

Nudging Into Savings

Editor's Note: IPA's Rebecca Rouse (below, right) of our [U.S. Household Finance Initiative](#), or USHFI, was on TV last week ([video here](#)) and gave two great talks this week at the [2012 Assets Learning Conference: Ideas into Action](#) conference ([descriptions here](#) and [here](#)). Below, in a guest post, she explains how one of our pilot programs, trying to harness behavior patterns to get consumers out of debt and into savings works.



Get Saving, Minnesota!

We all know that saving is important, but if you're like the average Minnesotan it may seem impossible to get started. According to the [Corporation for Enterprise Development](#), the average Minnesotan is carrying \$10,355 in credit card debt (compare that to an [average per capita income](#) of \$42,847 in the state). USHFI [grantee](#) Lutheran Social Service of Minnesota (LSSMN) knows all about the toll that a heavy debt burden can take on a household's finances. That's why LSSMN launched its new Get Saving! program recently, targeting credit counseling clients. LSSMN has run a nonprofit debt counseling program since 1987, serving individuals in person at their offices in Minnesota and Wisconsin, as well as nationwide by phone. With 25 years of debt management, LSSMN was the perfect partner to help us explore ways to help highly indebted families begin to save.

For families dealing with expensive credit card debt, their best return on investment is often to focus on paying down debt before starting to build up savings (think about a credit card with 15% interest rate versus a savings account paying .5%). The Get Saving! program starts with clients getting into a Debt Management Plan (DMP) from LSSMN, consolidating debt and making regular payments to gradually pay it off. When clients are about to complete their debt payments, LSSMN gives them the opportunity to continue making payments, with the amount now going into a savings account. This product harnesses a regular habit - making

monthly payments – and turns it into a savings behavior. Paying off debt before focusing on savings means that clients save more money in the long run, and seamless transitions from payments into savings deposits make it easy for clients to set up a savings plan and let the product itself do the work.

Get Saving! launched in July, and we look forward to seeing how this program performs. Stay tuned for results!

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