

Increasing Savings and Reducing Reliance on Credit Card Debt for Low-Income Individuals in Washington DC



This project will evaluate the impact of commitment contracts and reminder messaging on savings behaviors among low- and medium-income credit union members in Washington DC. Traditional financial products which dominate the consumer finance market tend to operate under the assumption that consumers act in a rational manner and fail to take into account cognitive biases which can impede the realization of financial goals. Here we test a savings product that includes two features designed to overcome these biases. A built-in commitment contract attempts to encourage consumers to forego present expenditures in lieu of future payoffs. Regular messaging attempts to overcome limited attention, which may result in an inability to stick to a budget or savings plan.

Policy Issue

Evaluation Context

Details of the Intervention

Results and Policy Lessons

RESEARCHERS

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COUNTRY

United States

PARTNER

District Government Employees
Federal Credit Union

PROGRAM AREAS

Financial Inclusion, US Finance

TOPICS

Commitments, Financial Capability,
Product Design, Savings, Training &
Mentoring

TIMELINE

2009-2012