Lunch innovation session
Financial Capability Lab

RAND Behavioural Finance Forum, 3 October 2019

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@Lis_Costa_
Financial capability & wellbeing in the UK

Only 44% of the UK working population have £500 or more in liquid savings to hand for emergencies, and 26% have nothing.

Eight million of people in the UK are in serious debt

40% of UK employees have money worries

About 9 million adults borrow money to buy food or pay their bills

Source: www.moneyadviceservice.org.uk; reba.global; http://www.nestinsight.org.uk; www.theguardian.com; MaPS estimates based on the Fin Cap survey, 2018
In 2016, the Money Advice Service and the Behavioural Insights Team created the Financial Capability Lab to generate and rapidly test new, behaviourally informed ideas to solve some of the most important money challenges facing people in the UK.
The Financial Capability Lab process

- **Building savings** (Challenge 1)
  - 244 ideas generated

- **Getting help** (Challenge 2)
  - 80 participants in focus groups, workshops, and interviews
  - 10,500 Predictiv test participants
  - 18 ideas tested

- **Managing credit** (Challenge 3)
  - 90 experts involved

**Future pilots & trials**

**Effective products and services at scale**

We are currently partnering with financial institutions to design and launch field trials.
Transitioning from lab experiments to field trials

• Dozens of companies expressed their interest in working with us

• Ongoing collaborations:
  • **Monzo (challenger bank)**: Managing spending
  • **A large pension provider**: Smarter Signposting to financial guidance
  • **A large retail bank**: Increasing credit card repayments
  • **A large retail bank**: Transitioning from debt repayments to savings
  • **Two charities**: Savings + peer support
Monzo – Managing spending

• In the Lab we developed ideas for a behaviourally-informed money management app
• We are testing a merchant block that will enable customers to:
  • block specific retailers in the Monzo app
  • impose soft frictions to help users stick to their commitments

Source: Businesscloud.co.uk (picture of Monzo’s Gambling block)
Increasing credit card repayments

- Minimum repayments on credit cards prevent people from spiralling debt but can also act as anchors, reducing repayments and increasing the cost of credit.

- We tested the impact of interactive sliders to de-anchor people from the minimum repayments and increase overall repayments.

- We are now testing the idea in the field with a large UK retail bank (focusing on customers in persistent debt on a credit card).

![Figure 3. Effect of slider interfaces on repayment levels (stage 1: hypothetical choice)](https://example.com/figure3.png)

Note: The default repayment is £284 in the 'slider + higher default' condition and £169 otherwise.
Smarter signposting to financial guidance

- Advice and guidance can help us navigate complex financial decisions; however, few take advantage of it.
- We are working with a large pension provider to use customer data to identify who might benefit from pension advice or guidance and signpost these customers in a timely and targeted way.

‘I think it’s good. It will help your situation. It’s not like just throwing things at you. It will help you work together to adapt to your situation.’

Female, 32, London
Boosting savings with curated peer support

- Sponsored by JP Morgan Chase Foundation, we are working with two charities to launch a text message trial pilot with 300 young people
- Participants sign up and set a 3-month financial goal
- **Treatment:** 1-2 texts per week, plus a nominated supporter
- **Control:** Welcome and reminder texts as trial progresses
- Aiming to increase % of young people that reach their 3-month financial goal.
Lessons learned

- There is a growing interest (and pressure!) on financial institutions to design products and services that increase financial capability and resilience.
- This has opened up opportunities for collaboration and experimentation, and to drive positive change at scale (especially with a partnership that includes strong links into policy)
- The FinCap Lab is a 5 year project. It is a long journey from financial institutions expressing interest to trialing the idea in the field (competing business priorities, lengthy sign-off process in matrix organisations, data sharing agreements etc.)


"The Vulnerable Customers Team are dedicated to making sure Monzo understands and considers the needs of all our customers, especially those that are most likely to have problems with their money."

Monzo
Thank you!
elisabeth.costa@bi.team
APPENDIX
First phase: 17 ideas tested across three challenges

Some of my favourite ideas

**Checkout Savings** – Timely prompts to save at online or physical checkouts

**Savings Supporter** - Saving using the power of social connections

**Sidecar Pension Pot** - Saving automatically alongside your pension

**Smarter Signposting** - Using transaction data to offer guidance at useful and salient moments

**Financial Guidance First Aider** - Signposting to guidance from the workplace

**Repay and Save** - Helping people with unsecured debt by consolidating, accelerating repayment and then making the transition to saving easy and attractive

**Card Controller** - Adding behaviourally informed features to money management

**Increasing Credit Card Repayments** - Changing repayment interfaces to help people to repay more than the minimum amount
1. Financial Health Network: Introduction
2. Elevate/Finicity
3. EARN
4. Commonwealth Bank of Australia
ABOUT

Our mission is to improve financial health for all.

The Financial Health Network is a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. We envision a future where all people, especially the most vulnerable, have the financial systems they need to be resilient and thrive.
What We Do

Research and analysis

Membership services

Innovation support

Measurement tools

Consulting
Financial Health Leaders Lab

Program Overview

> Benefit for Financial Health Leaders program, which recognizes members at the forefront of measuring financial health
> Identifies companies that are developing innovations to support their customers’ or employees’ financial health
> Provides support for experimental tests of the innovations
> Current portfolio includes six financial health interventions
> Rollout and evaluations launch this fall; report on results next year

Thank you to the MetLife Foundation for their generous support
Elevate / Finicity

Mental accounting for debt management
A partnership of innovators

Background

> **Elevate**: provides credit to borrowers with credit scores below 700
  > Installment loans, lines of credit, credit cards
  > More than 2.3 million customers to date

> **Mvelopes**: a budgeting program from Finicity that takes the envelope-based system digital
  > Elevate will provide a 6-month membership to Mvelopes to its installment loan customers, for free

Goals

> Support borrowers’ ability to manage credit, leading to:
  > Reduced delinquencies
  > Higher credit scores
  > Improved financial health
### New Transactions

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<thead>
<tr>
<th>Type</th>
<th>Date</th>
<th>Payee</th>
<th>Envelope</th>
<th>Amount</th>
<th>Account</th>
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Mvelopes as mental accounting

Digital applications

> Zhang & Sussman (2008) note limited evidence on how mental accounts are formed
> Can a digital tool help generate mental accounts for expenses that consumers have trouble managing?
> Soman & Cheema (2011) identify earmarking and partitioning as mechanisms through which consumers can achieve the benefit of mental accounting in budgeting
> Does the psychological transaction cost of drawing from an earmarked account persist for a digital account?
EARN

Gamified savings
Gamification for savings

Background

> EARN is a national nonprofit that helps its 170,000+ members achieve savings through the SaverLife program
> Intervention: Peer comparison through a Savings Leader Board to motivate savings

Goals

> Increase months with positive net savings
> Increase savings deposits
SaverLife Savings Leaderboard

Recent Savings Deposits

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<th>First Name</th>
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<tr>
<td>Adonai</td>
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<tr>
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<td>Anne Marie</td>
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<tr>
<td>Andrea</td>
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Most $ Deposited Since September 1st

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<td>Jennifer</td>
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<td>4</td>
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<td>GA</td>
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<td>15</td>
<td>Dianna</td>
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<td>$14,745</td>
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Total Amount Deposited since September 1st
$5,472,389
Today: $12,577

Total Number of Deposits Since September 1st
19,665
Today: 136

Savings Deposits in the Last Two Weeks by dollar amount

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<td>60K</td>
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<td>19</td>
<td>40K</td>
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<td>20K</td>
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<td>23</td>
<td>30K</td>
</tr>
<tr>
<td>24</td>
<td>20K</td>
</tr>
</tbody>
</table>
Peer comparisons

Others members just saved!

Amy V.  Saved $19.72
Christine S.  Saved $53.27
Tien D.  Saved $20.00
Nisa A.  Saved $45.00
Shakia J.  Saved $150.00
Roy M.  Saved $388.10
Jenny G.  Saved $25.00
James C.  Saved $12.04
sabamaño  Saved $190.00
Katrina S.  Saved $20.00

The race is heating up

- Nisa A. is working towards Bronze
- Tonilza B. is working towards Bronze
- Grace S. is working towards Bronze
- Wanda S. is working towards Bronze
- Justin T. is working towards Bronze
- Katrina S. is working towards Bronze
- Quanza N. just hit 🏆 Bronze
- Katelin L. is working towards Bronze
- Kimberly K. is working towards Bronze
- shaye f. is working towards Bronze

Great job!
Great job!
That's amazing!
Great job!
Wow!
Way to go!
Great job!
Great job!
Great job!

Leaderboard and Race

- Filter to state and account for peer savers
- Which peers will create anchors when savings amounts range widely?
- Additional feature: Race to $500 sets a goal
Commonwealth Bank of Australia

Planning intentions for debt reduction
Tax-time messaging

Background

- Commonwealth Bank of Australia is the largest Australian bank, serving 1 in 4 Australians
- Financial challenge
  - Australia’s average credit card debt balance is $3,300
  - Average tax refund: $2,500

Intervention

- Combining pre-commitment and real-time messaging to maximize impact
- Targeted to approximately 250,000 customers who are:
  - Active mobile customers
  - At least $350 in debt
  - In arrears, recently exited collections, or have revolving credit card balance
Choice of Debt to Repay

Which debt would you like to pay off?

Choose account

Mastercard Awards
123-456 1234 567
-$3000.00 account balance

Next

Choice of Amount to Repay

How much of your $6000.00 refund you’d like to use?

Amount to pay now
$3000

$0.00 left to pay

Next

Confirmation Screen

Great! You’ve lowered your debt by $1000.00

What’s left could make a big difference. You could use $2000.00 to:
- Pay off other high interest debts
- Create an emergency fund
- Contribute extra to your super
- Save for a goal
- Start investing

Tips for maximising your tax refund
5 ways to use your tax refund

Next
Planning intentions at tax-time

Testing

> Testing to assess impact 3-6 months later on:
  > Debt balances
  > Missed or late payments
  > Holistic financial well-being
> What is the relative importance of planning ahead and reducing friction?
  > Building off success in prior tax seasons with similar messaging campaigns to boost savings
Wrapping up

Next steps

> Stay tuned for results in 2020
> Contact us with:
  > Innovative ideas for improving financial health, from you or a company you know
  > Findings from similar studies: We gather existing evidence to recommend and apply what works
Thank You

Heidi Johnson
2300 N St NW, Suite 700
Washington, DC 20037
tel: 202.650.0656
e-mail: hjohnson@finhealthnetwork.org
Creating Meaningful Engagement for Financial Wellness Initiatives

Presented by:
Blake Allison
Founder & CEO, LifeCents
The Data-Engagement Paradox

• Data drives engagement, yet engagement is a requisite for data.

• How do you design and implement a financial well-being program to drive engagement?

• How do you inspire and motivate people to participate in a program?

• How do you create personalized and contextually relevant experiences for each participant?

• How do you sustain engagement “long enough” to drive behavior change?
Elements of Engagement and Behavior Change

• Well designed well-being programs that are executed successfully can lead to long-term behavior changes by establishing short-term “mental and emotional momentum” and enabling incremental achievements.

• Long-term goals cannot be achieved without short-term gains—the “micro-steps”. Yet, the focus too often is on the long-term outcomes.
The second highest-rated factor to employee engagement is "an organization's willingness to listen to employees' perspectives."

*Quantum Workplace, employee recognition trends report, 2014*
The Intersection of Fintech and Engagement

Fintech can help organizations build pathways to behavior change with the right data.

• People are more than numbers (IQ, Habits, & Mindset)
• **Listen** and seek to understand the “story” of each participant
• Tap into emotions, perceptions, and thought patterns
• Understand the “WHY” behind participant actions and inaction(s)
The Intersection of Fintech and Empowerment

- Meet people where they are with no assumptions or “prescriptive” solutions
- Provide value—in real time—with every interaction
- Put people on pathways for personal growth and achievement
LifeCents Use Cases
## Higher Personalization, Higher Engagement

<table>
<thead>
<tr>
<th>Organization</th>
<th>Objectives</th>
<th>Approach</th>
<th>Insights</th>
<th>Short-Term Engagement</th>
</tr>
</thead>
</table>
| Major Health System in the Mid-Atlantic Region | • Improve employee well-being  
• Increase participation in *relevant* employee benefits  
• Provide access to free financial coaches | • Financial Health Assessment to establish baseline needs, goals, etc. on a personal level *(data)*  
• Customized wellness plans for each participant based on financial health profile | • Nearly 50% of employees were carrying student debt and making significant monthly payments  
• Roughly 9 in 10 employees were financially stressed  
• Exactly 1 in 4 employees lived paycheck to paycheck | • 11 min = average time on site per session  
• 70% clicked to learn more when presented with the personalized recommendation to connect with a financial coach; of those  
• 23% went on to connect with the financial coach |
## Creating “Engagement Momentum”

<table>
<thead>
<tr>
<th>Organization</th>
<th>Objectives</th>
<th>Approach</th>
<th>Insights</th>
<th>Short-Term Engagement</th>
</tr>
</thead>
</table>
| Mid-sized credit union (~135K members) | • Support CU’s ongoing youth and adult education efforts to combat financial illiteracy in their community  
• Engage members and non-members to improve financial health | • Established an incentivized debt paydown sweepstakes  
• Requirements included LifeCents “Discovery Badge” (data) | • 93% of participants said they were stressed about money “every day” or “almost every day”  
• Only 21% get their financial advice from a licensed professional | • 10.5 minutes = average time on site per session  
• 80% completed the foundational “Discovery Badge” which was tied to incentives  
• 50% completed additional activities even with no incentive associated with them  
• 36% completed 5X the number of activities even with no incentives |
# Creating Sound Saving Habits

<table>
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<th>Organization</th>
<th>Objectives</th>
<th>Approach</th>
<th>Insights</th>
<th>Short-Term Engagement</th>
</tr>
</thead>
</table>
| AARP Foundation   | • Improve the financial resilience of “at risk” seniors  
• Create program to facilitate savings among participants (with a goal of $400)  
• Provide access to financial coaches based on need  
• Create a sense of “community” for participants | • Use a financial “stress test” to introduce audience to wellness concept  
• Leverage data to connect participants to local partners and resources  
• Gamify savings participation | • 76% of participants do not have $400 in savings  
• 40% of participants found it valuable to connect to local savings resources  
• 78% said that they are “worried” or “overwhelmed” with their current levels of debt | • Total savings is more than $250K with most of that being achieved *in the last 60 days*  
• Of participants who self-reported savings progress, they have saved on average $329 (with target of $400) |
Using Fintech to Empower Consumers

Fintech can enhance consumers’ financial well-being by supporting:
• The acquisition and application of relevant financial knowledge
• The development of real-world skills and decision-making abilities
• The creation of a healthy and confident financial mindset
• The establishment and demonstration of healthy habits
• The creation of personalized pathways to the most relevant resources, people, and tools

Financial wellness providers and program sponsors can leverage Fintech solutions to:
• Gain insights into consumer needs, motivations, and goals through behavioral data
• Improve consumer engagement, build trust, and enhance relationships
• Provide access to resources (human and other) that help consumers with self determination
• Fintech serves as a facilitator in a highly-complex human-centric system

• Use it to ease people’s cognitive load in the decision-making process

• Start with the end in mind—what is your objective? How will you measure success?

• Consider how far you need to get someone on the continuum of self-determination to be effective

• There are, however, diminishing returns on investment

• It should enhance—not replace—any person-to-person relationship
Key Observations

- The difference between a well-being program’s success or failure comes down to strategy, **design**, and implementation.
- Don’t kill the mosquito with a sledgehammer.
- Account balances and other transactional data are not drivers of participation.
- If you want to understand and improve behaviors, you need to get and use that data.
- CX and UX is paramount and will most likely need to integrate disparate systems or solutions.
- Have realistic expectations regarding outcomes and timeframes.
Q & A

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