

Cash & Stash: Encouraging Saving at a Check Casher in the United States



Many financial products such as 401k plans have been designed to help U.S. consumers overcome limited self-control and limited attention in order to reach their savings goals. However, reaching low-income consumers with such behaviorally-designed financial products can be difficult. In the Bronx, NY, researchers evaluated ways to encourage “impulse savings” at a check casher, testing how free savings accounts coupled with prompts and incentives to make deposits—offered at the moment when people have cash in hand—impacted savings behavior and customer loyalty. Preliminary results demonstrated that individuals who received reminders and incentives were more likely to make regular deposits, compared to those in the comparison group.

Policy Issue

In 2015, just over half of American households reported being able to cover a \$400 emergency expense with savings or a cash equivalent. Formal savings accounts can provide a secure and structured way for households to build assets and plan for the future. However, in 2013, nearly 9.6 million American households were considered “unbanked,” meaning they did not have a savings or a checking account.¹ Previous research has shown that behavioral biases such as impulsivity, procrastination, and forgetfulness can make it difficult for people to save. Reducing the inconvenience of depositing money, providing incentives to save, or offering reminders at key moments, such as when individuals have cash on hand, may help facilitate saving. One of these key moments may be when individuals are cashing checks; approximately one-quarter of unbanked households surveyed in 2013 reported using check cashers in the previous month.² This evaluation examined the impact of providing reminders and incentives to save to individuals making financial transactions, such as cashing checks, on their savings behavior in the United States.

Evaluation Context

RiteCheck Cashing, Inc. operates thirteen branches serving approximately 100,000 New Yorkers with check cashing, money transfer, and bill payment services in un- and under-banked areas of the South Bronx and Harlem. According to customer data, 78 percent of RiteCheck clients earn annual incomes under \$40,000 and 57 percent have up to a high school diploma/GED.

Innovations for Poverty Action (IPA) partnered with RiteCheck and USALLIANCE Financial Federal Credit

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Union (formerly Bethex Federal Credit Union) to develop a free savings account called Cash & Stash to provide RiteCheck customers with a simple way to set aside money while they had cash in hand. Customers could use Cash & Stash accounts to make savings deposits and withdrawals from any RiteCheck store at any time. The account did not have any fees, nor a monthly minimum balance requirement, and accrued interest (with a 0.35% annual percentage yield) which was paid two times per year. There was no ATM card associated with the account; all transactions had to be made in person at a RiteCheck store.

Details of the Intervention

Researchers evaluated the impact of providing reminders and incentives to make deposits into Cash & Stash savings accounts on individuals' short and long-term savings behavior at a check casher in the Bronx, New York. In addition, researchers evaluated the account's profitability for the provider and its effects on client loyalty. The evaluation was conducted among RiteCheck customers who signed up for a Cash & Stash account, provided by USALLIANCE. Professional marketers and RiteCheck tellers recruited customers to open accounts, with the goal of recruiting 1,200 new clients during a three-month promotional period from February to April 2015.

The 872 clients who signed up for an account were then randomly assigned to one of four groups:

1. **Reminder only:** Each transaction performed by these accountholders triggered a teller "pop-up" window that reminded tellers to ask customers if they wished to make a savings deposit.
2. **Sweepstakes & reminder:** Accountholders in this group received the teller prompt, as described above, as well as a reminder of a sweepstakes incentive to save. At the end of each week, clients were awarded sweepstakes entries based on the balance in their Cash & Stash accounts. There were monthly drawings for small prizes (\$50 cash prize), and grand prize drawings (\$500 cash prize) in July 2015, January 2016, and July 2016.
3. **Reward points & reminder:** Accountholders in this group received the teller prompt, as well as a reminder of a rewards points-based incentive to save. Based on the balance held in their Cash & Stash accounts, clients earned rewards points for an existing RiteCheck customer rewards program at the end of each week. These points could be redeemed for rewards at the RiteCheck store, with 7,000 points worth \$1.
4. **Comparison group:** Account only. The accountholders did not receive any additional prompts or incentives to save.

Researchers collected data through RiteCheck's administrative customer database, including transaction-level data on customers' Cash & Stash accounts, and focus groups conducting in September 2016.

Results and Policy Lessons

Researchers are still analyzing data for a complete analysis; all results reported below are preliminary.

Take-up: Demand for the Cash & Stash account was low; even during the targeted promotional period, after making approximately 1,200 offers, marketers opened only 230 accounts for a 19 percent take-up rate. Among RiteCheck's broader customer base of 78,000 eligible accountholders, this represents less than 1 percent take-up. Due to these low take-up rates, researchers were unable to examine the

impact of the rewards or sweepstakes treatments separately.

Savings deposits and balances: Customers who received reminders and incentives to deposit were more likely to make regular deposits after opening an account; customers across all three treatment groups were 3.8 percentage points more likely to make a deposit in a given month, relative to 20 percent in the comparison group. However, no significant effects were found on actual savings balances.

Client loyalty: To measure client loyalty, researchers also examined the number and volume of non-savings transactions at RiteCheck as an indicator of increased business activity at RiteCheck among customers. While customers across all three treatments were more likely to use non-savings services at RiteCheck there was no detectable impact on the dollar amount of these transactions.

Implementation problems: A key aspect of the reminders and incentives treatments was that tellers were responsible for delivering reminder messages to customers at the time of each transaction; in the first few months of the evaluation, researchers found that only 5.7 percent of tellers were delivering these messages in any of the treatment groups. Even when researchers implemented an incentive program for tellers to correctly convey these messages to customers, only twenty percent of customers were receiving reminders to save. Qualitative focus groups suggested that tellers struggled with time constraints due to a high volume of customers and difficulties in navigating the computer transaction system to make deposits and withdrawals.

These results suggest that providing reminders and incentives at the time of a transaction could be an effective way to increase savings behavior, but that implementation of such a program may be difficult. Future research should explore ways to leverage and better implement technological platforms or ways to use other touch points to deliver the reminders and incentives, taking the burden off of front-line staff such as tellers.

Sources

[1] “2013 National Survey of Unbanked and Underbanked Households” (Federal Deposit Insurance Corporation, October 2014). <https://www.fdic.gov/householdsurvey/2013execsumm.pdf>

[2] “Alternative Financial Services: A Primer” (Federal Deposit Insurance Corporation, April 2009), https://www.fdic.gov/bank/analytical/quarterly/2009_vol3_1/AltFinServicesprimer.html