



Idaho Asset Building Network

Incentivized Savings

Building assets for low- to middle-income Idahoans

June 2015

FACT SHEET

POLICY PERSPECTIVE

Idaho has a low rate of savings. This increases stress for Idaho families and makes Idahoans more likely to require state assistance in case of a sudden job loss, a medical emergency or another financial crisis.

Several states have allowed for incentivized, or prized linked savings as a means to encourage savings.

As our economy recovers, fewer Idaho families live in fear of losing their jobs or homes. Yet, too many in Idaho continue to live paycheck-to-paycheck, unable to look beyond immediate needs or plan for a more secure future. Today, almost half of all households in Idaho are “liquid-asset poor,” meaning they have less than three months’ worth of savings.¹ There is no “slack” in these families’ budgets. If a liquid-asset poor family faces an unforeseen expense, such as a broken down car, they have to borrow to cover the tab and may have extreme difficulty repaying the debt. Families can escape asset poverty by building financial knowledge, gaining budgeting skills and having access to safe savings products and structures. By incentivizing these safe savings programs, financially vulnerable families will be more likely to develop sustainable savings habits.

What are incentivized savings?

Incentivized savings, such as prize-linked savings accounts, encourage the use of savings accounts and/or certificates of deposit (CD). This is done through a raffle-style system that enters individuals in a drawing based on the dollar amount and number of times they make a savings deposit. The accounts are risk-free, just like a traditional savings account or CD. The programs have a manageable minimum deposit requirement (often \$25) to make participation accessible, but also restrict withdrawals from the accounts in order to encourage the development of financial reserves.

Ten states currently allow for incentivized savings programs (Connecticut, Indiana, Maine, Maryland, Michigan, Nebraska, New York, North Carolina, Rhode Island and Washington). Eight additional states are advancing legislation to allow for the programs during their 2015 sessions.² Michigan has one of the most developed programs, which was launched in 2009. Known as “Save to Win,” the Michigan program resulted in 50,000 people establishing savings accounts for a total of \$94 million in savings.³

In December 2014, the federal American Savings Promotion Act was signed into law and allows for “savings promotion raffles.” However, it appears that state action is still required to enable the programs.

What are the benefits of incentivized savings?

Incentivized savings are designed with a primary goal in mind: to make it easier and more accessible to develop a savings habit for individuals and families that are financially vulnerable. The outcomes of establishing savings include helping participants feel in control of finances and helping them develop financial confidence through a savings cushion to address financial emergencies.

For more information, please visit www.IdahoAssetNetwork.org.



The Idaho Asset Building Network connects leaders, service providers and stakeholders to help Idahoans achieve their economic well-being.

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What can we do to encourage incentivized savings programs in Idaho?

Idaho law may need to be updated in order to allow for credit unions, banks and other lending institutions to offer incentivized savings, such as savings promotion raffles.

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3. Prize-Linked Savings. <http://www.savetowin.org/financial-education/prize-linked-savings->

Online resources on incentivized savings

Prize-linked Savings: Creating Financial Confidence and Opportunity, Doorways to Dreams Fund, February 2015:

http://www.d2dfund.org/files/publications/Financial%20Confidence%20and%20PLS_0.pdf

Doorway to Dreams Funds Legislative Success List:

http://www.d2dfund.org/Legislative_Success

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Prize-linked Savings FAQ's:

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October 2011 National Conference of State Legislators, Prize-linked Savings 2015 Legislation:

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Idaho Statues, Title 26—Banks and Banking:

<http://legislature.idaho.gov/idstat/Title26/T26.htm>

Michigan Save to Win site and video:

<http://www.savetowin.org/>

Summary of the American Savings Promotion Act:

<https://www.govtrack.us/congress/bills/113/hr3374/summary>

“Could a Lottery be the Answer to America’s Poor Savings Rate?” Freakonomics, November 2010:

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