

Skipping the Latte: Building Emergency Savings through "Impulse Saving"

Project Summary

What if impulsivity could be leveraged to work as a way to save, not spend, money? This is the idea behind MAGIC Mojo, a patented product which allows people to transfer money to a savings account on-the-fly via text message. Generally speaking, the act of consuming is an enjoyable experience; people buy things on impulse because it feels good to get something new unexpectedly. MAGIC Mojo seeks to transform the act of saving into an immediate reward by leveraging the enjoyment inherent in impulsive action.

MAGIC Mojo is a feature attached to the MAGIC Card prepaid card, although the concept behind MAGIC Mojo can be attached to a wide range of transaction products. While the concept is based on sophisticated principals from behavioral economics, it is a very simple tool to use. Whenever a customer decides to forgo an impulsive purchase, he sends a text message to MAGIC Mojo requesting that the amount of the non-purchase be moved to a savings pocket on the prepaid card. Participants select a savings goal when they sign up - most people select "emergency fund" - and with each "impulse save" they get an update on how close they are to achieving their goal.

Key Points

- MAGIC Mojo is highly scalable - One of the strengths of MAGIC Mojo is that it is easily and affordably scalable; the saving feature can be added to any prepaid card or checking account. Given the widespread use of prepaid cards, especially by underbanked consumers, MAGIC Mojo has the potential to become available nationally and help hundreds of thousands of people start saving for emergencies.
- MAGIC Mojo is patented - MAGIC Mojo is already patented and available to consumers; the implementation of the product requires no regulatory changes.
- MAGIC Mojo is inexpensive - The initial costs associated with creating MAGIC Mojo have already been outlaid. The relatively minimal costs to sustain MAGIC Mojo and bring it to scale will be covered by the fees paid by prepaid card issuers to add MAGIC Mojo to their cards. We anticipate that card issuers will accept these costs since MAGIC Mojo likely increases the length of time that customers use a card and therefore increases the card's profitability.
- MAGIC Mojo is accessible - MAGIC Mojo brings a way to save to people who do not have, and may not want, a bank account. Another advantage of MAGIC Mojo is that it is highly accessible to a wide range of traditionally underserved groups. The web-based and mobile technology can be adapted for people with auditory or visual impairments, and speakers of any language can use the service.
- MAGIC Mojo works – As of this writing, active MAGIC Mojo users have saved an average of \$55 after 2 months. The average amount saved with each transfer is \$9. The UNC Center for Community Capital is conducting on-going research on the effectiveness of MAGIC Mojo.