



Department of Consumer Affairs
Office of Financial Empowerment

Innovations in Savings: the \$aveNYC Account

Third Annual North Carolina Conference on Asset Building and
Financial Education
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Caitlyn Brazill
Director of Research and Policy

Office of Financial Empowerment (OFE)



*To educate, empower, and protect
New Yorkers with low incomes*

- Launched by Mayor Michael R. Bloomberg in December 2006 as the first program under the Center for Economic Opportunity
- First local government initiative in the nation focused exclusively on anti-poverty and financial empowerment efforts for those with low incomes



\$aveNYC Account Pilot Program

Goals:

- Test a viable and scalable model for fostering savings and asset accumulation at tax time.
- Study the impact of short-term, non-goal directed savings on long-term savings and overall financial stability.
- Influence local, state and/or federal policy to create tax mechanisms to incentivize shorter-term savings for low-income working adults.



Program Design: Lessons from Behavioral Economics

BE Principles

Limit choices



50% match (one option)
Set Financial Institution

Mental Accounting



Split Refund

Hassle Factors



On-Site Opening
Direct Deposit
Automatic Rollover
Limited Account Access

Loss Aversion



Threat of losing match

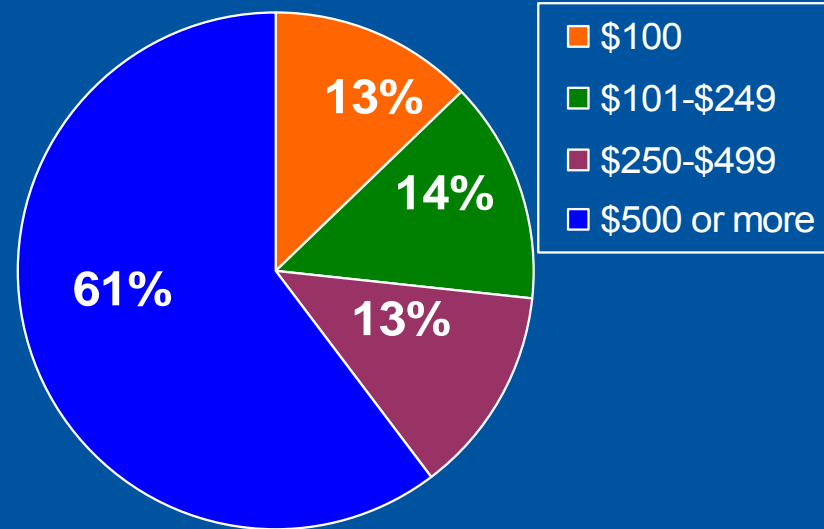


Year 1:
Program Highlights and
Initial Findings

Year 1 Highlights

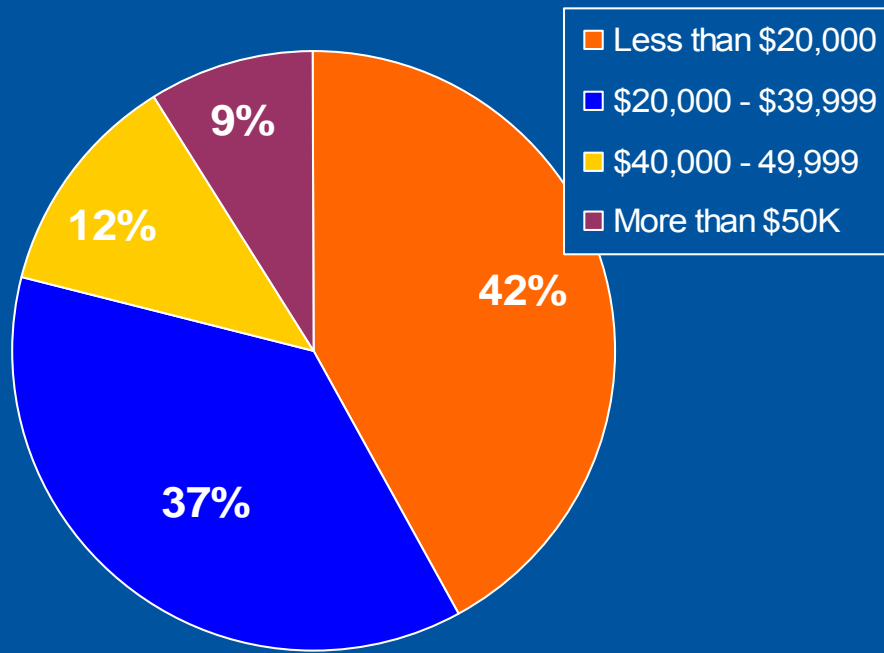
- 177 committed to saving, pledged savings over \$70,000
- 151 funded accounts, \$58,489 total savings
 - Average contribution: \$387
 - Median savings 8% of total refund
- 6% participation rate

2008 Pledged Savings



Finding 1 - Individuals with very low incomes will commit to save if presented with a simple tax time vehicle.

Income Distribution of Survey Respondents (N=43)

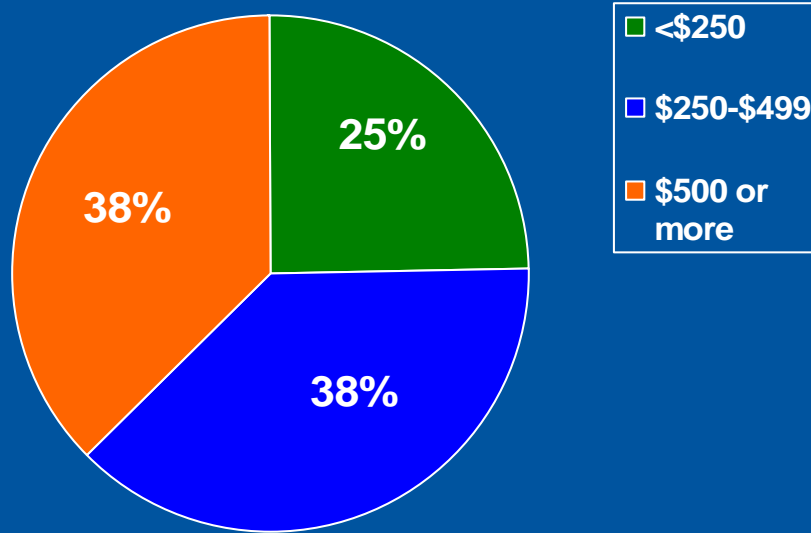


- Average income of participants \$15,530
- 31% Unbanked
- 82% have dependents
- 92% Hispanic/Latino or African American/Black

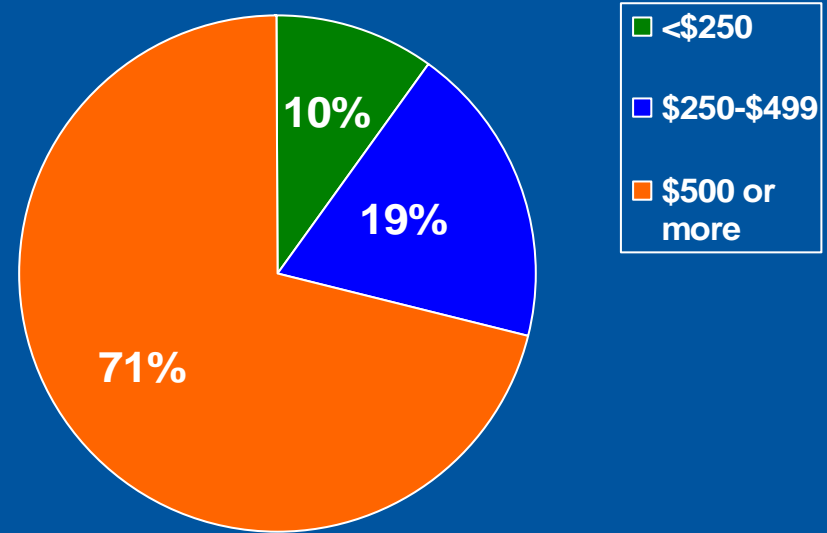


Finding 2 -The \$aveNYC Account motivated even those with little savings experience.

Savings Prior to \$aveNYC
N=35



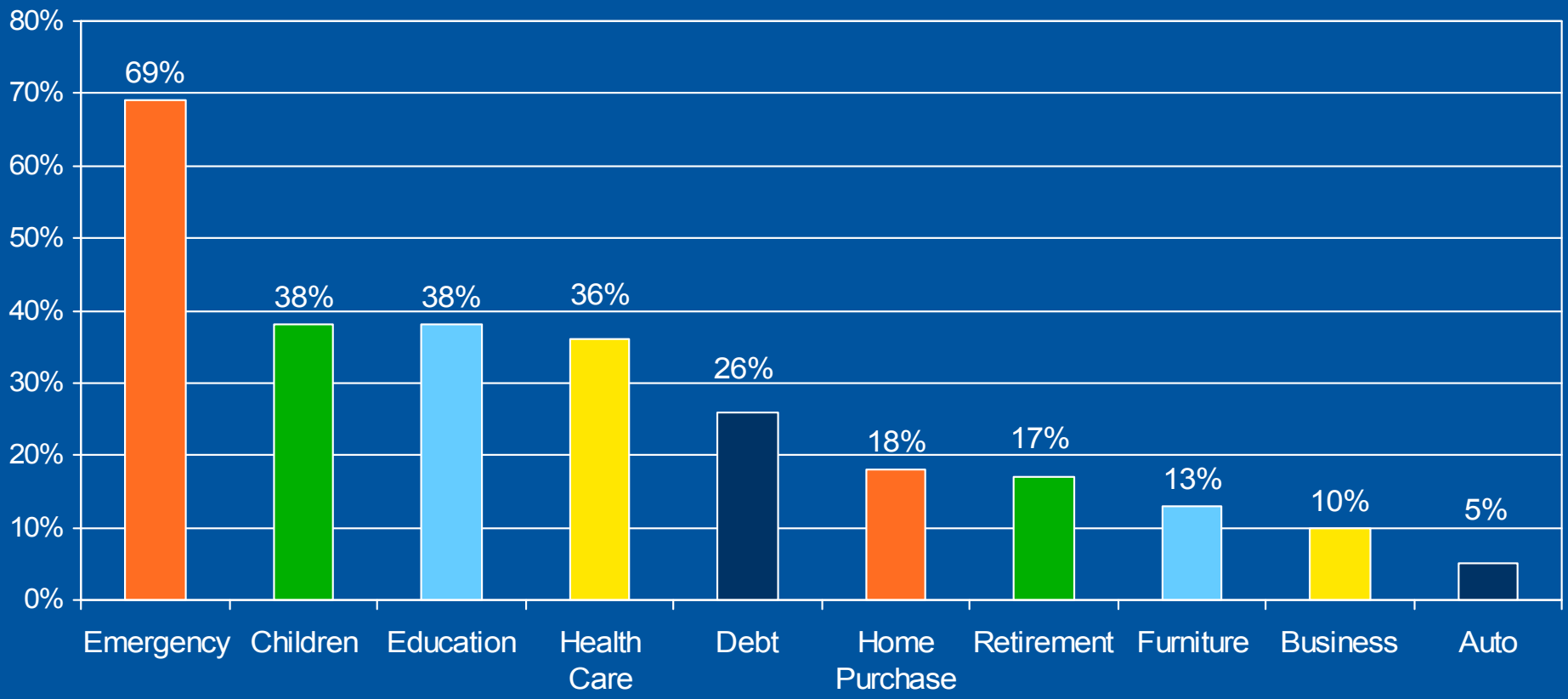
\$aveNYC Account After Match
N=115





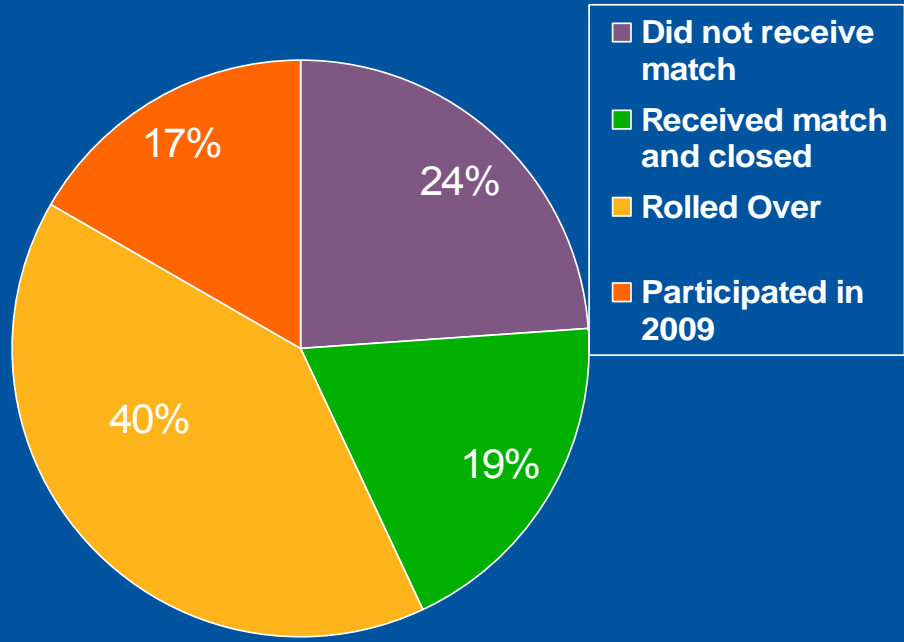
Finding 3 - \$aveNYC Account participants are saving for a variety of non-frivolous short- and long-term goals.

Reasons for Saving



Finding 4 - The \$aveNYC Account is already changing savings behavior.

\$aveNYC Account Status



- 76% of 2008 \$aveNYC participants kept the account open for a full year
- 79% of those who received the match rolled over the account
- 33% of those who rolled over contributed again in 2009
- 57% of respondents who closed their account before receiving the match did so because of an emergency, children’s expenses, or job loss



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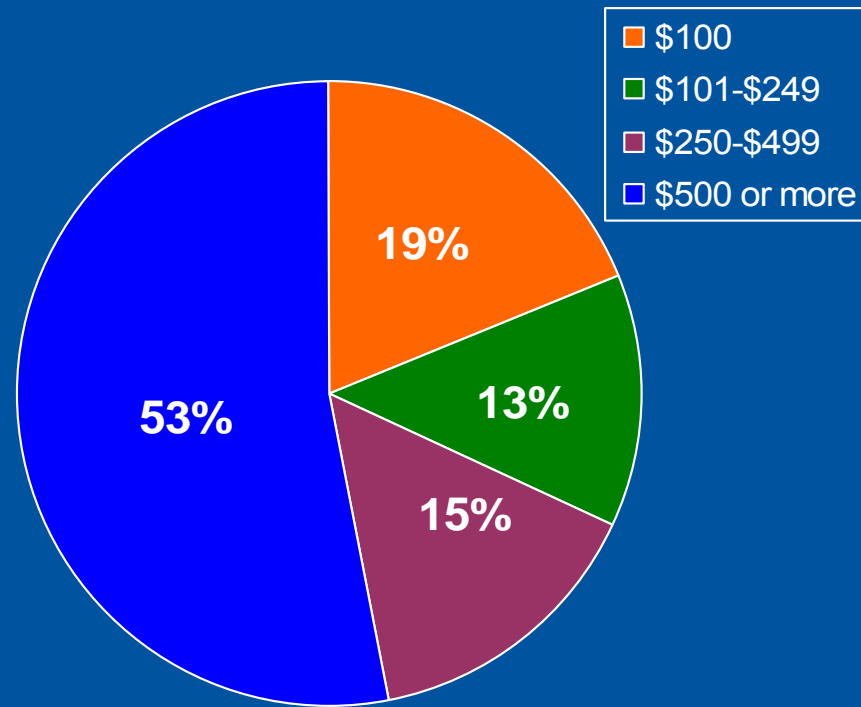
Year 2:

Program Highlights

Year 2 Highlights

- 1,056 people committed to saving over \$380,000 (970 funded by July)
- Average contribution \$380
- Median savings 9% of total refund
- 9% participation rate

2009 Pledged Savings





2009 \$aveNYC Participant Profile

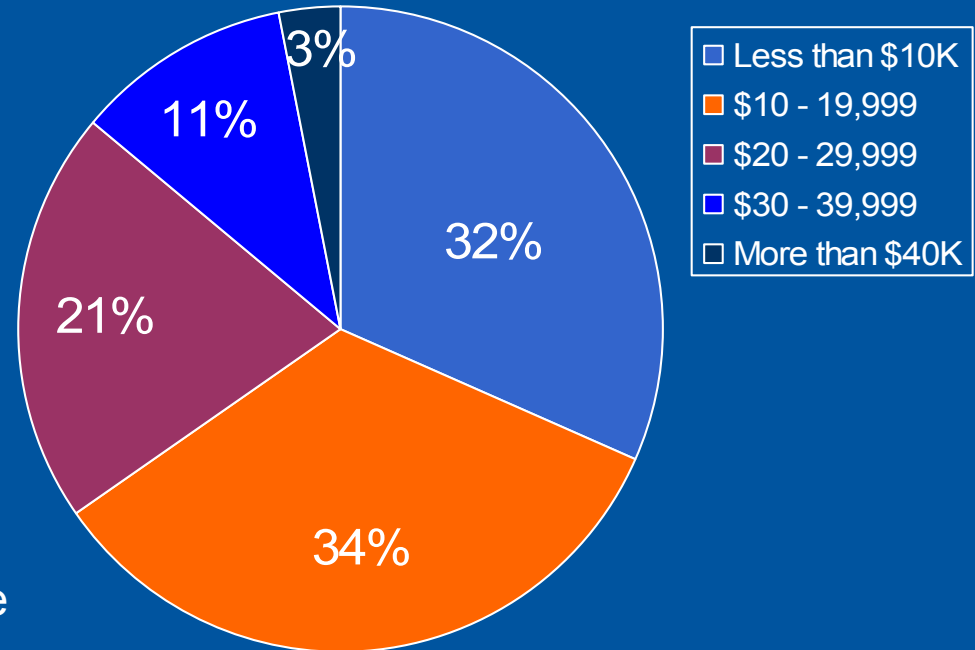
Demographics

- Average age: 41
- 77% female
- 43% are Black/African American;
50% Hispanic/Latino(a)

Income and Banking

- Average Income: \$17,147
- 66% have AGIs less than \$20,000
- 22% were unbanked at the start of the program (31% in 2008)

Income Distribution





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What changed in Year 2?



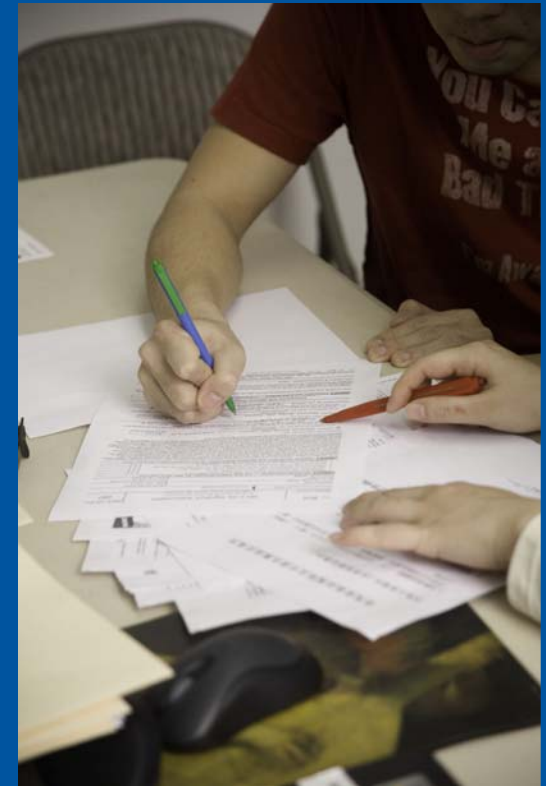
Staff Level Changes

- Accountability: Asset Specialists key for program management.
- Buy-In: Site staff need product knowledge and enthusiasm.
- Volunteers: For 2010, volunteer training is priority.



Organizational Level Change

- Organizational Incentives: Performance contracting effective at increasing participation rates.
- Account Opening Mechanism: Paper-based systems are challenging; technology is needed to increase scale.





Marketing Changes

- New Message: What will you save for?
- Larger Scale: Incorporated \$aveNYC into press and mass media tax campaign.
- Consistent Message: Skills training for asset specialists on marketing strategy

THE \$AVE NYC ACCOUNT

What will you save for?

Home repairs
Medical care
Down payment
Emergency expenses
Car
Vacation

School
Computer
A rainy day
The future

We can help you reach your savings goals. The City of New York will give you 50¢ for every dollar you save from your tax refund up to \$250 when you open a \$aveNYC Account.

Visit nyc.gov/ofe or the free tax preparation sites listed on the opposite side for more information.



Michael R. Bloomberg
Mayor

Department of Consumer Affairs
Office of Financial Empowerment

Jennifer Mitts
Commissioner

Center for
Economic Opportunity

Veronica White
Executive Director



Directions for 2010

- Maximize Savings:
 - Minimum contribution: \$200
 - Maximum match: \$500
- Encourage re-participation for 2008 and 2009 pilot members
- Direct volunteer training in addition to staff training
- Goal: 1,400 accounts
- Promote replication, dissemination of findings and inform federal policy changes.



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**42 Broadway, 8th Floor
New York, NY 10004**

www.nyc.gov/ofe