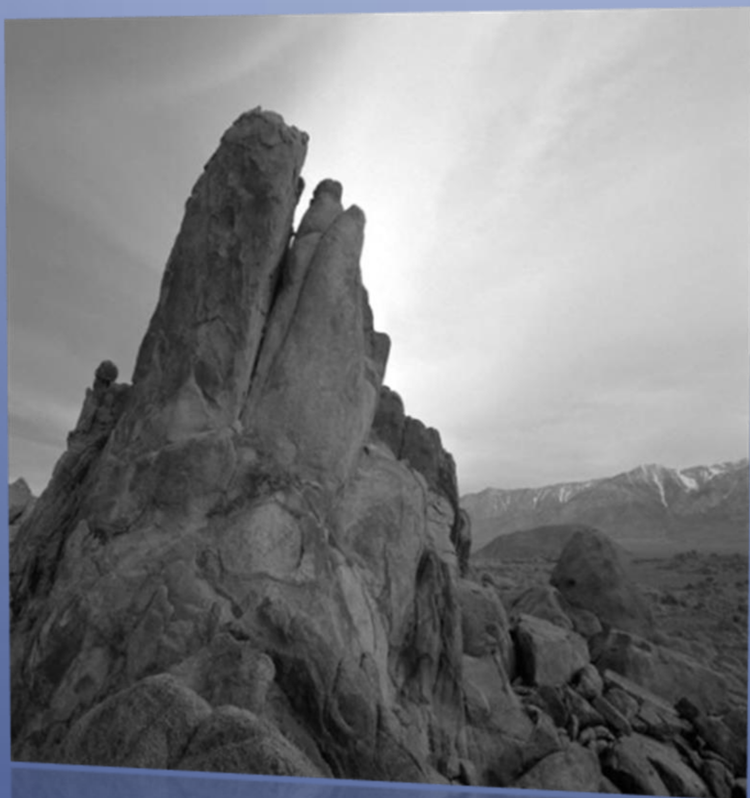


Big Dreams Start with Small Savings

A new model for scaling emergency savings to millions of low and income workers.

Submitted by Ben Mangan and Nga Chiem, EARN

Introduction

America has an opportunity problem – and the gap between who has wealth and who doesn't – shines a light on our challenge as a nation. A recent study from the Pew Research Center shows that the nation's wealth gap has grown dramatically - 7% of the nation's wealthiest own 63% of the nation's wealth (Pew Research Center). The problem is especially acute when viewed through the lens of race. White households own roughly $10 in wealth for every one dollar in wealth held by families of color (Pew Research Center, Oliver and Shapiro). Furthermore, research by CFED found that 44% of American households lack even a basic financial safety net to withstand small economic shocks (CFED, 2012). This same study finds that even while some have some modest savings, 26% of households have debt greater than their assets, and would be unable to survive these financial disruptions without dire consequences. The CFED study goes on: 30% of Americans lack savings accounts, and 56% have subprime credit scores. These statistics suggest that up to half the nation is situated to experience *downward* mobility in their lifetimes. If household net worth is the greatest predictor of *future* prosperity, as some researchers suggest (Dalton Conley of NYU among them), these statistics foretell *intergenerational* downward mobility – a nightmare version of the American dream going in the wrong direction.

EARN believes we have a powerful answer to this problem: fostering lifelong savings habits for low wage working Americans. In this paper, we propose a new model for bringing the transformative power of savings to scale for millions of low income Americans, delivered at a fraction of the cost of savings programs practiced over the past twenty years. This paper presents EARN's model in the hopes that it challenges leaders to think more creatively about sparking prosperity for low income Americans, and inspires entrepreneurs in the nonprofit, government and private sector to improve upon EARN's ideas, and initiate bold new experiments.

At the heart of EARN's new model is the belief that savings is transformative both for household balance sheets, and for household mindsets about money and life. We believe the transformative power of saving – starting with emergency savings - can provide many of the ingredients that low income families need to gain lasting prosperity. These ingredients start with a safety-net to withstand small economic shocks. But we believe that the right combination of incentives (monetary and non-monetary) will spark ongoing savings. We believe regular savings can lead low and moderate income (LMI) families from having a cushion, to saving a small pot of "spark capital" that families can use to invest in something that will grow – like a 529 educational savings account, or a Roth IRA. We believe the transformative habit of saving fosters skills that make people more successful and confident in solving economic and other challenges in life. We also believe that all of these behaviors can be transferred across generations in the form of money norms and values that form families' "money culture".

EARN is launching a new offering that we believe can bring the transformative power of savings to 1 million low wage American workers. This paper distills our guiding principles and key hypotheses in the design of our offering (which is yet to be named – but referred to herein as EARN's *Starter Account*). We also offer details on how the Starter Account will foster lasting saving behavior, and all the benefits this creates for savers. In addition, we discuss the challenges our new model faces – ranging from a complex regulatory landscape to high levels of operational excellence required for success to the high costs of rewarding savings with bonuses.

Background on EARN

EARN is a California-based nonprofit that has used savings to help low-income working families since 2002. EAREN is one of the two largest providers of traditional matched savings accounts in the United States. We have opened nearly 5,000 matched savings accounts over the past 11 years. The majority of these accounts have been government funded Individual Development Accounts (IDAs) that provide $4,000 in match when a low income worker saves $2,000 of their own money over the course of 5 years. Savers are then allowed to use these funds to invest in their own education, small business development or first homes.

Aiming to lower costs and increase impact, EARN introduced the TripleBoost Account in 2011. TripleBoost is for low income families with children between the ages of 10-17. TripleBoost Savers enroll online, manage their accounts online and receive training online as well. TripleBoost families save $500 and receive a 3:1 match - $1,500 from EARN – to invest in educational expenses proven to help low income youth graduate from high school and go to college. Approved uses range from computers, to academic enrichment, to investment in a 529 college savings account.

EARN has a robust internal research function that evaluates the effectiveness and efficiency of EARN's work and publishes original data, sharing lessons learned and best practices. We use this unique grounding in rigorous applied research and direct service experience to transform the financial services landscape and to champion effective public policies. EARN leverages the power of grassroots constituent voices in removing barriers to saving, and increasing investment in savings opportunities for low income people. This policy work is advanced through EARN's California-wide coalition, *Californians for Shared Prosperity*.

Track Record of Success: In our eleven years of operation, EARN has opened 4,800 matched savings accounts. EARN's Savers have an average household income below $17,000/year, but they beat the odds by saving $112 per month, increasing their economic stability, and preparing to leverage their assets into even greater gains for themselves and their families. Despite the barriers they face, our Savers have deposited over $6 million of their own funds into EARN matched savings accounts. So far, EARN's Savers have invested in 1,209 college educations, launched 662 microenterprises, and sustainably purchased 158 homes. A qualitative study by the EARN Research Institute found that 83% of our Alumni continued to save, even without matched incentives, after program completion.

Through our broader work, EARN drives innovation to serve all low-wage families in California and beyond. EARN was a key partner to the City and County of San Francisco in creating the Bank on San Francisco model as well as the first-in-the-nation Kindergarten to College model, to provide a matched college savings account for every child entering public kindergarten in San Francisco.

Problems Addressed by EARN's Starter Account

After eleven years advancing saving for low income Americans, it's clear to us that getting people to save can be very difficult. This is not just conjecture - there is strong evidence that low-income Americans need help fostering the habit of savings. Ironically, even an examination of results from programs that help low income people save offers a glimpse into this need for more effective ways to foster saving. EARN's own internal analysis shows that most of EARN's Savers' (we call our clients "Savers") unsuccessful closures of the matched accounts EARN offers, are due to emergency withdrawals. In other words, the demand for cash to weather an economic shock often trumped the opportunity for low income people to get a 2 to one match on their money for investments in education, microenterprise, or home purchase. Other traditional "asset-building" programs that offer IDAs through nonprofits around the nation experience very high attrition rates due to cash flow issues: 64% of participants in a large national evaluation of matched savings programs nationwide (American Dream Demonstration, CFED 2002) and 57% of participants in a City of New York Saving Program for low income tax filers ($aveNYC, 2009) were forced into *unmatched* withdrawals because of emergencies.

By definition, traditional asset-building accounts like IDAs, fall short of serving emergency savings needs. IDAs and similar accounts are prohibitively designed to help low income workers save for specific assets. But it is important to note that the current state of asset-building program structure and management is a deeply imperfect a point of departure for designing emergency savings solutions, for many reasons. A hard look at these programs reveals significant operational inefficiencies, a lack of comprehensive services, and an unclear track record on establishing regular savings habits.

Yet, while current nonprofit models for savings have not fully met the needs of low income consumers, neither have mainstream financial products. Standard features of commercial saving products (e.g. fees, penalties, high minimum balance, require a Social Security number) create a high barrier to participation and provide a low incentive to save for people with little to no history of saving. With this gap in the market, low income consumers remain profoundly vulnerable to financial disasters that can stem from every-day mishaps – like a car being towed.

Having your car towed in San Francisco costs a driver roughly $500. If that driver (let's call her Julia) is a low wage worker and lacks the money to retrieve her car, serious damage could follow. Julia could lose her job if she can't get to work. Julia will find it hard to look for new work due to spending many extra hours getting to and from a childcare location previously accessed by car. The upshot could be catastrophic for Julia – including the possibility of her becoming homeless. Alternatively, Julia might take out a payday loan to get her car back – setting off a new set of serious financial problems.

EARN's Answer to America's Savings Problem

EARN believes that the transformative power of saving would write a different ending to Julia's story. If Julia had participated in a product specifically designed to foster regular savings, we believe she'd have enough money to get her car back – and the financial capability to save again, to survive the next emergency she faces.

The sort of product that could help Julia happens to have strong support among LMI people in the marketplace. Internal EARN market research reveals that the largest unmet need for the LMI population is a basic short-term goal-based savings product that focuses primarily on cultivating a regular saving pattern and prepares them to weather economic shocks. Since March of 2012, EARN has been working to meet this demand in the market, developing our "Starter Account" for emergency savings that we believe will bolster household balance sheets through building regular savings habits and build skills that help LMI families and individuals more effectively solve the financial problems they face.

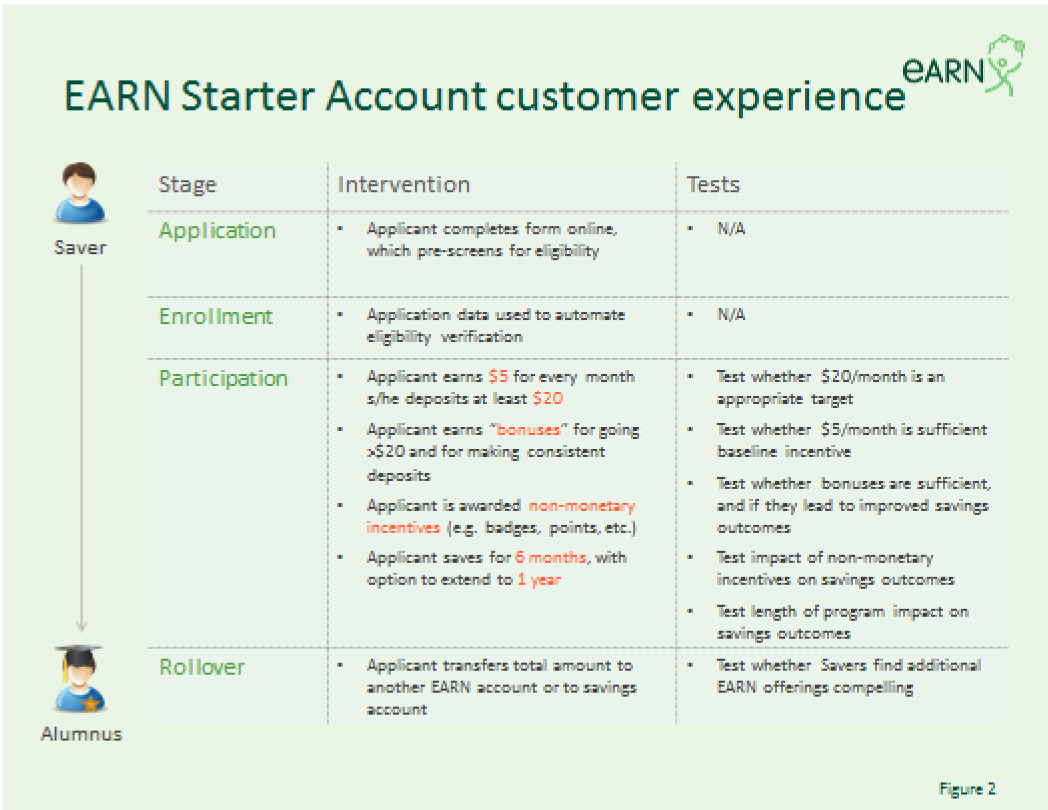
EARN's product is positioned as a starter savings account, that builds the habit of saving while also protecting families against emergencies, and building long term financial capability. EARN's Starter Account will foster savings habits and skill building through a combination of small financial incentives from EARN that spur regular monthly savings for 6-12 consecutive months. The account will also feature internet-based tools that foster financial capability and provide additional layers of non-monetary incentives. All of this will be delivered using a mobile-enabled online platform that EARN is currently building with the help of technology leaders from nearby Silicon Valley.

Many LMI people who want to save, don't - because they find savings tools expensive and/or unavailable, they feel overwhelmed by stress, and find report so little control over finances that they simply throw their hands up and don't try to gain control of their finances. Figure 1, below, reflects these challenges.

Figure 1

EARN's starter account is designed to be inexpensive and easy to access, and to give control to Savers. Savers will receive $5 each month when they save $20 in that month, for six consecutive months. Additional bonuses will be awarded when savers reach the 6 month mark, and when savers achieve other milestones related to building financial skills on the EARN platform. At the six month mark, EARN Savers will have the option to continue saving consecutively till month 12, with bonuses available for monthly saving, saving for 12 straight months. In addition to money, other incentives – such as badges and recognition markers for social media circles, will be used to recognize and incent savings.

Figure 2 below, shows what each product feature tested will teach EARN, and others, about its effectiveness in fostering savings.


EARN Starter Account customer experience

Stage	Intervention	Tests
Application	• Applicant completes form online, which pre-screens for eligibility	• N/A
Enrollment	• Application data used to automate eligibility verification	• N/A
Participation	• Applicant earns $5 for every month s/he deposits at least $20 • Applicant earns "bonuses" for going >$20 and for making consistent deposits • Applicant is awarded non-monetary incentives (e.g. badges, points, etc.) • Applicant saves for 6 months, with option to extend to 1 year	• Test whether $20/month is an appropriate target • Test whether $5/month is sufficient baseline incentive • Test whether bonuses are sufficient, and if they lead to improved savings outcomes • Test impact of non-monetary incentives on savings outcomes • Test length of program impact on savings outcomes
Rollover	• Applicant transfers total amount to another EARN account or to savings account	• Test whether Savers find additional EARN offerings compelling

Figure 2

Based upon internal research at EARN on the "stickiness" of savings habits, we hypothesize that individuals who are "primed" to begin a savings habit through using something like a Starter Account, will be more likely to succeed when saving for additional long-term goals and investments (e.g. retirement, kids' education), which are critical to building economic security across generations.

EARN will open 10,000 Starter Accounts by March 2016, a dramatic increase over the approximately 4,700 matched savings clients served by EARN in our previous decade of operation. This will position EARN to reach our goal of opening 1 million goal-based savings accounts by 2022, with uses that range from emergency savings to retirement and healthcare savings, among the 1 million accounts.

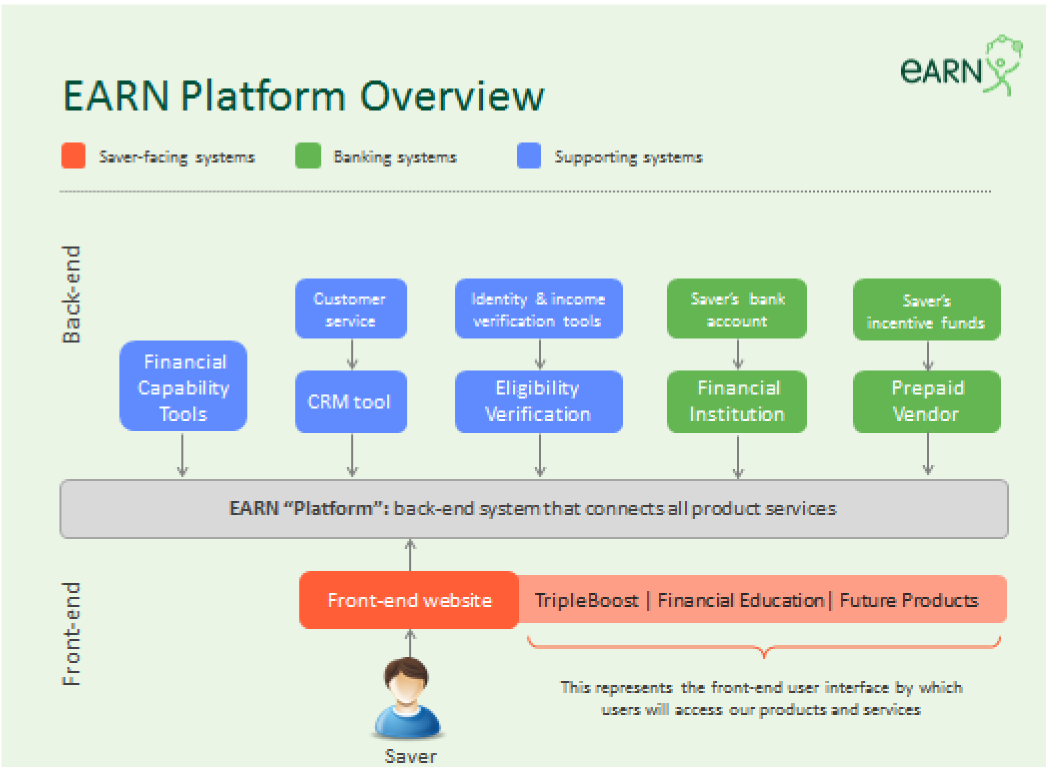


Figure 3

The online platform EARN is building (pictured above in figure 3) will have a robust back-end that includes modular architecture for adding financial capability tools, financial products offered with EARN partners, income verification tools, customer service and CRM tools. EARN Savers will log on to find a simple, front-end website that reflect their goals, their achievements to date, and a number of other options to take action related to saving.

While the idea of moving services and products online for LMI people is controversial or jarring for some long-time service providers, EARN has answered three key questions that give us comfort using this approach:

1. Are LMI people and people of color online? Yes, they are. According to the Pew *Internet and American Life* project, roughly three –quarters of African American and Latino adults are online. Roughly two-thirds of households earning under $30,000 per year are online, and 86% of households earning between $30,000 and $49,000 per year, are online.
2. Do LMI people say they want savings based services delivered online? EARN conducted focus groups and telephone surveys among nearly 100 EARN saver clients asking how they preferred to be enrolled in EARN products and services, and the products and services of organizations like EARN. They responded overwhelming that they preferred to enroll online. This is unsurprising when one pauses to consider the busy lives of struggling families juggling multiple jobs, and caring for their children.

3. Will LMI people *actually* consume services and products online? Outside of San Francisco? Again, we found the answer to be overwhelmingly, yes. Starting in 2011, EARN began to enrolls savers in our TripleBoost account exclusively online. We have enrolled over 1200 new families in TripleBoost accounts over the past 14 months. We have opened these accounts for families earning under 50% of the area median income for the county where they live, and have opened these accounts in the nine-county San

Francisco Bay Area, and in Los Angeles. The majority of these accounts have been opened by non-native English speakers, enrolling online in Spanish and in Chinese.

EARN has been building our platform to reflect key learnings from our experience offering TripleBoost accounts online. We believe a well-designed online portal, coupled with well-designed products will provide a robust environment for LMI people to foster the habit of savings. We believe the advantages of this approach include:

1) Accessibility – Unlike traditional savings products, EARN's Starter Account will remove many of the hurdles LMI individuals face when trying to save. Participants will: be able to use an ITIN in lieu of a SSN, not be subject to ChexSystem scans, have access to their account online, and will have favorable minimum balance and deposit requirements so that the barrier to enrollment is as low as possible. As per the discussion in the preceding section on internet access and our target market, the vast majority of LMI consumers are currently online, and will increasingly be online, and on their phones to conduct personal financial management.

2) Rewards & Incentives – As currently designed, Product X will provide a $5 monthly bonus when someone saves at least $20 each month for six months. They will receive an additional $100 bonus if they reach the six month mark. Savers who continue to save at least $20 for an additional six months will be rewarded with the same incentive structure. This provides up to $500 in liquid savings for Savers who participate for 12 months.

Secondary Incentives: Savers can move from having $500 to $600 in 12 months by taking advantage of additional bonuses that reward positive financial behaviors. For instance, when Savers achieve certain important milestones, like creating a budget or completing a series of online, interactive financial training videos. EARN will also provide additional bonuses that reward retention of savings balances for longer periods of time. In addition, EARN will test the efficacy of non-monetary incentives that provide recognition and encouragement when key milestones are met by savers.

Additional Incentives: EARN is currently beta-testing an LMI version of www.saveup.com, custom built for EARN to experiment on how to use prize-linked savings concepts to spur saving and debt reduction. SaveUp is a for-profit, financial-tech company that provides points when one links a savings or debt reduction account and actually saves or pays down debt. SaveUp users then use the points to enter drawings that range from gift cards to a $1 million jackpot. SaveUp partners with software giant, and *Turbo-Tax* publisher, Intuit, to allow consumers the ability to link 21,000+ financial institutions to the SaveUp portal. In our beta test so far, EARN has enrolled 300 LMI people who have linked debt and savings accounts to our version of the portal. We are seeing great promise in this approach as a way to further incent and engage our customers. Thus far, beta test participants are saving an additional $120 per month, paying an additional $94 per month in debt, and consume twice as much financial education online video content as the average SaveUp user. We will do a national roll-out of our platform in summer of 2013, and will integrate our custom version of SaveUp into our larger online platform.

3) Convenience & Security – Accounts will initially be offered through a feature-full online portal, with the potential to develop a mobile platform in the future. FDIC-insured financial institutions will back deposits, guaranteeing that Savers' funds are secure. EARN is currently exploring product partnerships for growth with large banks, as well as prepaid card vendors.

4) Support – EARN's integrative model will help accelerate savings by providing online financial management tools including tips, videos, games & challenges. The portal will contain an online community of account holders, which will features personalized email responses, support groups, and the ability for Savers to seek support for savings goals from friends and family on social media platforms like Facebook. EARN's platform will also be built to integrate with other community groups offering services online. Many of these features will also be offered via apps for smart phones as EARN's work online grows.

Target Market and Market Research

EARN's internal analysis suggests the market size for the account described in this paper to be 34 million American adults. EARN has completed in depth market research that serves as a model for others taking a product oriented approach to scaling emergency savings, or other financial services. The approach is highlighted in this paper to illuminate EARN's target market for Starter Accounts, and to present a replicable methodology for others to test.

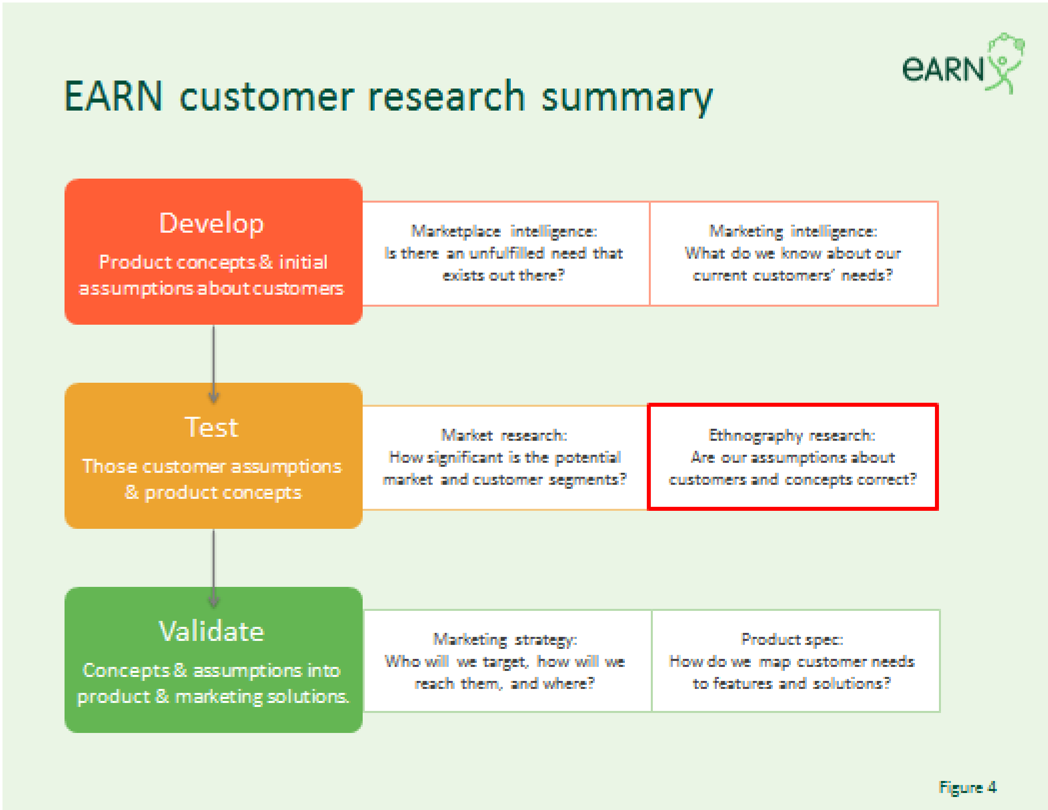


Figure 4

As Figure 4 expresses, the overall customer research effort involved three primary phases

1. Develop product concepts and initial assumptions about customer
2. Test customer assumptions and product concepts
3. Validate concepts and assumptions into product and marketing solutions

Key Findings from Market Research

EARN's market research identified three main market clusters. The clusters are characterized by three sets of variables grouped according to demographics, psychographics linked to willingness to change, and comfort with technology. The three main clusters identified in our research are described below in Figure 5.

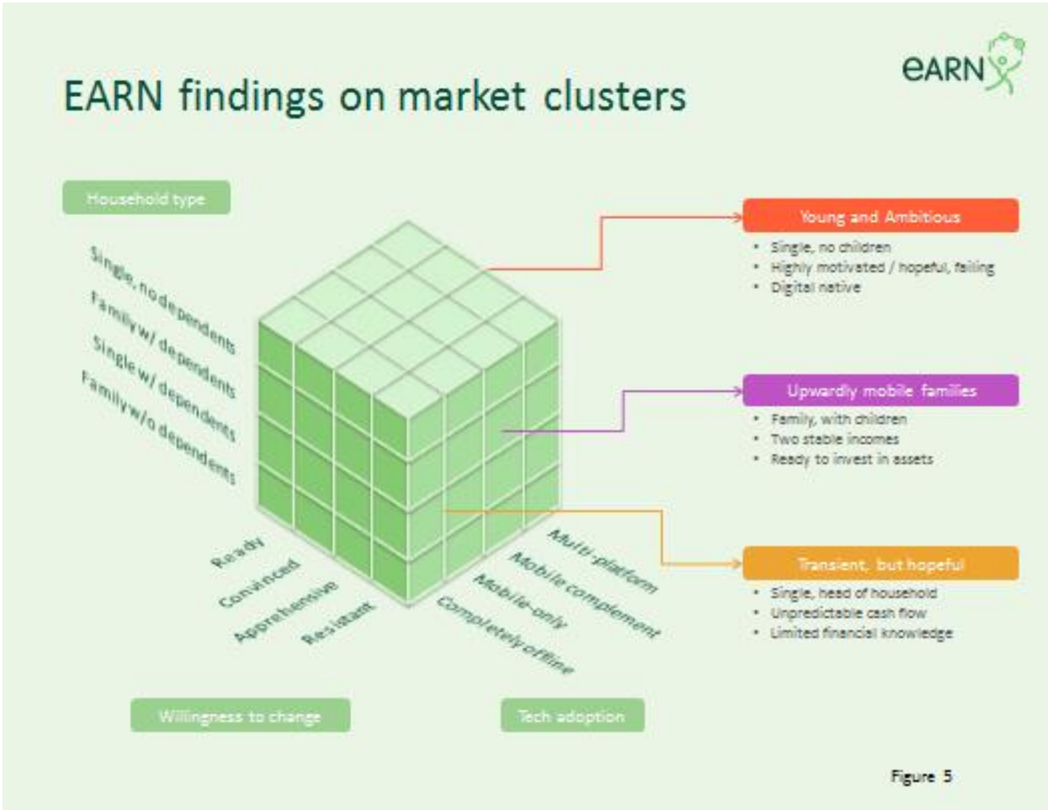


Figure 5

The Importance of Market Segments

After completing higher-level market research to identify market clusters, EARN conducted deeper analysis and synthesis to identify market segments within these segments. Segmenting the LMI market when designing emergency savings products, and other financial offerings, is critical for success. Traditional matched savings accounts have involved very large incentives that initially attracted nearly all segments of the LMI population – but providers of matched accounts have paid a very large price for serving all segments with a very expensive “one size fits all” bundle of services. Newer approaches – like EARN’s Starter Account, and others that involve lower, or no incentives, won’t have the premiums of 2:1 matches to offset misalignment between product design and market segment. We must carefully align offerings to incentives to successfully deploy products in the market place at a price that makes these offerings scalable.

EARN's ethnographic research suggests that the most important dimension by which to segment LMI individuals is their stage in the savings journey, which maps to their individual willingness to change in order to reach their goals.

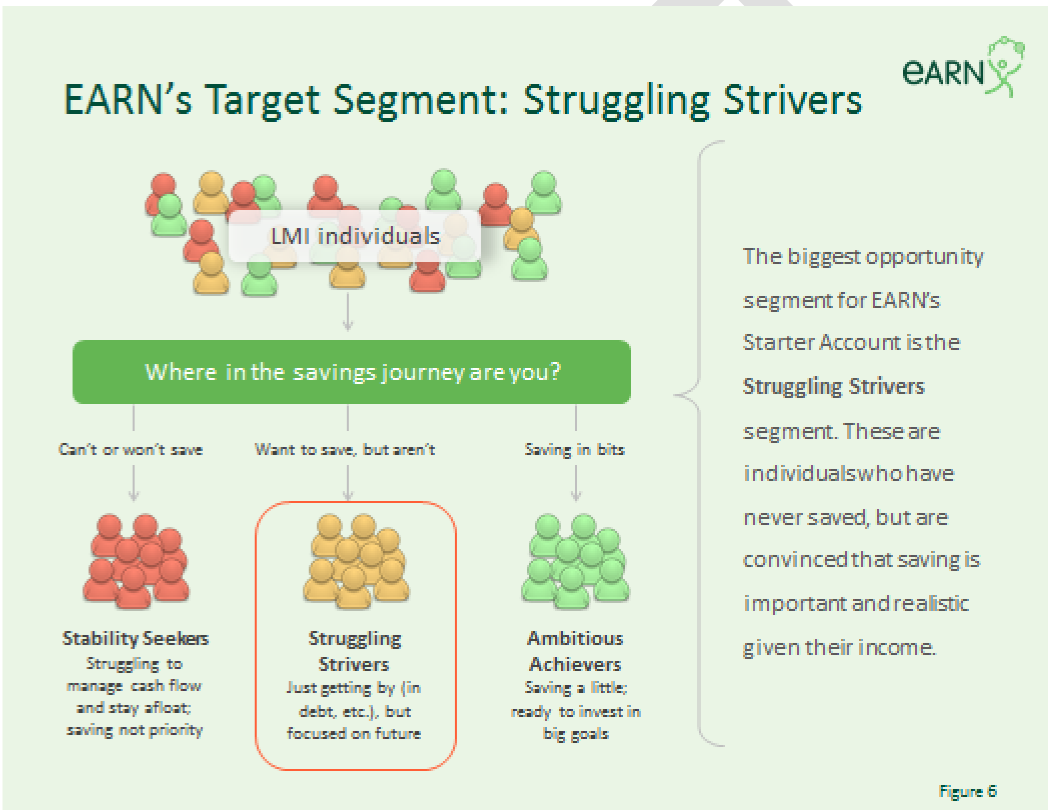


Figure 6

Figure 6 above reflects the three market segments that EARN identified as we analyzed and synthesized our market cluster data. These three segments are 1) *Stability Seekers,* who struggle to manage cash flow and stay afloat; 2) *Struggling Strivers*, who are just getting by, but are focused on the future, and; 3) Ambitious Achievers, who are saving a little, and ready to invest in big goals.

EARN's starter account will initially focus on attracting the *Struggling Strivers* segment. We chose to focus on Struggling Strivers because we believe this offers the highest level of alignment between social and economic impact, and available products with features that make these products scalable.

Antoinette (pictured below in figure 7), is a woman with whom EARN worked during our ethnographic research. She is a single mom who aspires to save, but faces difficult financial challenges. After spending a few days with Antoinette, it was clear that she reflects the characteristics of the *Struggling Striver* market segment. EARN posits that this segment has six primary needs with regard to saving and building financial capability:

1) A structured way to manage cash flow
2) Friends/Allies to help keep them accountable
3) Buy-in from household/social networks
4) Better ways to make trade-offs
5) Trust and transparency
6) Simplicity, convenience and routine

Figure 7

EARN's research also revealed four archetypal goals that are crucial to design around in order to serve Struggling Strivers. People within this segment need to:

1) Have goals that are emotionally significant to them
2) Have peace of mind with regard to their finances
3) Be givers, and also periodically treat themselves
4) Know where they stand financially

(Figure 8, below, reflects these needs with additional details)

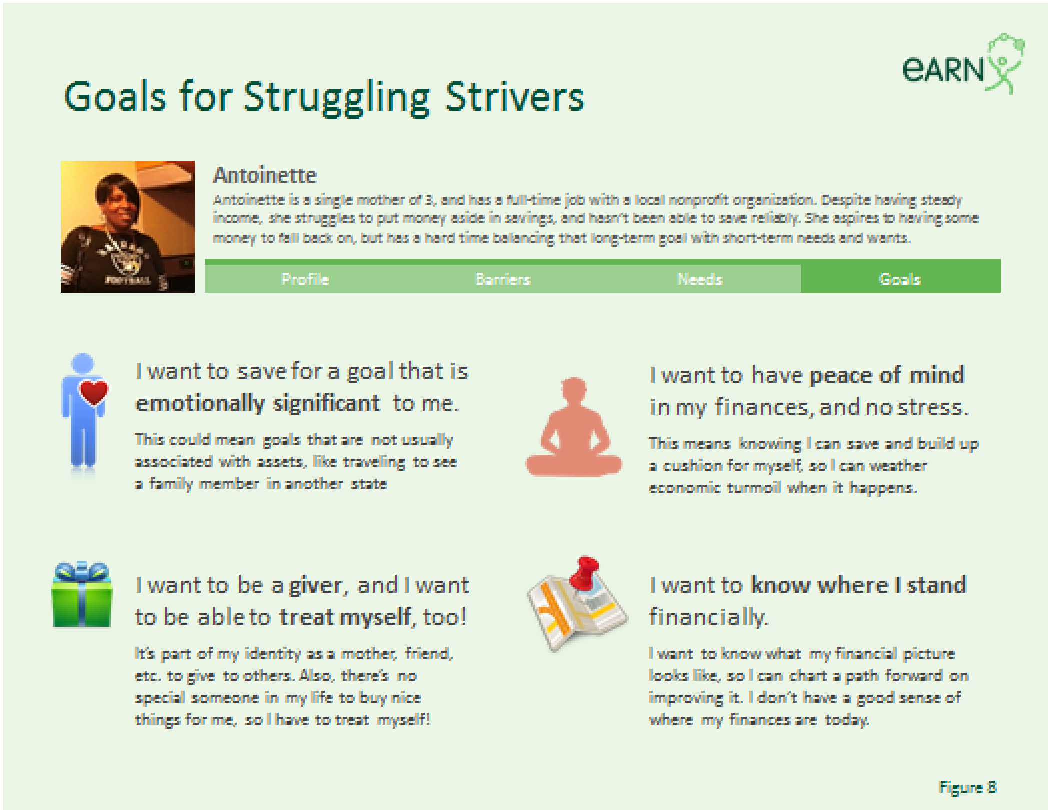


Figure 8

EARN's Starter Account is designed to meet the needs of *Struggling Strivers* like Antoinette. As depicted below in figure 9, EARN's starter account begins with a very accessible savings vehicle, with built-in accountability and support systems, opportunities to learn, and accelerants - such as incentives and other tools that intrinsically motivate people like Antoinette.

Figure 9

Limitations and Opportunities in EARN's model for scale

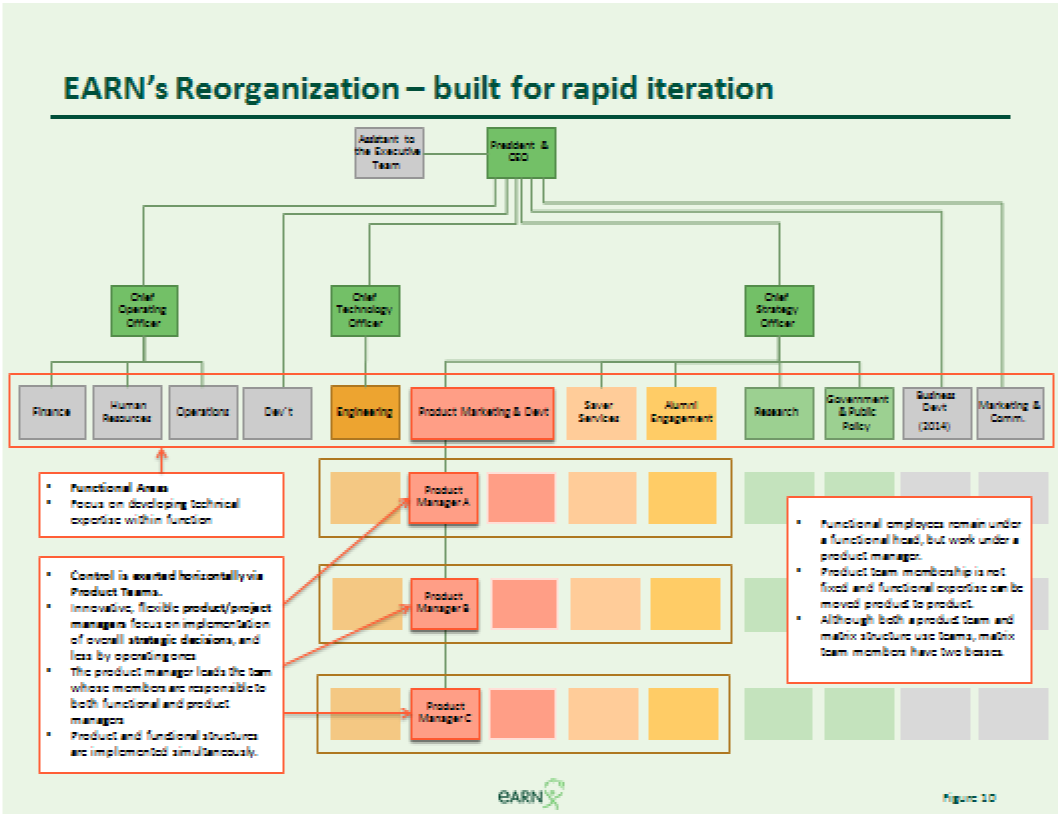
<u>Scale</u>: Using a mobile-enabled, online platform, and bonuses instead of match, EARN aims to serve 10,000 people by 2016 and 1 million by 2022. The EARN starter account platform is being designed to allow for constant, rapid iteration, and big-data analytics that tell EARN precisely which combinations of treatments, and at which levels, produce the greatest impact for key performance metrics. EARN aims to understand the most efficient way to foster a lasting savings behavior and deliver "just enough" capital to weather emergencies and spur other positive financial behavior. We strongly believe that the sophistication of EARN's platform is a huge advantage to achieving scale. But we are also acutely aware of the challenge of cost in

this model. If it is indeed the case that this model requires $250 per customer to spark savings behavior and financial capability, <u>this will require $250 million dollars in incentive funding alone, over the next ten years!</u> Needless to say, it is EARN's hope that intended outcomes can be achieved with significantly less incentive funding required.

<u>Institutional Capacity</u>: Among nonprofits, EARN stands out in its ambition to increase impact by 200x in its second decade of existence. At a values and culture level, we believe EARN is poised for success. High watermarks for excellence in three key operating areas will be also required for EARN, and any other organization aiming for similar scale:

1) Built with technology: The social sector rarely elevates technology as a primary operating value. Yet, to reach the kind of scale EARN seeks, we'll have to successfully translate our great success from using people to produce outcomes, to leverage our skilled staff, using technology to amplify our success. Organizations and businesses that do this well, use software engineering very strategically. Kiva, for instance, is the fastest-growing nonprofit in the history of the world. It is no coincidence that they employ over 20 full time software engineers.
2) Built to deliver products: Successful technology companies structure their organizations to be optimized for constant learning, cross-functionality and rapid iteration. Nonprofits are rarely ever built this way. In 2013, EARN underwent a radical structural transformation, and reorganized in the way many technology companies are built. EARN now has product managers who manage cross-functional teams that quickly pivot when

they discover opportunities or challenges. Figure 10, below, reflects EARN's new organizational structure, optimized for scale:



3) Built to market to 1 million: EARN will be required to build tremendous new marketing competencies to successfully reach 1 million people by 2022. EARN currently employs three marketing and communications staff, including a seasoned Director of Marketing. Central to our marketing success will be the viral effect of early adopters and evangelists for EARN's starter accounts. These accounts are being built for social-network sharing related to savings goal attainment, but this functionality doubles as a powerful marketing lever. EARN will also pursue marketing channel partnerships with large national nonprofits (such as Goodwill), associations (such as labor unions) and large

employers of low wage workers. In addition, EARN will continue to grow direct to consumer marketing and media exposure, focusing on the ethnic press.

Regulatory Risks: We believe there are three main areas of challenge for EARN's approach to scale, with regard regulatory risk. The first risk is having our entire model obviated through the unintended impact of a new rule or regulation. EARN has conducted regulatory and policy analysis that leads us to conclude that we face little risk in having our model obviated through policy changes.

The second risk is multidimensional and complex. EARN's model is breaking a lot of new ground in the way our accounts will be structured, the roles we play in managing and transferring money, and the role we play in managing client information. Small distinctions in our business decisions relating to these roles can trigger significant regulatory and licensure burdens. EARN's counsel, Covington Burling, has created a legal framework that has guided product design, and is now guiding EARN's negotiation with prospective vendors. We are confident that EARN can minimize these risks as a result of past counsel, and the framework we use to guide key business decisions related to product selection and program design.

The third area of risk involves current regulations that prohibit recipients of public benefits to save more than $2,000, called "asset tests". If our Savers are very successful, they will face these asset limit tests at the $2,000 savings mark, and may face a choice of losing valuable benefits – such as subsidized childcare, or subsidized housing - in order to continue saving. EARN has a Saver Alumni Engagement arm, which is increasingly focused on using the constituency power of EARN Saver alums to remove barriers like these to enable greater savings.

Costs and Sustainability: By using an online portal, EARN will be able to achieve an actual economy of scale – where our per-unit cost will decrease as our volume increases. Over time, our greatest costs will be the incentive funds for Starter Accounts. EARN will pivot to lower the amount of incentive as we find an optimal mix of monetary and nonmonetary drives of savings behavior and related outcomes.

Initial and some ongoing incentives will be provided through major donor fundraising at EARN, where we're on track to grow major donor fundraising to $1 million in 2013. But ongoing funding, for far more Savers, must come from an earned revenue model which will include referral fee income from financial institutions who successfully win an EARN Saver as a customer, as well as income from selling our platform as a white label solution to employers and membership organizations interested in helping foster financial capability and savings among their members and employees. EARN also believes our model has the potential for additional earned revenue streams that will become clear once we begin offering Starter Accounts in greater volume.

Accessibility and Diversity: EARN will market our Starter Accounts to working families and individuals earning under 50% of the area median income in the county where they live. EARN will employ burgeoning technologies used by states for government assistance eligibility screening to screen our own savers. EARN has already built online applications and financial capability materials in English, Spanish and Chinese. We will continue this practice, and also focus our marketing on key underserved demographics in the different markets we enter, using ethnic media and other sources, described in the preceding discussion on marketing. With regard to disabilities, and other communities with very distinct needs, we do not believe EARN's Starter Account, or any other financial product can realistically meet all needs for all communities . Designing EARN's Starter Account to accommodate every conceivable need in the general population would dilute our ability to deliver savings and financial capability to the vast majority of LMI consumers who would benefit from what EARN's Starter Accounts can provide.

<ins>Evidence of Effectiveness</ins>: EARN's Starter Account has been designed using evidence from social science research that explores the power of goal-based saving among LMI populations. EARN has been deeply influenced by the data from Pew's Economic Mobility Project, which found that one of the greatest predictors of a family leaving the bottom 20% of the economy was regular saving – *not* necessarily saving and investing in a specific asset. Specific studies used to inform the design of EARN's Starter Account include Karlan and Duflo's recent randomized control trial (RCT) on savings among LMI people at Neighborhood Trust Financial in New York City, which explored the success factors and challenges in goal-based, restricted savings. EARN's own work on the way savings builds self-efficacy has also been influential in designing our Starter Accounts.

EARN's ongoing evaluation will be anchored by one fundamental question: Is savings transformative for LMI people, in the way we believe it to be? Our ongoing evaluation consists of three dimensions: effectiveness, efficiency, and evidence.

1) Effectiveness: this dimension will explore whether EARN is creating the intended impacts we expect through our Starter Account and the EARN platform. Will EARN Savers save more and save regularly? Will these small amounts of money give people a sense of greater control over their lives, and contribute to increased abilities to solve other financial problems they face? EARN will collect survey data upon enrollment, and at six month intervals that explore these questions with inquiries on household financial status and Saver mindset with regard to optimism, control, as well as financial knowledge and capability to solve problems. EARN will also continue deep ethnographic research with Savers and Saver Alumni. All of this data will help EARN make short term pivots and help gage the effectiveness of our offerings.

2) Efficiency: EARN's move to an online platform from which we'll offer products and services will provide granular transparency into the cost of serving LMI people with our products and services. While EARN considers the effectiveness of our outcomes, we will also constantly assess the relative cost of producing our outputs and outcomes. EARN will ask hard questions: Is this a reasonable cost to produce our outcomes? How does the cost of the Starter Account compare to the cost of interventions that produce similar results? Are there interventions that are as effective as EARN's, but cost less to deliver? If so, why aren't we offering these products instead of our own? These are the questions anyone aiming to scale savings should ask themselves – and practitioners should answer these questions by pivoting to find better blends of effectiveness and efficiency.

3) Evidence: EARN will hire an independent, third party evaluator to conduct a randomized control trial in 2014, to assess the impact of our Starter Account. While expensive, the RCT will answer a critical question: was it EARN's accounts that created the changes in our clients' lives, or were other factors, such as randomness, or the bias of other, non-EARN influences changing peoples' financial circumstances?

Conclusion

EARN believes the model presented in this paper will leverage the transformative power of saving to create lasting economic security for millions of low and moderate income Americans. Savings is an elegantly simple vehicle for the drivers of future economic success for *all* Americans – and especially for LMI Americans. Savings gives people control, where they often felt they had little or no control before. Saving each month is a statement of cautious optimism about one's future. Having savings to weather an emergency not only insures LMI people against catastrophe, but it also reinforces the value of *having* saved. The research strongly suggests that saving regularly builds skills that help busy, stressed-out, low income Americans enhanced ability to solve the complex financial problems they face every day.

EARN's aspiration to serve 1 million LMI Americans with goal-based savings accounts is designed to be an economic catalyst for the million Americans EARN will empower. Indirectly, we hope our model will change the lives of millions more by inspiring others to be bolder in their aims for changing this country. We believe that when faced with particularly difficult challenges, leaders can too often be tempted to misalign the size of solutions to the size of massive problems, and declare success without having made a real dent in the problems we most need to address. It is our hope that other leaders that value innovation in creating prosperity for all Americans, will build upon EARN's model presented here, amplifying the transformative power of savings to change the futures of millions of Americans.

About the Authors:

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Ben Mangan is the President, CEO and Co-Founder of EARN (www.earn.org). Since 2001, EARN has helped tens of thousands of low income people enter the financial mainstream and move toward prosperity with financial products and services. Ben has used the past 20 years to spark prosperity in new ways. He has worked as a high school teacher and a college admissions officer, led a consulting practice for Ernst & Young that focused on public/private economic development efforts, and driven organizational strategy for the early micro-payments company, beenz.com. Ben and EARN have been featured in Time Magazine, the Wall Street Journal and BusinessWeek. He is a blogger for the Huffington Post, an *Influencer* for LinkedIn, and teaches strategy and leadership at the Haas School of Business at UC Berkeley. He holds a BA from Vassar College and an MPP from Harvard's Kennedy School. Check out Ben's recent Ted talk on unleashing possibility for all Americans to hear more on the way he sees the world: http://bit.ly/QPF77k

Nga Chiem

Nga Chiem joined EARN in 2011 as Vice President, and was promoted in 2013 to Chief Strategy Officer. She leads EARN's product creation, service provision and measurement of EARN's impact. Nga comes to EARN with extensive experience in the public, private and social sectors. She has developed and implemented key research, programmatic, and legislative initiatives to improve the economic security of low income workers and their families. Her accomplishments include leading research and policy at the Service Employees International Union, where her teams won three gubernatorial executive orders and codified legislation that brought $400 million of funding to train providers, improve quality of care and subsidize low income working families. As the Harvard Business School Leadership Fellow at Year Up, Nga gained national nonprofit experience in direct service, implementing a job training program for urban youth. Nga has also worked on business development and strategy issues with a wide range of organizations, including a wine distribution company, Fortune 500 manufacturer, and renowned animal welfare nonprofit. Nga holds a B.A. in History and Public Policy from Brown University and an M.B.A. from Harvard Business School.