs budget does not include extra money for saving or investment.

¹³ Reid Cramer, Rourke O’Brien, Daniel Cooper and Maria Luengo-Prado, “A Penny Saved is Mobility Earned: Advancing Economic Mobility through Savings” (Washington, D.C.: The Pew Charitable Trusts, 2009).

¹⁴ Accounts closed as a result of mismanaged or fraudulent activity are usually reported and retained on record for three to five years in the ChexSystems database. A ChexSystem reports identifies whether the following have occurred in the last five years: account closure; outstanding debit balances; non-sufficient funds checks that have not been paid; and accounts applied for in more recent 90 days.

¹⁵ Dove Consulting, “FDIC Survey of Banks’ Efforts to Serve the Unbanked and Underbanked” (Dove Consulting, February 2009).

¹⁶ Peter Tufano, “Just Keep My Money! Supporting Tax-time Savings with U.S. Savings Bonds Working Paper 09-059” (Cambridge, MA: Harvard Business School, October 18, 2008).

¹⁷ Internal Revenue Service, *IRS Split Refund Information as of August 17, 2007*. Per email communication with Donald Dill, Stakeholder, Partnerships, Education, and Communication (SPEC) Headquarters, February 26, 2008.

¹⁸ Brigitte Madrian and Dennis Shea, “The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior.” *Quarterly Journal of Economics* 116, (2001) 1149-1187.

¹⁹ Mark Schreiner, Michael Sherraden, Margaret Clancy, Lisa Johnson, Jami Curley, Min Zhan, Sondra G. Beverly, and Michal Grinstein-Weiss, “Assets and the Poor: Evidence from Individual Development Accounts,” in *Inclusion in the American Dream: Assets, Poverty, and Public Policy*. Ed. Michael Sherraden. (New York: Oxford University Press, 2005).

²⁰ Reid Cramer and Jeffrey Lubell “Rental Assistance Asset Accounts” (Washington, D.C.: New America Foundation, 2009).



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