

**BlackRock's  
Emergency  
Savings  
Initiative**



# **Building Momentum for Emergency Savings:**

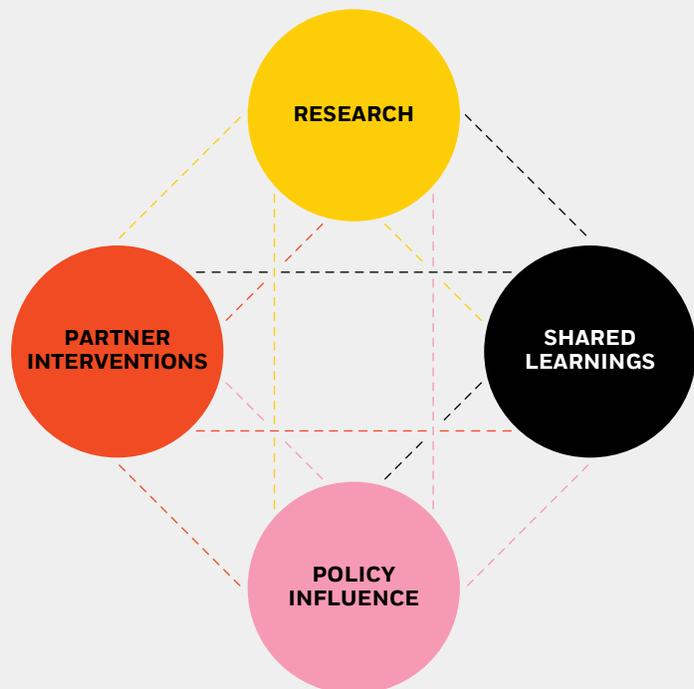
## **Lessons Learned in 2021**

# I Executive Summary

As more organizations aspire to help customers and employees build emergency savings, they are increasingly seeking to adopt effective solutions. In 2021, **BlackRock's Emergency Savings Initiative (ESI)** oversaw nearly 30 projects, new and ongoing, to implement better ways to save. This year, ESI also added new partners which have potential to expand access to more than 1 million new households, disseminated learnings, and worked with policymakers to eliminate barriers to access. ESI has played a vital role with partner organizations to represent the voice of low- to moderate-income (LMI) households and help our partners move from idea to implementation. This report contains some of the lessons learned from research and case studies concluded in 2021.

## QUICK REVIEW: THE ESI APPROACH

ESI strives to achieve systems-level change to address the need for emergency savings, especially for LMI households. This includes working with one-to-many actors, such as recordkeepers and payroll providers, as well other large institutions and policymakers. We customize our intervention work to the needs of our industry partners, with the overarching goal to build emergency savings among consumers and enable access to savings opportunities at scale. ESI is designed to tackle the savings crisis along several fronts, including research, shared learnings, policy influence and partners.



## KEY EARLY LEARNINGS TO SUPPORT SAVINGS

- **People want automated ways to save.** ESI's research with Mastercard and its partners has shown that consumers are overwhelmingly interested in round-up savings opportunities – when purchases are rounded up to the next dollar and the difference in change is swept into savings – even though consumers also acknowledged that they would be likely to save the least with that savings rule.
- **Utilize positive and aspirational messaging to tap nonfinancial motivating factors.** Working with UPS and Voya, ESI is leveraging a research-backed framework and tapping into four nonfinancial factors – a journey mindset, aspiration- and value-centered motivations, social networks, and inclusive messaging – to encourage workers to also save for emergencies with an out-of-plan short-term savings fund that can be automatically set aside as part of their 401(k).
- **Use timely, customized prompts to support behavior change.** With another large employer, ESI is combating procrastination and complexity, which can leave people feeling overwhelmed or distracted by other tasks and messages. Timely prompts that emphasize ease and reinforce social norms encourage employees to deposit part of their paycheck directly into a savings account, increasing their motivation to act immediately.
- **Make the future feel closer.** MX, a white label software provider for financial institutions, is working with ESI to reduce present-bias, based on research that showed people are more motivated by immediate costs and benefits than future ones. With MX's FinStrong product, users receive sub-goals and clear steps to reach them. This can make the future feel closer, giving users clear motivation to save for the long term.
- **Connect short-term and long-term savings goals.** ESI's research has shown that there is no evidence of short-term savings cannibalizing long-term savings; further, combination savings accounts are attractive to many users. For example, research has shown there is an opportunity to increase long-term college savings in 529 accounts for LMI families if they meet their short-term liquidity needs first.

## Disparities Continue for Emergency Savings

According to Financial Health Pulse™ analysis released in October, Americans' financial health improved for the second consecutive year, as government relief programs and changes in personal spending related to the pandemic continued. However, two-thirds of Americans were still not considered financially healthy and wide racial disparities persisted.<sup>1</sup>



## 5 in 10

people earning less than \$50,000 have less emergency savings or no emergency savings compared with 2020.<sup>2</sup>

## 85%

of Black households have had to tap emergency savings in the last six months, compared with 59% of White households.<sup>3</sup>

## 8¢ vs \$1

Households earning less than \$50,000 have only 8¢ in liquid savings for every \$1 higher earners have.<sup>4</sup>

<sup>1</sup> Financial Health Pulse Report: 2021 Trends Report

<sup>2</sup> "Survey: One in 5 Americans Will Run Out of Emergency Savings by the End of This Year Without More Aid," Emergency Savings Initiative, October 2021.

<sup>3</sup> Ibid.

<sup>4</sup> "Moving from Experimentation to the Mainstream: Policy Options to Automate Workplace Emergency Savings," Aspen Institute, August 2021.

# Partner Case Studies



## Together, we are creating scale and impact.

Since launching in 2019, ESI has worked with dozens of partners to research savings practices and behaviors and implement interventions. Some of the past and present projects include work with partners ADP, AutoNation, Best Buy, Branch, Esusu, Etsy, Guadalupe Credit Union, Levi Strauss & Co., MasterCard, MX, Self, Shared Harvest Fund, Target, Truist, Virginia Credit Union, UPS, UrbanFT, Varo, and Voya. The following case studies highlight some of the lessons learned with our partners.

## IN DEPTH

### Self Ties Credit to Savings to Promote Resilience

**Key Finding:** *Self went beyond offering credit-building products to customers, providing new savings products and promoting messaging that encouraged savings.*

When Austin-based fintech Self launched its credit-builder loan account several years ago, it wanted to improve lives for customers without prior credit histories. Self's core offering was a small-installment loan designed to help customers build positive credit, but the company also saw an opportunity to help customers build savings.

#### INTERVENTION

The company expanded its mission and product focus to include savings through working with ESI. Self collaborated with the Financial Health Network and ESI to translate customer feedback into specific offerings that would introduce savings opportunities alongside its credit-focused products. This collaboration resulted in a variety of solutions, from copy prompts to new product features.

#### IMPACT

After working with ESI and launching a savings message, the company doubled the number of active customers in 12 months. Today, Self has more than 1 million active customers and believes that building credit and increasing savings go hand in hand. The tagline now reads "Build Credit. Build Savings." Often, people with poor credit histories also have little savings. Self believes building a good credit history and setting aside funds for an emergency can boost financial resilience, so it enables customers to do both using the platform. As a Self customer shared in a recent testimonial, "I struggle to save money so this opportunity is fantastic for me. It's nice because it contributes to your credit score and helps me put away money into savings!" The fintech is already considering additional ways for customers to save after completing the credit-builder loan, as well as options for adding funds as they go and ways to better track their long-term savings goals.



## IN DEPTH

### How UPS Has Led the Way on Emergency Savings

**Key Finding:** *UPS encouraged nearly 100,000 non-union employees to automate short-term after-tax savings with its recordkeeper, Voya Financial. This program has set an example for other recordkeepers to offer similar services to their customers.*

After decades of promoting retirement savings to employees, the UPS retirement benefits team decided to try a new approach with a broader focus on financial security.

With help from ESI, the UPS retirement benefits team decided to make it easier for employees to build emergency savings instead of tapping their retirement savings and risking penalties. The challenge was making emergency savings as easy as possible.

#### INTERVENTION

UPS worked with Voya, the UPS 401(k) Savings Plan recordkeeper and another ESI industry partner, and Commonwealth to develop and implement an emergency savings program. By leveraging its existing 401(k) infrastructure, the company encouraged UPSers to automatically set aside emergency funds as after-tax contributions, which allows for penalty-free withdrawals of contributions, in addition to their pre-tax contributions.

An ESI and Commonwealth report noted that recordkeeping firms have long understood the importance of emergency savings and feel that these programs are simple to implement for employees who already contribute to an employer-sponsored 401(k) plan.<sup>5</sup> Other data from Commonwealth and the Defined Contribution Institutional

Investment Association (DCIIA) found that LMI plan participants with emergency savings were half as likely to tap retirement savings six months into the pandemic.<sup>6</sup>

#### IMPACT

UPS' plan has benefited its employees while also influencing other industries. Thanks in part to the UPS/ESI partnership, announced in October 2020, more recordkeeping firms, including Voya, are offering emergency savings options to employees.<sup>7</sup> In February 2021, Voya announced a strategic relationship with Millennium Trust that provides a flexible out-of-plan program for Voya's workplace plan sponsor clients to add to their benefit offerings.<sup>8</sup> In August 2021, the Wall Street Journal reported that an increasing number of employers are adding emergency savings options as a workplace benefit, citing UPS as an early mover.<sup>9</sup>

UPS is continuing to learn from this effort and explore more ways to support its workers' ability to save for both the short and long term.

<sup>5</sup> "Record Keepers' Role in Solving the U.S. Emergency Savings Crisis," Commonwealth, Emergency Savings Initiative, November 2020.

<sup>6</sup> Warren Cormier, Nick Maynard, & Sylvia Brown, "LMI Retirement Plan Participants' COVID-19 Financial Strategies, Six Months In," Commonwealth, December 2020.

<sup>7</sup> Anne Tergesen, "UPS to Offer Employees a Way to Save for Emergencies," Wall Street Journal, October 2020.

<sup>8</sup> "Voya adds new Emergency Savings solution to its suite of financial wellness support offerings," Voya, March 2021.

<sup>9</sup> Anne Tergesen, "The New Employer Benefit: Matching Emergency Savings," Wall Street Journal, August 2021.

## IN DEPTH

## How Truist Is Helping Clients to Make Saving a Habit

**Key Goal:** Enable Truist clients to achieve financial security by providing cash prizes that incentivize them to boost emergency savings and make saving a habit.

Behavioral economics principles have clearly demonstrated that small wins have a big impact on building good habits. That's the basis of a new "Start. Save. Win!" sweepstakes pilot program from Truist, a financial services company formed by a merger of BB&T and SunTrust. The new program encourages clients without adequate savings to start an emergency savings fund.



### INTERVENTION

Designed in partnership with Commonwealth, the program offers clients the chance to win cash prizes up to \$500 when they save. Through these incentives, the company aims to reward and create repeated savings behavior, increase consumers' confidence and sense of security, and improve financial decision-making. Commonwealth's research and experience have repeatedly shown that, when given the right tools, most people make sound financial decisions.<sup>10</sup>

### IMPACT

Even as the "Start. Save. Win!" sweepstakes is still in the pilot stage, Truist is gathering data and designing systems to better understand how positive reinforcement tactics encourage savings behavior. The findings will position the company to better meet the needs, wants, and aspirations of people who are just beginning their savings journey. These learnings will also inform Truist's ongoing efforts to inspire and build better lives and communities by helping its clients achieve financial confidence.

<sup>10</sup> "Prize-Linked Savings: Creating Financial Confidence and Opportunity," D2D Fund, Commonwealth, February 2015.

## IN DEPTH

## Turning Credit Card Rewards Into Emergency Savings Funds

**Key Finding:** Research with Virginia Credit Union showed that small changes to the credit card rewards redemption process can enable consumers to save the cash redeemed through their points.

Credit card rewards are a welcome perk, but those points are often spent on nonessentials – even by consumers in need. The reason? Mental accounting, a behavioral economics concept, shows people spend money differently depending on where the money comes from. Many view credit card rewards earnings as a perk to spend on something fun, such as travel, versus paying bills.

### RESEARCH

ESI partners put this mental accounting research to the test. Common Cents Lab partnered with Mastercard and Virginia Credit Union to redesign a portal that enables credit union members to save the points they accumulated through their Cash Rewards Mastercard® directly into

their savings accounts. Common Cents Lab added online callouts encouraging users to save the rewards they accumulated. With one click, users could deposit their reward dollars into their Virginia Credit Union account, making it easier to deposit rewards into savings than redeeming points for different reasons.

### RESULTS

The experiment, which included 4,176 members, more than doubled the percentage of cardholders making at least one rewards redemption to savings and also doubled the saved amount. Members who were part of the experiment saved nearly \$73,000, compared with \$37,000 for the control group. With a variety of rewards programs, these kinds of savings options can add up for those without sufficient emergency savings.

[▶ Read more](#)

# Research

## Finding new ways to promote savings.

When ESI launched in 2019, the initial research agenda focused on foundational research with partners to understand and define areas of savings where interventions could have the most impact. With the emergence of COVID-19, the ESI research mandate expanded to understand how the pandemic exacerbated existing savings gaps and how consumers used emergency savings in a time of crisis. In 2021, ESI's research explored ways to remove friction around savings in other financial services products, such as 529 plans, and examined the ways in which social incentives – including peer accountability and volunteering – can encourage more saving.



### RESEARCH FINDINGS

#### Group Support Helps People Build Savings Habits

ESI fintech partner Esusu, a digital savings platform, conducted a year-long pilot program examining the impact of saving as a group and how access to pooled funds influenced a sense of emergency preparedness. The pilot's key findings were that:

- Users saved more money more regularly when saving as a group
- Users felt more prepared for emergencies with access to a larger pool of capital

[Learn more](#)

#### Emergency Savings Pocket Makes 529 Plans More Attractive to LMI Households

Very few LMI households (4% nationally) have 529 plans, partly because this population often needs accessible cash. One solution is to link short-term emergency savings to long-term education savings through a liquid financial product tied to a 529 plan. Research showed that 40% of families would be more likely to open a 529 account if the plan had a liquid savings pocket.

[Learn more](#)

#### Financial Security Gets a Boost by Linking Emergency Savings and Volunteering

Commonwealth partnered with Shared Harvest Fund of Los Angeles to provide a \$500 “emergency savings” seed to 100 individuals who spent at least eight hours volunteering in their communities, finding that even a small incentive can have a positive impact on financial security.

- 74% of volunteers saved funds in addition to their stipend
- 83% of these volunteers earmarked these additional funds specifically for emergencies

[Learn more](#)

#### People Without Emergency Savings Are More Likely to Rely on Family, Friends

In Financial Health Network's analysis of Financial Health Pulse data, findings showed:

- People who were saving for an emergency and had access to resources from family or friends were associated with a 25% lower risk of hardship during the pandemic.
- People who were not saving for emergencies near the start of the pandemic were three times as likely (15% vs. 5%) as people who were saving to turn to friends and/or family for financial support.

[Learn more](#)

# What's Ahead



## What Else We've Been Up To

Emergency savings are at a critical moment. The work of ESI and others has pushed the issue to the forefront, highlighting how financial security can be bolstered through both private- and public-sector efforts. In the coming year we'll conclude additional savings projects with new partners as well as continue to push on policy issues related to emergency savings.

### IN THE WORKS

#### Policy in Action: ESI and the CFPB Autosave Program

In September 2020, Commonwealth secured the first-ever Compliance Assistance Statement of Terms (CAST Template) from the Consumer Financial Protection Bureau (CFPB) to make it easier for employers to apply for CFPB approval to add an autosave program to their employee benefits.

Within an autosave program, new and existing employees are able to build emergency savings by directing a portion of their earnings to an account designated by their employer or an existing account at a financial institution of their choice. Autosave programs are structured similarly to automatic 401(k) retirement savings programs. Employees receive notice and have the right to opt out.

In 2021, ESI and Commonwealth recruited major employers and financial institutions to submit CAST applications; coordinated with policy actors, particularly the CFPB; and refined our perspective on a specific policy agenda on emergency savings. ESI's work with CFPB is helping to grow influence on policymakers around the topic of emergency savings.

#### Other Partnerships Launched in 2021

**ADP** – To continue providing cost-effective, efficient solutions for diverse payment needs, ADP is leveraging employee-centric research to test emergency savings features through Wisely® by ADP.

**AutoNation** – The company is working with ESI to understand their employees' emergency savings needs, and eventually pilot and scale an emergency savings program to meet those needs.

**Best Buy** – The retailer is evaluating its employee savings program through an employee survey and interviews to identify opportunities for enhancement and increased participation.

**Levi Strauss & Co.** – ESI is helping Red Tab Foundation identify, shape, and test new solutions that will create emergency savings for vulnerable workers, consumers, and communities.

**Target** – The retailer is working with ESI to help Target team members build emergency savings.

**Varo** – The digital bank is working with ESI to help customers automatically save more from every paycheck.

# Acknowledgments



[Common Cents Lab](#) (CCL) is a financial behavior research lab within the Center for Advanced Hindsight at Duke University. CCL gathers and develops insights about what influences decisions to spend, save, borrow, and earn, and then leverages those insights to encourage behavior that aligns with people's financial goals. In the last three years, CCL has partnered with over 50 organizations, including credit unions, banks, tech companies, nonprofits, local governments, and more, to redesign their products and services to measurably improve the financial health of more than half of a million people in the United States. Together, CCL helps their customers lead happier, healthier, and wealthier lives.



[Commonwealth](#) strengthens the financial opportunity and security of financially vulnerable people by discovering ideas, piloting solutions, and driving innovations to scale. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over a half a million people to accumulate more than \$1 billion in savings. Commonwealth understands that broad changes require market players to act. That's why it collaborates with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions Commonwealth builds are grounded in real life, based on its deep understanding of people who are financially vulnerable and how businesses can best serve them.



The [Financial Health Network](#) is the leading authority on financial health. The organization 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. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, the Financial Health Network advances awareness, understanding, and proven best practices in support of improved financial health for all.

# BlackRock's Emergency Savings Initiative

[savingsproject.org](https://savingsproject.org)



## BlackRock's Emergency Savings Initiative

In 2019, BlackRock announced a multiyear, \$50 million philanthropic commitment to help millions of people living on low to moderate incomes gain access to and increase usage of proven savings strategies and tools – ultimately helping them establish an important safety net. The Emergency Savings Initiative (ESI) is a key part of The BlackRock Foundation's mission to help people beyond the firm's core customers to build financial security. The size and scale of the savings problem requires the knowledge and expertise of established industry experts that are recognized leaders in savings research and interventions at the individual and corporate levels. Led by its Social Impact team, BlackRock is partnering with innovative industry experts [Common Cents Lab](#), [Commonwealth](#), and the [Financial Health Network](#) to give ESI a comprehensive and multilayered approach to addressing the savings crisis.