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Statement Presented to  
The U.S. Senate Special Committee on Aging  
“Closing the Gap: Innovations to Promote Americans’ Financial Security”

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Chairman Collins, Ranking Member McCaskill, and Members of the Committee, thank you very much for the invitation to appear before you today. My name is Timothy Flacke and I am the Executive Director of the Doorways to Dreams Fund, or D2D for short. D2D is a Boston-based, national non-profit that strengthens the financial opportunity and security of financially vulnerable consumers by discovering ideas, piloting solutions, and driving innovations to scale. I am here today to discuss how innovative ideas and consumer-friendly technology can come together to help Americans improve their financial lives – and become more financially secure.

The savings crisis in the United States is real and pervasive. The Corporation for Enterprise Development (CFED)'s 2016 Assets and Opportunity Scorecard found that nearly 44% of American households do not have a basic savings safety net<sup>1</sup>. The Federal Reserve reports that in 2015 nearly half of American adults – 46% – said they could not cover an emergency expense of \$400<sup>2</sup>. Savings is a fundamental building block of the American dream, an essential ingredient for homeownership, entrepreneurship, and retirement. But for many Americans, that dream is slipping further and further out of reach. For nearly three decades, the personal savings rate in the United States has been declining, most recently sitting at 5.4%. As we imagine our country's financial future, we should note that over 50% of Americans have \$10,000 or less in retirement savings<sup>3</sup>. It is time for the US to return to a culture of saving to shore up households' finances, foster widespread financial security, and equalize opportunities for all Americans.

Much of D2D's work has been focused on addressing this savings crisis. We have spent over a decade researching and exploring strategies that motivate and support people's positive financial behavior. We work with the financial services industry, government agencies, national non-profit groups, grassroots community agencies, and public policy organizations to develop solutions that truly meet consumers' needs through channels, methods, and language with which they are familiar. Our efforts have included a wide range of solutions. For example, prize-linked savings harnesses the allure of the lottery by offering consumers a chance to win cash prizes as a reward for savings behavior. We have also worked to make saving at tax time simple and impulsive, pilot testing "split refunds," which enable tax filers to direct the IRS to send a portion of their refunds directly into a savings vehicle of their choice. Further examples of our work follow below.

### **Challenges to increasing and improving savings behaviors**

Though our innovations vary in approach and objective, each places the consumer – her needs, preferences and concerns - at the center. Through fifteen years of designing for and learning from consumers we have noted three core challenges in reaching and helping people save.

First, capturing consumers' attention in an increasingly saturated and busy world is difficult. Consumers face the stresses of their everyday lives, constant messaging around what to buy next, and outdated,

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<sup>1</sup> [http://assetsandopportunity.org/scorecard/about/main\\_findings/](http://assetsandopportunity.org/scorecard/about/main_findings/)

<sup>2</sup> <http://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf>

<sup>3</sup> <http://www.gobankingrates.com/retirement/1-3-americans-0-saved-retirement/>

and patronizing messages about what they should or should not do. Providing clear and easy-to-digest savings messaging in this context is difficult.

Second, simply providing good information does not necessarily result in consumers taking action to improve their financial situation. Similarly, describing “the right thing to do” is not a powerful enough strategy to shape behavior. In order to encourage and support positive financial behavior, awareness building and education must be paired with clear and easy opportunities to take action and save money.

Finally, many financial solutions lack distribution channels that provide broad-based access and facilitate scale. In order to reach all consumers, particularly those who are financially vulnerable and excluded from the financial mainstream, financial service providers must explore opportunities to “reach consumers where they are” through the channels that they are already using, and do so in a cost-effective way.

D2D believes strongly that financial technology, or fin-tech, can help address these challenges and truly help consumers to save, both in the short and long term. By harnessing technology, we can build solutions that are engaging, effective, and widely accessible.

### **Using games and technology to reach consumers**

Most people are not drawn to personal finance. To “break through the noise” and make these issues exciting and attractive, D2D has developed a suite of online and mobile financial education video games called Financial Entertainment. Online and mobile casual games are played widely across the US, with nearly half of Americans playing some form of video games including 41 million players age 50 and older.<sup>45</sup> In addition, casual games (like *Candy Crush* or *Bejeweled*) have proven to decrease stress levels in their players.<sup>6</sup> With their ability to reach a wide variety of consumers through a fun and familiar channel, games were a logical choice to engage consumers in financial topics. Our award winning games cover a variety of issues, including saving at tax time, balancing debt payments and savings, and saving for retirement. We want consumers to understand and apply important financial concepts. Rather than offer them a pamphlet or website full of text on how to effectively manage their credit card, we encourage them to play a video game – one that decreases their stress, keeps them interested, and allows them to practice the real world behaviors that will improve their lives.

The Massachusetts-based company Staples saw the value of this approach and partnered with us to create and promote a customized version of our game Bite Club to their employees. Developed with funding from the Social Security Administration, Bite Club was designed as a casual video game retirement simulator tackling the challenge of how to make the future relevant today. In this game, users play the role of a vampire running a “day club” who must begin saving for eternal retirement. (Images from this game can be found in Exhibit A.) While saving for their vampire within the game,

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<sup>4</sup> <http://www.pewinternet.org/2015/12/15/gaming-and-gamers/>

<sup>5</sup> <http://www.aarp.org/research/topics/technology/info-2016/electronic-gaming-research-adults-50plus.html>

<sup>6</sup> [http://core.ecu.edu/hhp/russoniello/popcap\\_results.htm](http://core.ecu.edu/hhp/russoniello/popcap_results.htm)

employees had the opportunity to follow links to their own retirement plan provider’s website to learn more and increase contributions to their 401(k) accounts. Staples promoted gameplay through fun, game-centric marketing that reflected the vampire motif. (See Exhibit B)

D2D and Staples collaborated on a number of pilot tests to reach employees outside of work hours. In one test, over 80% of employees in two districts engaged with the game. In another pilot, 11% of newly eligible employees took a positive savings action on the 401k website after being offered the game.<sup>7</sup> The game proved able to engage new and often hard-to-reach employees, and resulted in positive behavior change.

We are excited to note that the large retirement provider Mass Mutual recently released its own retirement-themed education video game, *FUTUREJET*. As D2D has disseminated our ideas and learnings, the industry seems to be taking note that truly engaging consumers requires moving beyond traditional outreach methods and materials.

### **Using mobile technology to drive action-taking**

D2D has long believed that technology can and should link consumers directly to opportunities for real-world action-taking. By using channels that are already (and increasingly) accessible and familiar to financially vulnerable consumers, like smartphones, technology can enable and support new behaviors that promote greater financial security. The smartphone opportunity is large – 64% of Americans own a smartphone, and 57% of that population use their phone to do online banking<sup>8</sup>. Additionally, secure API’s, which facilitate data sharing between apps and websites and are becoming increasingly popular<sup>9</sup>, give financial tools the ability to connect to consumers’ existing financial products, creating an in-app pathway to behavior change.

To seize this opportunity, D2D developed a gamified savings tool called SavingsQuest. SavingsQuest is both a web app and a mobile app that applies the fun of video games and the popularity of fitness trackers and virtual pet apps to generate motivation and offer instant gratification for saving. (Artwork for the app can be found in Exhibit C.) SavingsQuest recently won Best Prepaid Innovation for 2016 at the PYMNTS.com Innovation Project Conference at Harvard.

SavingsQuest users experience a “gamified” system helping them achieve a savings goal. The system uses components of video games, so that players can complete challenges, earn badges, and level up while getting savings tips and motivational messages along the way. As they receive this information and motivation, users can make savings deposits in-app and are instantly rewarded with congratulations from a customizable dancing pig. SavingsQuest rewards savers for saving as little as a penny, encouraging a behavior pattern. During a pilot test of SavingsQuest with prepaid cardholders, over 300 users saved more than \$300,000. On average, users saved 25% more frequently than non-users, and

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<sup>7</sup> [http://www.d2dfund.org/files/publications/D2D\\_FE-Report\\_Pages\\_0.pdf](http://www.d2dfund.org/files/publications/D2D_FE-Report_Pages_0.pdf)

<sup>8</sup> <http://www.pewinternet.org/2015/04/01/us-smartphone-use-in-2015/>

<sup>9</sup> <https://letstalkpayments.com/the-engine-for-fintech-innovation-uses-apis-as-the-fuel-75-profiles/>

about a quarter of users had not engaged with the savings feature on their prepaid card before using SavingsQuest. Sarah, a SavingsQuest user, put it this way: “You save a dollar, and it tells you that you did a great job. People don’t think saving a dollar is a big deal, but when it’s hard to put money aside because everything is always coming up, it is a big deal.” These findings suggest that creative tools have a promising role to play in helping consumers build financial security.

With a tool like SavingsQuest, the real-world action of putting money away into a savings account is embedded in a system of fun, motivation, and reward that takes place virtually, right in the palm of a consumer’s hand. The technology and insights behind SavingsQuest can be applied across a wide array of product types throughout a consumer’s life, from children’s savings accounts to retirement accounts.

New technologies make it possible not only to reach consumers in new channels, but also to offer innovative solutions that engage them in positive financial behaviors to support a lifelong habit of saving for the future.

### **Using user-friendly technology to broaden access**

Finally, D2D has explored numerous solutions that use the power of technology, particularly mobile technology, to provide better and broader access to consumers. Financial services innovators face the challenge of reaching large groups of segmented consumers. They want to provide robust user experiences without driving up costs. Utilizing mobile technology to distribute tools and financial information allows innovators to reach millions of consumers in a channel that they are familiar with and use frequently. Technology can bring personalized, intimate financial experiences right to the palm of a consumer’s hand with a huge potential for scale.

In exploring the potential of mobile distribution channels, one area of particular interest to D2D is modernization of the US Treasury’s Retail Securities Program. Products like US Savings Bonds are valuable and unique, and have helped millions of Americans get started saving and build a savings habit, especially Americans of modest means or who are small savers. With low minimum balances (\$50), no fees, complete security, unique giftability and no requirement to have a bank account, savings bonds combine features unavailable in a single product elsewhere. Despite these user friendly features, since 2012, bonds have only been sold through an antiquated online system (TreasuryDirect.gov) and through Tax Form 8888. With the tax form option at risk due to its reliance on printed paper bonds, D2D has been supporting S. 2478 to both secure the current tax-time channel and pave the way for a Savings Bond of the 21<sup>st</sup> Century. The legislation protects the current distribution channels until the Treasury Department designs a more modern solution that maintains the unique features of bonds. By investing in better technology, and potentially partnering with outside innovators, Treasury could design a user-friendly system that opens access to bonds to millions more consumers without needing to invest heavily in marketing or material.

Consistent with this legislation, D2D envisions a world where Treasury allows innovators like D2D and those in the financial services industry to develop solutions that “hook into” Treasury systems via secure Application Programming Interfaces, or APIs. This would unleash the market to develop a variety of new

mobile and desktop tools to access bonds, some integrated into existing products and tools that financially vulnerable consumers already use. Imagine a world where one can add a US Savings Bond to an Amazon birthday purchase for a grandchild by clicking a button, or make a US Savings Bond gift purchase for one's child through a PayPal account. This type of broad, diverse distribution can be a reality. These opportunities can be pursued by a growing market of financial innovators with a deep knowledge of their consumers. By creating secure APIs and engaging in public-private partnerships, Treasury can open the door for the creation of new distribution channels to meet the unique needs of all Americans. Innovators, in turn, can focus on user-friendly designs and target their tools and solutions to specific consumer segments.

### **Conclusion**

D2D envisions a world where the financial system promotes lasting social and economic prosperity for every family. We are deeply committed to developing innovative ways to help vulnerable Americans build savings and financial security. Technology is a critical part of this effort, and we applaud members of the committee for recognizing this approach as you seek ways to help Americans improve their financial futures.

# Appendix

## Exhibit A

### Bite Club Game Images



Exhibit B

*Bite Club Marketing Material*



When you're immortal,  
retirement is eternal.

*Bite Club teaches how to make your money last.*

[www.staplesbiteclubgame.org](http://www.staplesbiteclubgame.org)

**STAPLES**  
that was easy.™

**NEW YORK LIFE**

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Exhibit C  
SavingsQuest Artwork

