

Testimony for the United States Senate Special Committee on Aging  
Closing the Gap: Innovations to Promote Americans' Financial Security  
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Good afternoon Chairman Collins, Ranking Member McCaskill, and distinguished members of the United States Senate Special Committee on Aging. It is a tremendous honor and privilege to provide my thoughts and perspectives to this committee, and it is my hope that something in my testimony offers meaningful insight into what we can do to address a severe and critical issue in our nation.

My name is Brian Plum, and I am President and Chief Executive Officer of Blue Ridge Bank headquartered in Luray, VA. Blue Ridge Bank was organized in 1893, and has been proudly serving its communities for 123 years. We are a small community bank, and we take seriously our charge and responsibility of improving the lives of everyone in the communities we serve. Our bank does well when our communities do well, and we believe we can play a meaningful role in producing desirable financial outcomes.

In that spirit, we were the first bank in the nation to launch a prize-linked savings account. These accounts were authorized at the federal level by The American Savings Promotion Act, signed into law by the President in December 2014. Since we are a Virginia-chartered bank we also had to wait until the Commonwealth of Virginia took action, and we launched our product on July 1, 2015, the first date legally permissible for us to do so.

The name we adopted for the account is "Jackpot Savings" and it consists of offering monthly prizes and a larger annual grand prize. Each month we randomly select four winners; one \$200 winner and four \$50 winners. In 2015 we offered a \$5,000 grand prize and in 2016 the grand prize is \$10,000. Each increase of \$25 in an account generates a prize entry, so the more any one person deposits into his or her account the more likely he or she is to win.

It is important to note that these customers really give up nothing. We offer the same rate on the product as a traditional savings account, so we are not subsidizing the prize costs by reducing the interest rate. Virginia Code requires prize-linked accounts to offer similar rates to other savings accounts, whereas my understanding is that not all states do. The prize funds are part of our marketing budget, and that is a key point as it illustrates the real goal of this account is to make winners of everyone in the long run by increasing savings, and not reward some customers by reducing payments to others in the form of lower rates. The only real tradeoff is that since this account is meant to strongly encourage savings we do have tighter rules for withdrawals. We limit customers to one penalty-free withdrawal per month, and each additional withdrawal incurs a penalty. This penalty is not meant to be punitive, but to discourage withdrawals unless they are absolutely necessary.

While being the first bank in the country did create media exposure not usually given to a bank our size, there is the obvious hindrance of product awareness. Blue Ridge Bank lacks a multimillion dollar advertising budget that would be useful when on the front line of product innovation, and as a result the growth of Jackpot Savings took time to gain steam. The growth

and interest level seem to have accelerated in recent months, and we anticipate eclipsing the \$1,000,000 mark in account balances in the coming quarter. Currently, about one-third of these accounts have less than \$100 and two-thirds have less than \$1,000.

The stories of people being motivated to open a Jackpot Savings account are wide and varied; recent high school graduates, parents with young children, people approaching retirement, and even people that have already retired. In fact, our 2015 grand prize winner was a retiree living on fixed income, so Jackpot Savings turned out to not just be a tool for retirement, but also one during retirement.

One of my favorite stories is of a customer who was motivated to open a savings account after reading about the product. She wanted to set money aside to pay for a vacation she has been planning for a long time instead of utilizing credit. Not only has she made significant progress toward her goal, but she was also one of our monthly prize winners.

While we are pleased with the progress we have made on the account, we would love to see more people participate. I am sure you all are familiar with the research on lottery savings products and understand its effectiveness among low-income savers, so I, and everyone at Blue Ridge Bank, know that as this account class grows people's lives are improving. This is a quintessential case of us being able to do good while doing well.

Jackpot Savings also created another opportunity to expand our efforts in this area. We are partnering with Long Game, a technology company startup focused on improving financial literacy and increasing personal savings through gamification. This partnership provides a tremendous tool to fundamentally improve the lives of consumers, and I suspect we are only at the very beginning of that trend. However, to fully capitalize on the potential we need to ensure that regulatory treatments offer accommodation and practicality to encourage financial literacy innovation while preserving a focus on safety and soundness of the banking system. Community banks like Blue Ridge Bank can be a nimble and able partner for so many looking to offer financial literacy solutions.

I commend this committee for looking at this issue. The Associated Press-NORC Center for Public Affairs Research released a survey just a few weeks ago showing two-thirds of Americans lack \$1,000 in savings to cover emergency expenses. This is appalling, and none of us should be willing to accept that so few people have any meaningful savings. We should be particularly motivated to work together as we think about the implications of deficient savings for an aging demographic in a society where defined-benefit plans become rarer each day. A crisis in emergency savings today is an unimaginable retirement savings problem tomorrow.

Blue Ridge Bank and I stand ready and willing to commit more time, energy, and insight for this committee and staff to make progress on this critically important topic.

Thank you so much for this opportunity.