

**THE COLLABORATIVE**

CREATING A CULTURE OF SAVINGS

**Employers' Dialogue: Workplace Savings & Financial Education**

July 12, 2011

State Employees Credit Union

# FOUR STATE SAVINGS PARTNERSHIP

ASSET BUILDING FOR LOW WEALTH PERSONS



- ❖ FDIC, Federal Reserve Bank of Richmond, MDC, Inc.
- ❖ Increase savings for low wealth people
- ❖ Strategies to develop and promote well-researched savings programs that address the identified gaps in services related to geography and access, specific populations of savers, and the need for smaller savings goals: emergency funds, home repair, automobiles, vacation



MARY REYNOLDS BABCOCK  
FOUNDATION

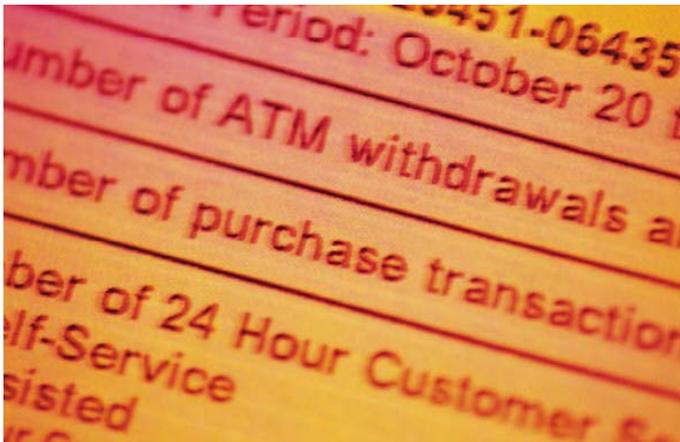
*helping to move people and places out of poverty*



- Savings messages are everywhere
- Lives are complex
- Financial decisions and regulations about choices changing

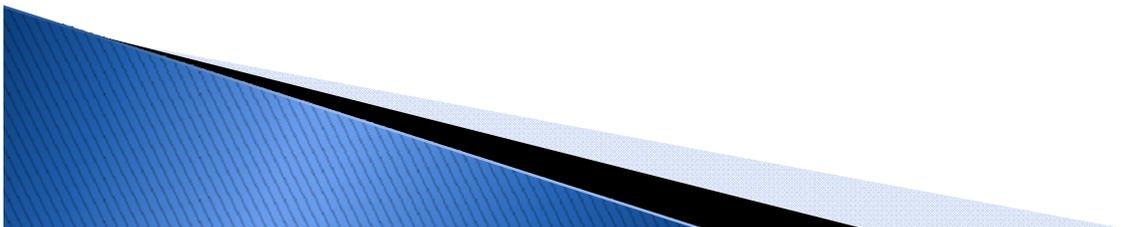
- Consumer Financial Protections Board

- Financial decisions have lasting affects on our future



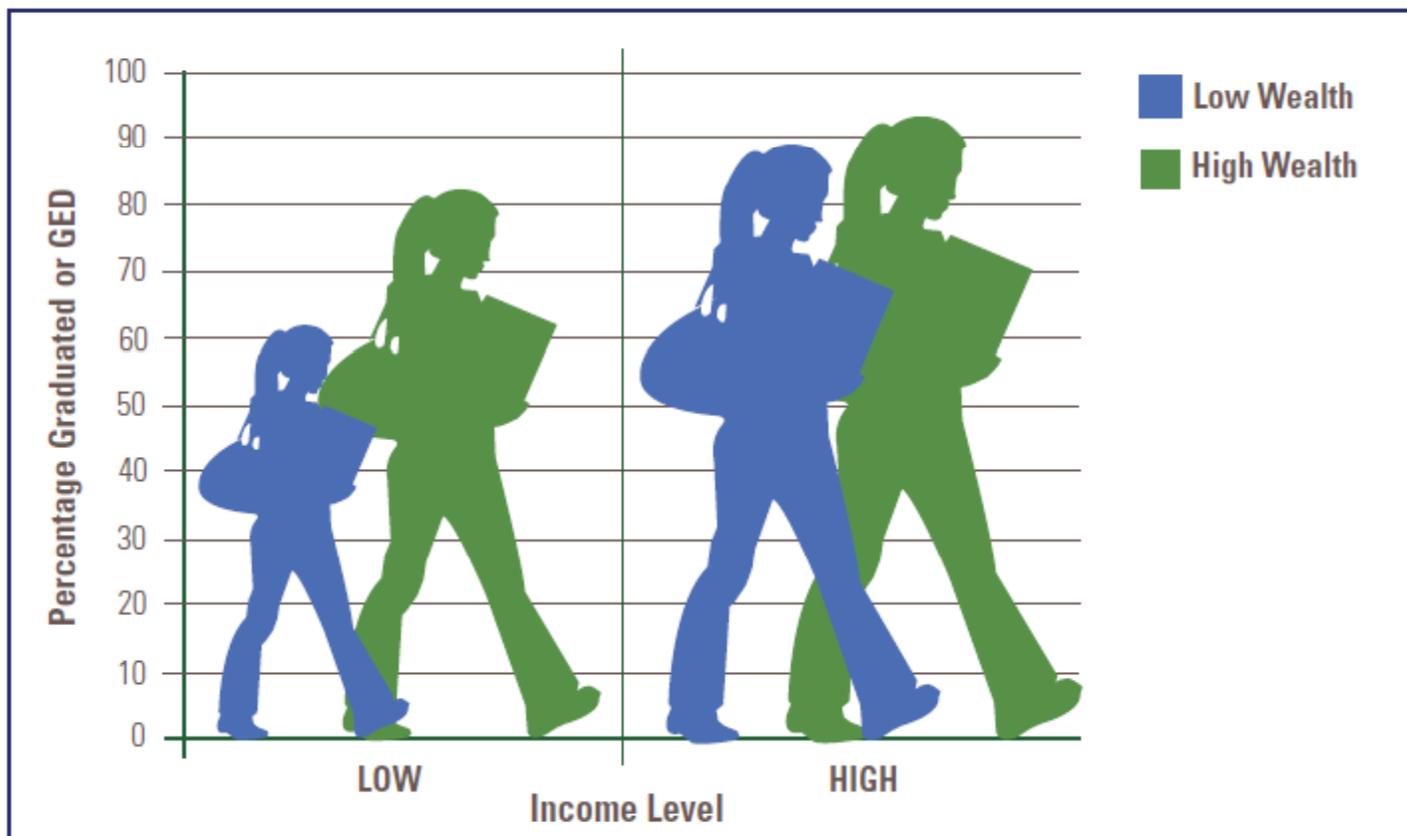
# Why an Assets Agenda?

- Assets are the building blocks of long-term financial stability and success for people at all income levels. Studies show that low-to-moderate income families can and do save.
- Children with savings accounts are more likely to graduate high school and attend college
- Having a savings account, a college education, a home, work skills, or a small business can help individuals and families:
  - live securely today;
  - weather difficult financial times and cash shortages;
  - plan for the future; and
  - pass assets on to the next generation.

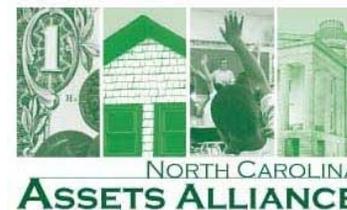


# ASSETS MATTER FOR HOUSEHOLD AND COMMUNITY STABILITY.

FAMILY ASSETS INCREASE THE LIKELIHOOD THAT LOW-INCOME YOUTH WILL COMPLETE HIGH SCHOOL.

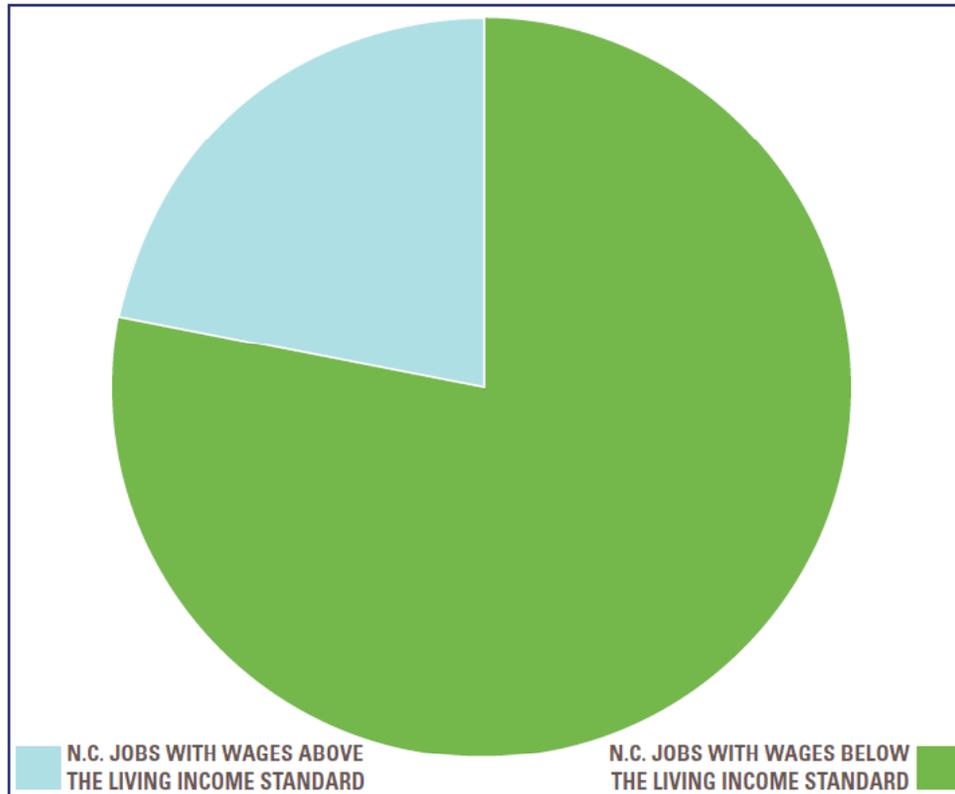


Source: Destin, 2009.



# WORKING DOES NOT GUARANTEE ECONOMIC SECURITY FOR MANY NORTH CAROLINIANS.

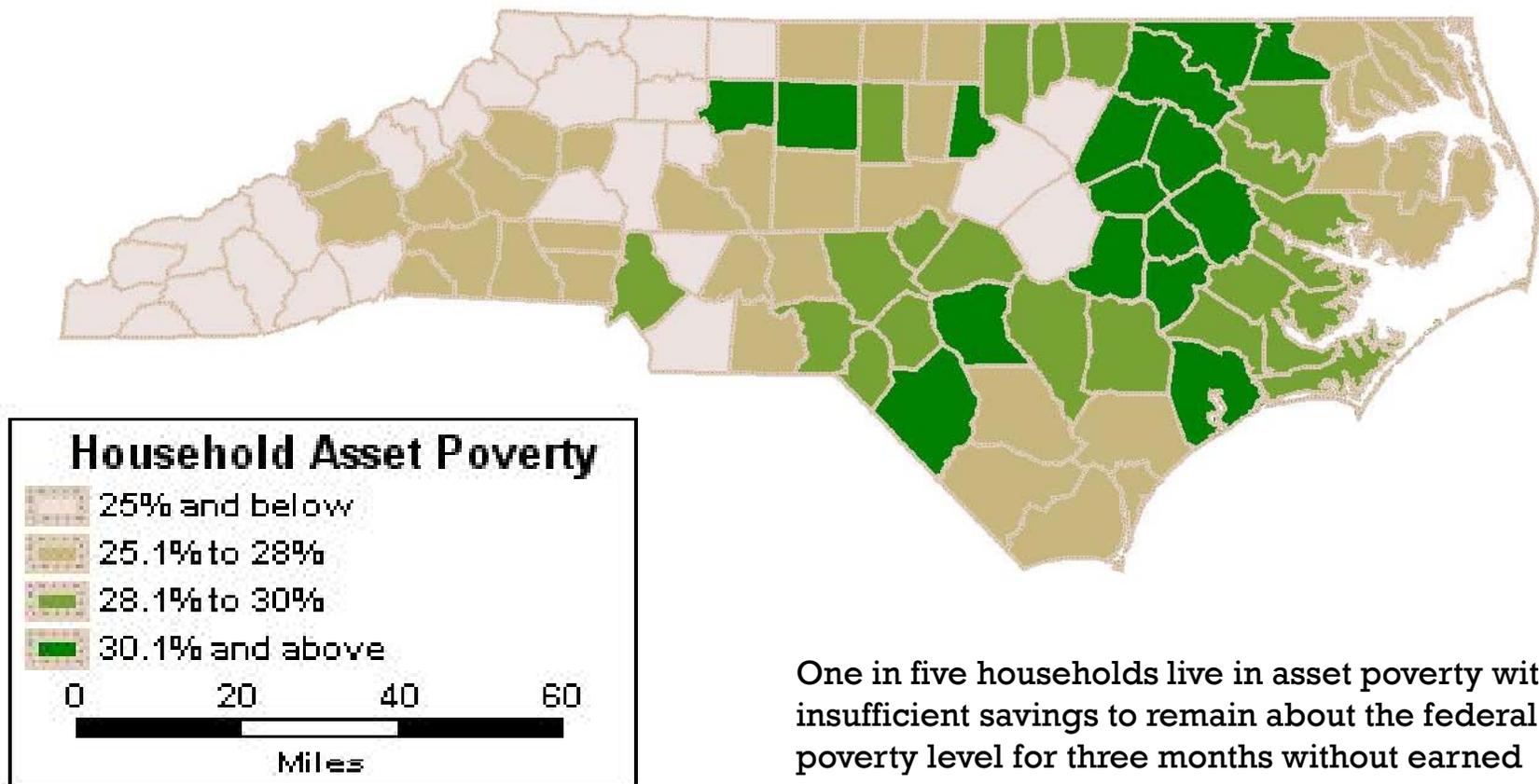
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Source: Quintero et al. 2008. p.14.

- More than  $\frac{3}{4}$  of NC jobs pay below the Living Income Standard (204% of poverty level)
- 42% of NC workers lack paid sick days
- 18.9% lack health insurance
- 60% lack an employer-provided pension

# Savings outcomes for NC Households

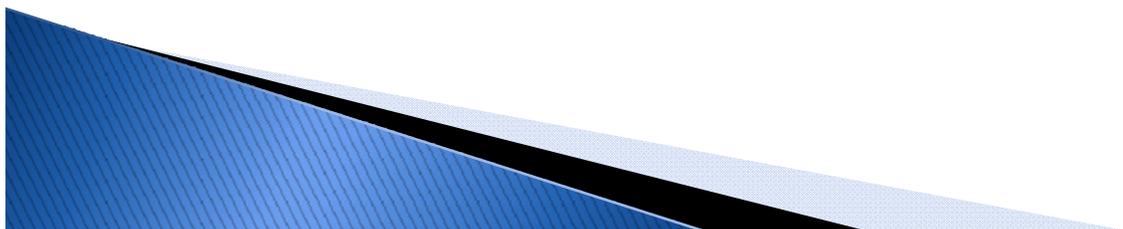


One in five households live in asset poverty with insufficient savings to remain about the federal poverty level for three months without earned income.

# Families Need Savings to Stay Out of Asset Poverty

Families in asset poverty have too few savings to subsist for 3 months without falling into poverty if they have no other income, based on their family size.

Family size	Number of dependent children and savings needed				
	0	1	2	3	4
1	2181				
2	3080	3171			
3	3598	3703	3706		
4	4725	4822	4665	4681	
5	5722	5805	5627	5490	5406



# The unbanked in North Carolina

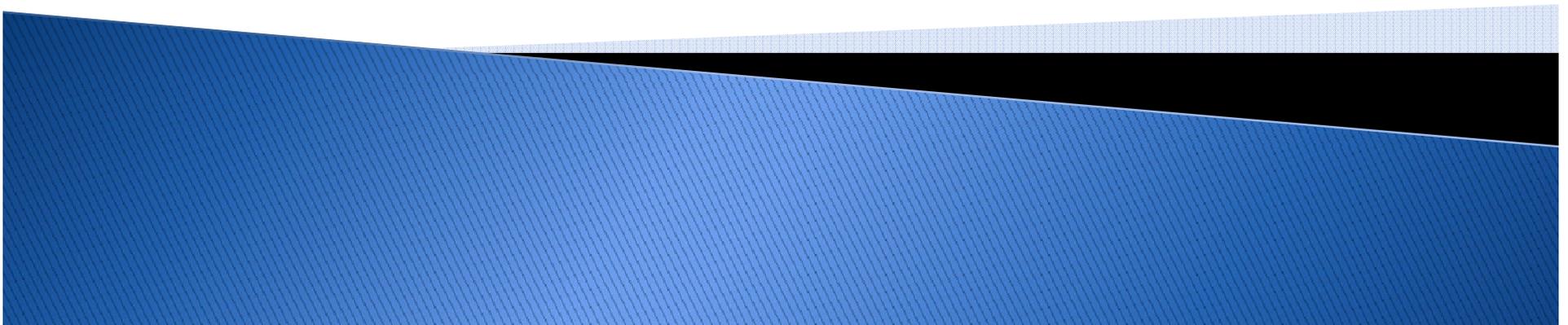
There are an estimated 472,000 households in North Carolina that do not have any kind of bank or credit union account.

Source: Estimates from the Pew Charitable Trust's Safe Banking Opportunities Project, based on data from the U.S. Census Bureau, the Federal Reserve's 2004 Survey of Consumer Finances, and the North Carolina Commissioner of Banks.



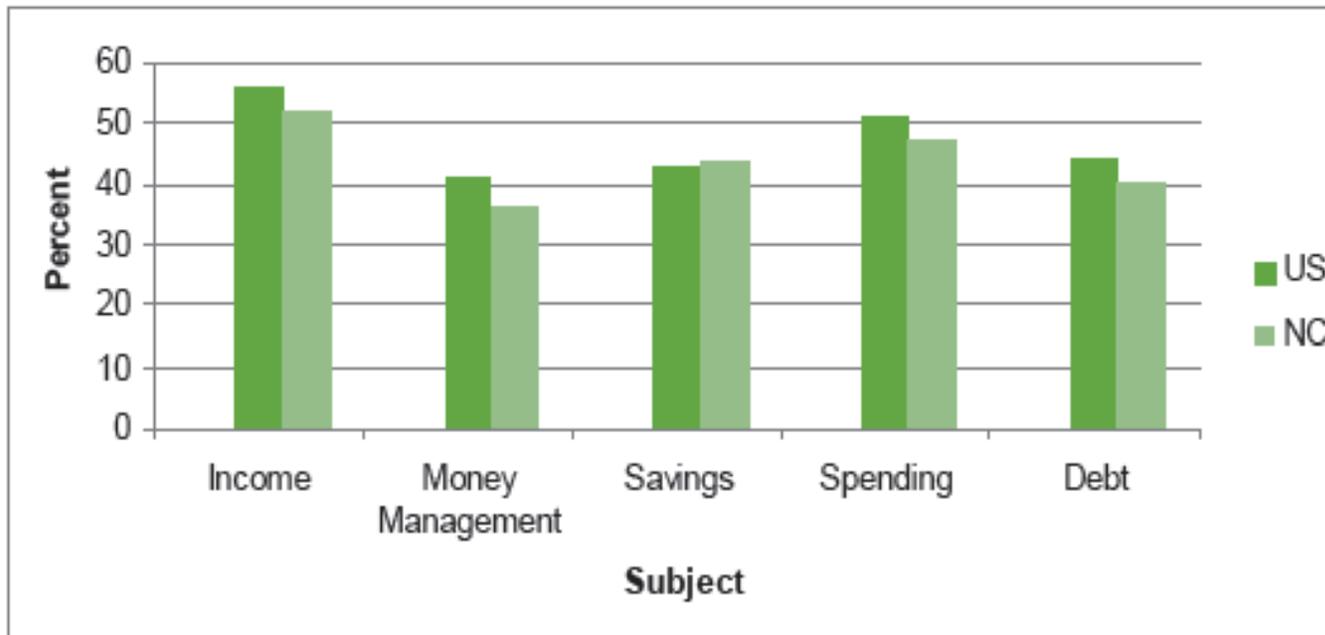
# The unbanked in North Carolina

According to the Brookings Institution, the cost of not being banked, and using alternative financial products, is approximately \$40,000 over a working career.



# NC Students Scores on Financial Literacy

**N.C. STUDENTS SCORE BELOW THE NATIONAL AVERAGE ON FINANCIAL LITERACY**



Source: 2008 Survey of Personal Financial Literacy Among High School Students, Jump\$tart Coalition for Personal Financial Literacy, <http://www.jumpstart.org/>.

# Financial fragility

A household's ability to access emergency funds from any source: \$2000 in 30 days

2,148 participants surveyed in the U.S.

Ages 18–65

Lusardi Annamaria, Schneider Daniel J., Tufano Peter, Financially Fragile Households: Evidence and Implications, National Bureau of Economic Research, May 2011

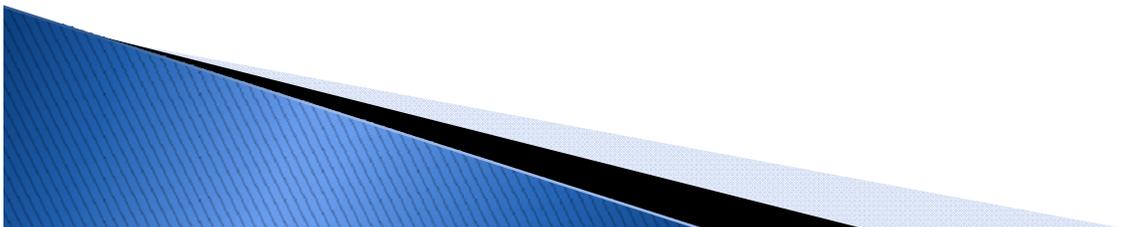


*“How confident are you that you could come up with \$2000 if an unexpected need arose within the next month?”*



*How confident are you that you could come up with \$2000 if an unexpected need arose within the next month?*

- 56% could come up with \$2000 in 30 days
- 19% could not come up with \$2000 unless they sold or pawned possessions, or took out short term (often predatory) loans
- 25% would not be able to come up with \$2000



# What coping mechanisms would you use to raise \$2000? In this order:

Savings: Draw from Savings, liquidate investments, borrow against retirement at my employer

Family and/or Friends: borrow or ask for help

Traditional or Alternative Credit

Work more hours/get a 2<sup>nd</sup> job

Selling possessions: things I own, sell my house

1 method: 46%  
2 methods: 19%  
3 methods: 35%

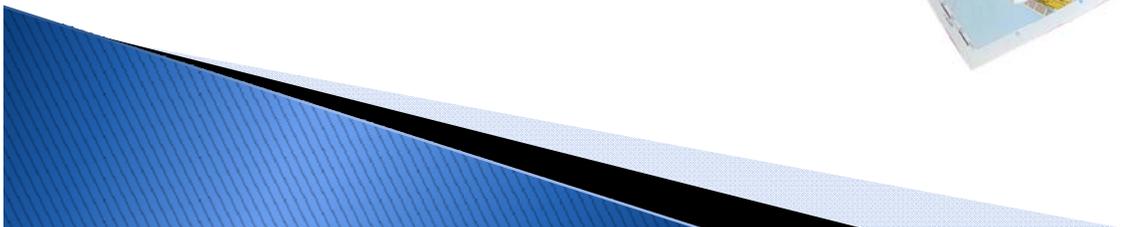




All Americans should have the opportunity to make the choices that allow them to live a long, healthy life, regardless of their income, education or ethnic background.

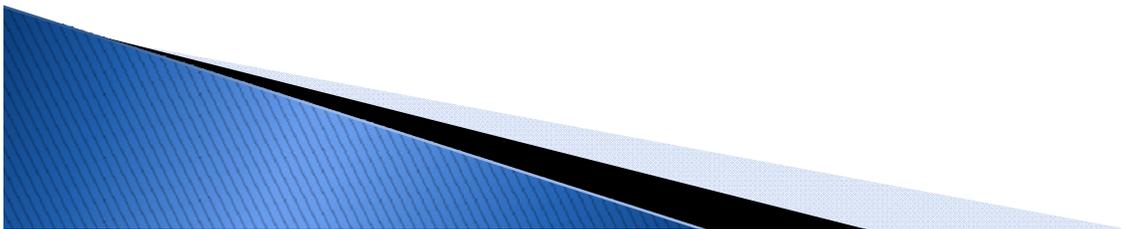


Creating our own individual journey means reading the roadmap and charting the course.



## 2008 Survey by the American Psychological Association:

83% of women and 78% of men are experiencing increasing stress over housing, shrinking retirement, potential for job layoffs



# STRESS AFFECTS HEALTH WHEN A PERCEIVED CHALLENGE EXCEEDS A PERSON'S ABILITY TO COPE

The health-damaging effects of stress are more likely to occur when a person experiences ongoing or chronic exposure to stressors in aspects of everyday life over which he or she has limited control



Robert Wood Johnson Foundation

Financial difficulties put families with limited means under greater stress, contributing to family disruption. Lower levels of both family income and educational attainment have been associated with greater financial, marital and parental stress among U.S. adults over age 25.



Robert Wood Johnson Foundation



While much remains to be learned, current knowledge makes it clear that addressing the effects of stress—particularly chronic stress, can play a critical role in realizing the health potential of all Americans.

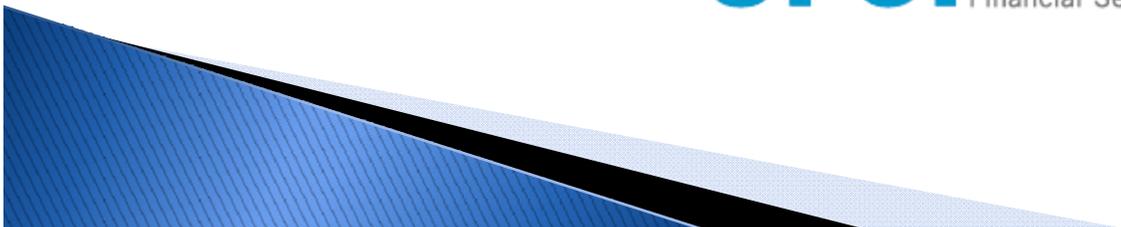


Robert Wood Johnson Foundation

# Developing Financial Capability—Center for Financial Services Innovation

Framework:

- Being able to cover monthly expenses with income
- Tracking spending
- Planning ahead and saving for the future
- Selecting and managing financial products and services
- Gaining and exercising financial knowledge

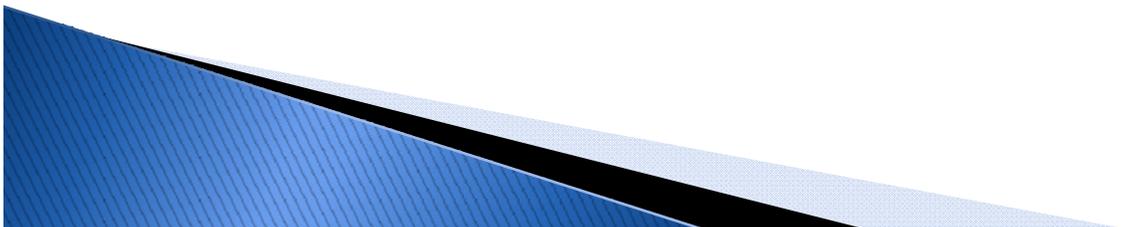


 WILEY-BLACKWELL

the journal of consumer affairs

After workplace financial literacy, 87% of employees said they wanted their organizations to become more successful and 82% reported a feeling of pride to work there.\*

\*"Understanding the Impact of Employee-Provided Financial Education on Workplace Satisfaction", 39, 2005



# Handbook of Consumer Finance Research

Workplace financial education not only increases employee's financial knowledge, but also improves their financial behaviors



# CFED Innovations

Financial Empowerment through Employer Engagement

Primary research between June 2009– August 2009 with 202 businesses responding focusing on paperless paychecks

December 2009, employee focus groups were held to understand their hurdles to electronic pay

Employers:

82% offered direct deposit

For small business (<50 employees) 71% offered direct deposit



# Benefits to employers:

- Employee satisfaction
- Environmental factors
- Cost savings:
  - Purchase and printing of checks
  - Reissuing lost checks
  - Delivery/Fedex to other locations
  - “Katrina Factor” when people can’t get paid



## Major Employee cited benefits:

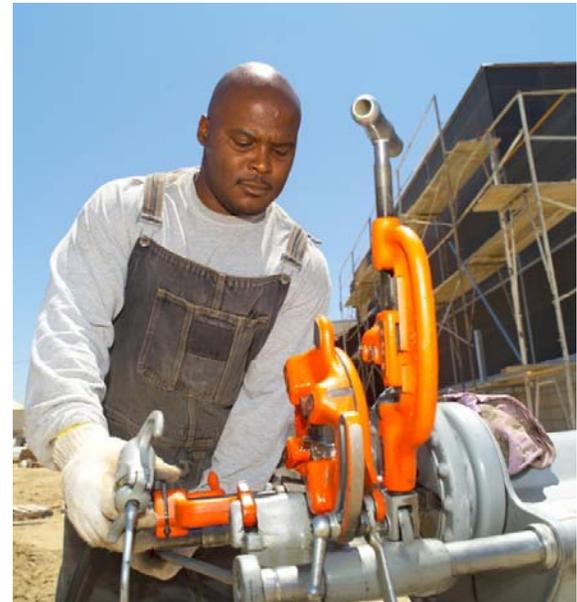
- No lines or waiting on mail
- immediate access to pay
- Convenience of accounts or paycards
- Employees saw their financial options improve





## Communications:

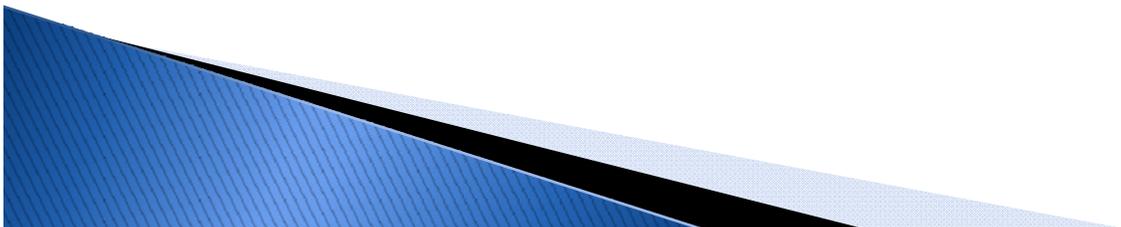
- Employers seen as a more effective communicators for materials (as compared to a city campaign)
- Local government support of campaigns through their marketing channels



# Automating Savings in the Workplace: Insights from the AutoSave Pilot

## Lessons from Behavioral economics

- Individuals do not consistently behave rationally in pursuit of their best interests
- Procrastination/intent to act
- Indecision from multiple or complex options

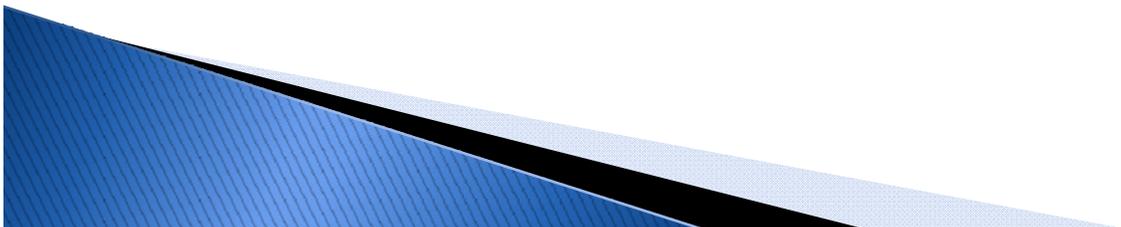


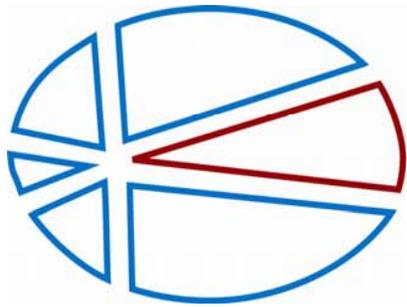
# AutoSave Model to facilitate automatic contributions to unrestricted savings

- Simplify enrollment and minimize “hassle factors”
- Constraining choice:
  - Pre-selecting accounts—employment linkage to bank or credit union
  - Savings form recommends an amount
- Automatic on each payday
- AutoSave account segregated and cannot be used for overdraft protection
- Social norm: positive messaging and reinforcing the smart decision to save
- Addresses Temporal Discounting, where individuals diminish gains expected in the long-term and instead favor choices with more immediate satisfaction

## Early observations and considerations for implementing:

- Direct deposit and split pay are critical
- Company policy and financial institution policy vary widely—common threads for policy yet to be identified
- Employee consent in account opening and need for simplification, making new account opening paperwork convenient
- Makes savings for emergencies easier



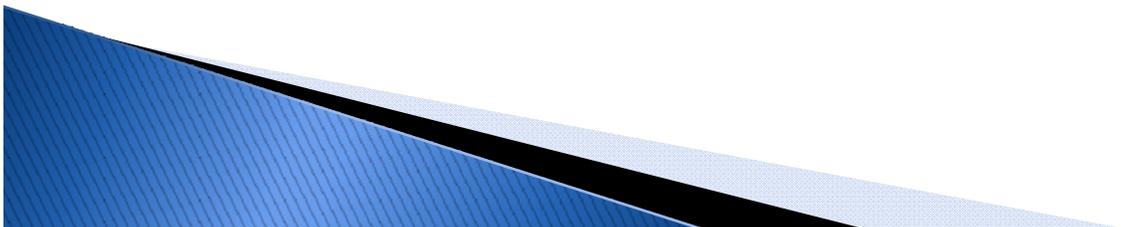


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Summarizing the benefits for Employers for savings and financial education in the workplace:

- Reduced cost—payroll, employee turnover, employee training, retention
- Fewer absences
- Higher level of employee engagement in the workplace and success of the business
- Stress relief and fewer health complaints/bend the curve on the rise in health insurance premiums
- Employee pride to work there
- Improved employee financial behaviors

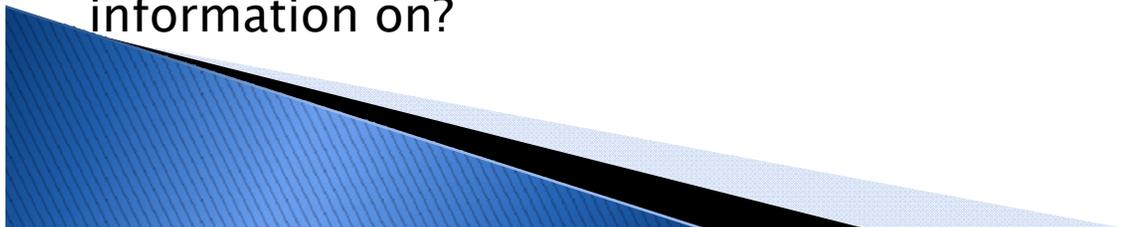


- How could financial education and savings opportunities in the workplace bring value to your organization?

- What are the obstacles to you as an employer bringing these opportunities to your employees? Have you tried initiatives that were later abandoned? Why?

- What is the role for employers in financial education and workplace savings and how would you describe the role?

- What would you like to hear more about or receive more information on?



# Sign up for Communications

- NCAA Updates
- North Carolina Saves newsletters
- The Collaborative updates



**NORTH CAROLINA SAVED**  
START SMALL. THINK BIG.

IDA and Asset Building Collaborative of North Carolina  
P.O. Box 27386  
Raleigh, NC 27611  
info@ncidacollaborative.org

**Who is a North Carolina Saver?**  
You can be! All you have to do is pledge to take financial action. Savers pledge to save regularly (as little as \$10 a month) towards their own savings goal (i.e. emergency fund, debt repayment, homeownership, retirement).

**What are the BENEFITS?**

- Monthly e-mails from financial experts.
- Quarterly newsletter.
- Access to online member-only savings tools and calculators.
- Savings strategies and tips to help you achieve your goals.

**N.C. ASSETS ADVOCATE**  
An Update from the N.C. Assets Alliance

May 2009

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Greetings!

North Carolina is at an important crossroads. The successful investments that North Carolina has made in public structures build assets for households and communities are threatened. House develops its budget proposal. It is essential that they balanced approach, continue to make proven investments and protect those disproportionately impacted by the current economic downturn.

Recognizing that a crisis is a terrible thing to waste, the N.C. Alliance has been busy in the first half of 2009. The N.C. Assets Alliance has a new look and name, including the logo above new newsletter format. The first-ever report making the case asset-based approach to economic security in North Carolina released on June 10th. Finally, members are being mobilized communicate with their state and local elected officials about important asset policies and investments that can stimulate economies and establish a foundation for long-term recovery stability.

Thank you for all your contributions to these efforts. We hope you will find this newsletter informative and useful in your work.

**In This Issue**

[North Carolina's Asset Agenda](#)

### Finding Money to Save

- Save \$0.50 a day in loose change  
Monthly Savings \$15 / Annual Savings \$180
- Bring lunch to work  
Average Monthly Savings \$60 / Annual Savings \$720
- Buy generic rather than name-brands  
Average Monthly Savings \$100 / Annual Savings \$1200



### Stories Across The State

**Great Job!**

**Teresa Haskells on the effectiveness of financial education**

The most striking thing I've noticed during my time as a VISTA is the change in the way people think about money. One couple has calculated their savings of over \$200 since they started using our spending plan and another couple that has performed very well due to the coaching they have received. One couple has calculated their savings of over \$200 since they started using our spending plan and another couple that has performed very well due to the coaching they have received. One couple has calculated their savings of over \$200 since they started using our spending plan and another couple that has performed very well due to the coaching they have received.

**Children thrive on learning in real North Carolina**

My location of work as a VISTA in RDU, state, all opportunities are not an available as they would be in a more urban location, of course. However, it has been a great experience during my time months as an AmeriCorps VISTA to reach the community at large. I have worked with a young man who has been seeking to open up a small business in the small town of Lenoir located in the rural Halifax County. With the partnership of Halifax Community College as well as the support of my supervisor, this young man is well on his way to becoming the next small business owner in the small town of Lenoir. In going directions and the skills to operate a business successfully through education, savings through the IDA program, and support community, the story will be forever told here. AmeriCorps VISTA helping him along the way in "Making His Dream a Reality."

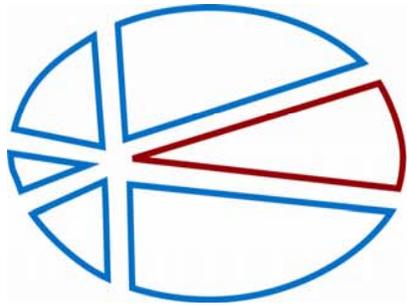
**Sara Blalock on the BLOCK Academy**

With a focus on social entrepreneurship and financial capability, the BLOCK Academy (Building Living Community, Community, and Knowledge) utilizes a hands-on, experiential, low-income underserved and underserved community members we not only taught, but provided the opportunity to exercise real world business and financial management skills.

### North Carolina By The Numbers

Community outreach presentations: 39  
Coalition meetings convened: 35  
Volunteer service hours performed: 2,431

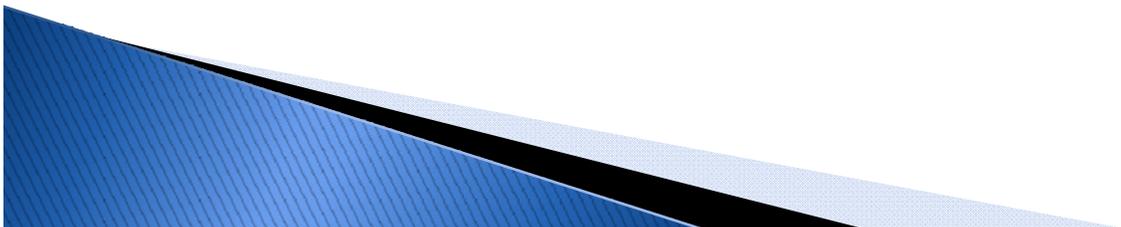
Partnerships created: 40  
Volunteers recruited: 180  
Resource development efforts: \$468,835



# THE COLLABORATIVE

CREATING A CULTURE OF SAVINGS

- THANK YOU!
- Questionnaire in your folder
- Help us get the word out in your community
- Become involved with the work of The Collaborative and help us create the culture of savings for North Carolinians
- Watch for our new website:  
[www.cultureofsavings.org](http://www.cultureofsavings.org)



## References

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Lantz PM, House JS, Mero RP, Williams DR. Stress, life events, and socioeconomic disparities in health: results from the Americans' Changing Lives Study. *J Health Soc Behav* 2005;46(3):274–88.

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The Annie E. Casey Foundation, KIDS COUNT Data Center

Pew Safe Banking Opportunities Project

North Carolina Public Schools:

<http://www.ncpublicschools.org/docs/>

The Asset Policy Initiative of California

Jump\$tart Coalition, 2008 Survey of financial literacy among high school students

U. S. Census for housing: <http://factfinder.census.gov>

NC Commerce EDIS system

<http://www.bls.gov/web/laummtrk.htm>

