

Concept Overview

Prosperity SmartSave Card: An Incentivized Emergency Savings Strategy

Sharon Henderson, Prosperity Works

Over half of Americans currently manage their lives in a financial state that is unacceptably fragile and not able to accommodate an unexpected financial emergency. Americans living without any financial cushion whatsoever equal 28 percent, a 4 percent growth from last year.

The Prosperity SaveSmart card is an incentivized, secured credit card that builds emergency savings, provides credit building opportunity, promotes financial capability, and rewards parents that create savings accounts for their children. Access to mainstream financial products and services is realized through the relationship of the SaveSmart card and the national network of credit unions that participate in shared banking.

The ability of lower income families to build emergency savings funds could be the key factor in keeping the family from a devastating avalanche of financial crises following one unexpected financial impact. Overcoming credit card red-lining and coupling credit building opportunities with the savings card helps eventually mitigate one of the high costs of being poor. Connecting financial education and savings prompts with the actual savings product increases the likelihood of long term behavioral change. Building on the hypothesis that parents will do for their children what they will not do for themselves, the product design includes rewards that are targeted toward establishing secondary savings accounts for children.

The incentives provided that encourage building an emergency savings account include (1) gifting the child's savings account as the parent sets aside savings into the family emergency savings account; and (2) providing rewards for on-time repayment of credit lines.

The following features are included in the smart card:

- facilitate deposits into emergency savings accounts set up as secured lines of credit;
- facilitate deposits into established children's savings accounts;
- provide incentive to parents/guardians to build an emergency savings account by automated deposits (gifts) into the children's accounts;
- provide credit reporting to at least one of the three main credit bureaus and credit-building tips to the users in each monthly credit card statement;
- provide access to the products and services of all financial institutions in the Prosperity SmartSave card network (mobility);
- provide automated savings hints, financial coaching messages, hot new resources, etc., through push messages to customer mobile phones via text;
- provide balance reports and product and service resources via customer text;
- incorporate a mobile household budgeting tool that is connected to the application;
- provide access to savings challenges and reminders.