BlackRock's Emergency Savings Initiative

Impact and Learnings Report
2019-2022

CENTER FOR ADVANCED HINDSIGHT COMMON CENTS LAB
commonwealth
FINANCIAL HEALTH NETWORK

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Foreword

BlackRock's Social Impact team launched the Emergency Savings Initiative (ESI) in 2019, against the backdrop of increasing awareness of the financial precarity facing low- and middle-income households across America and abroad. Four in 10 Americans couldn't cover an unexpected $400 expense without borrowing or selling assets.[1]

Those living on low to moderate or volatile incomes who had little or no access to short-term savings were far more likely to miss housing payments, fall short on medical bills, and compound debt – and less likely to save for retirement.

At BlackRock, we believe that everyone should have access to a secure financial future. But for so many people, thinking about and planning for the future can be difficult when faced with financial crossroads in the short term. Understanding that protective liquid savings was a precondition to long-term financial security, BlackRock committed $50 million in philanthropic capital in early 2019 to drive systems-level change and achieve tangible impact at scale.

As part of this commitment, over the past four years, we've funded and convened three financial health nonprofits in the United States – Common Cents Lab, Commonwealth, and the Financial Health Network – to design and evaluate the solutions that make it easier for people and households in the U.S. to build a financial safety net.[2] Leveraging the industry knowledge and expertise of these nonprofits, BlackRock's ESI recruited and partnered with dozens of other organizations to research, test, and scale demonstration projects with the aim of increasing access to emergency savings.

What happened next was unprecedented. The COVID-19 pandemic shut down critical sectors of the economy. A record number of people lost their jobs, and those who did not have short-term savings set aside or quickly depleted them had to dip into their long-term savings to weather the downturn. Suddenly, the veil was lifted from the silently brewing savings crisis. Key decision-makers, from policymakers to large employers, openly recognized short-term savings as the bedrock of financial stability. It was a watershed moment; building emergency savings into the fabric of an organization was no longer a question of *if*, but *how*.

BlackRock and its nonprofit partners were ready to lead the charge. Armed with a mounting evidence base and proven in-market savings solutions developed pre-pandemic, ESI was positioned to reach even more organizations and help decrease friction to build short-term savings. And, with the help of our partners, **BlackRock's ESI reached more than 10 million Americans and helped build over $2 billion in new liquid savings**.

In this report, we are sharing the lessons learned along the way and the questions that still need answers, so that private sector and public leaders can join us in continuing this important work in reaching millions more families across America.

This work would not be possible without the many people who came together to make emergency savings a priority for their organizations, employees, and customers – the people who took a bold step forward together to improve the financial resilience and well-being of those who need it most. We want to thank them for their commitment, and we look forward to continuing to partner in the future.

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BlackRock's support of ESI was provided through grants from The BlackRock Foundation and The BlackRock Charitable Gift Fund, a donor-advised fund at Fidelity Charitable Gift Fund. The public policy activities described in this report were carried out by ESI partners, and The BlackRock Foundation does not engage in lobbying activities or earmark its grant funds for use in lobbying activities.

Executive summary

Since its inception in 2019, BlackRock's Emergency Savings Initiative (ESI) has been tackling the urgent savings crisis in the United States and abroad. Through ESI, BlackRock and its nonprofit partners have engaged powerful actors across sectors to transform the workplace benefits, financial services, and public policy landscape into systems that enable millions of U.S. households to build emergency savings that drive long-term financial security.[3]

"I see [my financial future] getting better, and I see five years looking a lot better. I'm very optimistic about it."

Participant in BlackRock's Emergency Savings Initiative

By the numbers

43

ESI active savings projects between 2019-2022.

10M+

people reached with a savings solution through ESI.*

$2B+

saved through ESI savings interventions.

When people have the right tools and opportunities, they are better able to set aside money for the future. And yet, 2018 data from the Federal Reserve indicated that 39% of Americans did not have $400 in liquid savings.[4] This lack of a financial cushion was even starker for people living on low to moderate incomes (LMI): 58% of all LMI households, rising to 70% of Hispanic LMI households and 72% of Black LMI households, did not have $400 in savings.[5]

In 2019, BlackRock committed to responding to this problem. Over the last four years and in partnership with Common Cents Lab, Commonwealth, and the Financial Health Network, we have used our philanthropic resources to focus on piloting real-world solutions, conducting research, advancing public policies and thought leadership, and informing the media and broader society on the issue of financial security.

* We define reach as an estimate of the number of people eligible for and with access to a savings solution under an ESI project through Dec. 14, 2022.

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By the numbers

Today, a powerful new ecosystem of leading employers, payroll and retirement plan providers, financial institutions, and policymakers have come together to prioritize emergency savings for their workers, customers, and constituents.

Together with these leading institutions, BlackRock has:

- **Shifted critical systems to prioritize short-term savings**. ESI's partners and projects demonstrate that diverse organizations – including employers, financial institutions, and workplace benefits providers – can offer emergency savings solutions. Partnering with one-to-many organizations, such as recordkeepers and payroll providers, that offer savings solutions to many employers has opened the door to reaching tens of millions more workers.
- **Advanced the understanding of the tools and methods that enable savings**. ESI's experiments and projects leveraged robust tools based on behavioral science, validating and enhancing the strategies and tactics that promote the successful deployment, uptake, and usage of savings programs.
- **Shown that emergency savings protects retirement and other forms of long-term savings.** Emergency savings create a safety net on which to rely in the event of a financial shock or emergency. Furthermore, increasing emergency savings does not cannibalize retirement contributions.
- **Supported policy action, including new provisions in Secure 2.0 federal legislation, which enables auto-enrollment into workplace-based emergency savings.** ESI's research, pilot, and scale projects built a critical mass of evidence that showed a positive relationship between short-term and long-term savings, inspiring policymakers to include provisions for emergency savings in several pieces of retirement security legislation, which passed in December 2022.
- **Reached and positively impacted the financial lives of millions of Americans living on LMI**. ESI has shown that individuals on LMIs have the capacity to strengthen their financial well-being through short-term savings when they have access to the right products and opportunities to take action.

Major employers, financial services firms, and public officials are no longer debating if action on emergency savings is a priority. Rather, they are asking how and what are the best ways to enable savings.

This report is a roadmap to those important questions, informed by ESI's impact and the lessons learned to date. We offer practical on-the-ground learnings, case studies, and actionable ways you can join the effort to transform the landscape of emergency savings. In doing so, we will ensure future generations can enjoy the confidence and peace of mind of being financially prepared.

> **"I now have a couple of thousand dollars [in savings], so I'm ready for anything that comes my way. I can't imagine anything that amount coming my way, but [for] new tires or if my car goes out, I think I'm pretty set."**
>
> **Participant in BlackRock's Emergency Savings Initiative**

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The approach

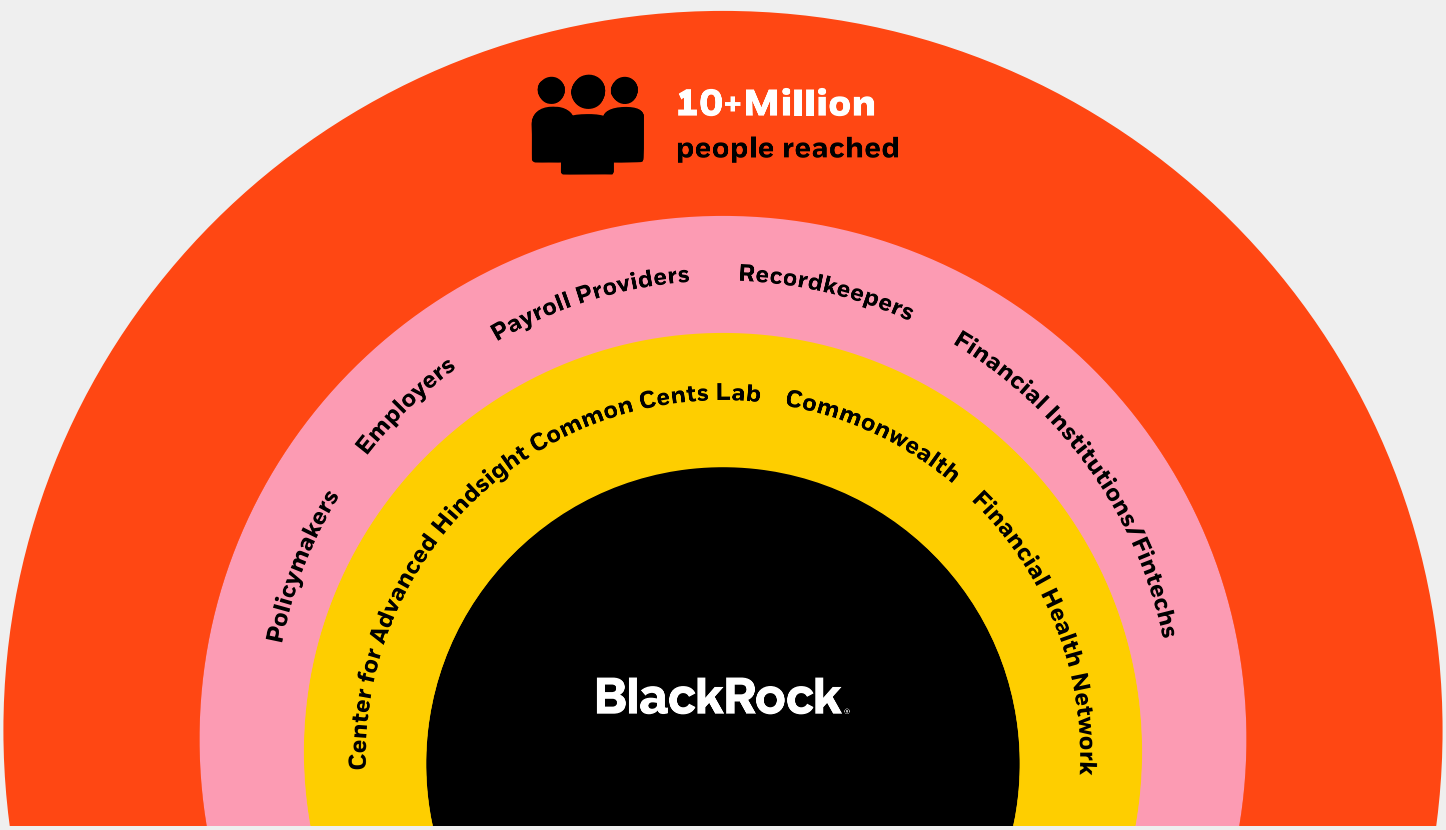
BlackRock and partners Common Cents Lab, Commonwealth, and the Financial Health Network identified **savings in the workplace – specifically employers and key infrastructure systems** – as a promising area of intervention.

To enable and scale savings in the workplace benefits landscape, the approach required working with:

- **Select employers** to design and offer custom savings solutions directly to their workers
- **One-to-many providers, like payroll and retirement benefits providers**, to develop innovative embedded savings tools that they could offer employers
- **Policymakers** to remove hurdles or incentivize employers to offer emergency savings
- **Financial institutions and fintechs** to innovate savings solutions for their customers, both via workplace benefits and through individual savings

These projects and interventions were informed by research, testing, and pilots, all of which allowed us to directly connect ESI's innovative solutions to the employees/customers who needed to access and build short-term savings.

> **"Having access to the ESI's resources and research has not only helped us to support our clients and their benefits offerings, but it has also helped them to support their employees with their long-term retirement goals. By working together with the ESI to 'lean in' and support the ultimate financial security one can achieve in the short term, we are able to help create positive impacts on shaping everything else related to one's long-term goals."**
>
> **Tom Armstrong,**
> Vice President, Customer Analytics & Insight and Head of Voya's Behavioral Finance Institute for Innovation,
> **Voya Financial**



The Impact of BlackRock's Emergency Savings Initiative

Increasing access to savings for employers and workers

Advancing emergency savings in the workplace benefits landscape requires a multi-layered approach. ESI has focused on impacting systems that could drive transformational change and assessing and influencing how organizations across sectors are tackling the emergency savings crisis. Just as retirement savings and other benefits have become an inherent part of a paycheck, there's an opportunity for employers to add short-term savings to that paycheck to improve their workers' financial stability.

ESI recruited **employers** to design, test, and scale innovations to drive emergency savings. Recognizing the potential influence and impact of other infrastructure players, ESI also partnered with **recordkeepers** and **payroll providers** that serve thousands of employers. This "one-to-many" approach exponentially catalyzed ESI's scale. For example, Voya, a recordkeeper, serves more than 14 million individuals, workplace, and institutional clients; ADP processes payroll for 1 in 6 American workers. As these providers offer emergency savings solutions to their employer customers, every employee that works for those employers also benefits.

By partnering with these organizations to develop solutions for the millions of workers earning a lower income, ESI established infrastructure and practices that could be more easily replicated and scaled for employers and others who need readily available savings solutions. Beyond the workplace, ESI engaged large **financial institutions and fintechs** that have the tools and infrastructure to meet the emergency savings needs of even more people, especially those who may not be eligible for traditional workplace benefits.

In recognizing the relationship among these diverse partners, ESI created a network effect that now gives employers and workers greater access to multiple high-quality solutions for emergency savings.

Employers

Employers strive to support worker financial health by offering health, retirement, insurance, child care, and other workplace benefits. Workers are increasingly demanding from their employers other benefits like high-quality emergency savings solutions, which have real potential to dramatically reduce the chronic financial stress among workers – stress that costs employers $250 billion a year in reduced productivity.[6]

Employers now have multiple emergency savings options to meet employee demand and help improve financial security. These options are offered by recordkeepers, payroll providers, financial institutions, and fintechs, many of which are ESI partners.

Employers in action

- **AutoNation developed a first-of-its-kind, multi-solution benefit** that includes the ADP Wisely® digital account, Voya's in-plan after-tax 401(k) solution, and payroll split deposit to ensure its diverse workforce has several options to meet their savings needs.
- **UPS effectively drove awareness of and engagement with the after-tax option of its Voya-administered 401(k)** plan for non-union employees through a robust, multi-channel communication and intervention program, leading to a **40% increase in participation** and $15 million in contributions over a 21-month period.[7]
- **A national retailer successfully launched a matched savings program for its 300,000 hourly workers with a fintech nonprofit and a credit union.**

These examples demonstrate the power of ESI's systems-driven strategy to ensure employers and employees have a variety of options, including proven solutions from existing vendors, to provide a vital short-term financial cushion in the workplace. We expect to see even greater rates of employers delivering emergency savings solutions in the future as they are increasingly able to automatically enroll employees into savings, make changes in their onboarding and benefits platforms, and directly target new employees.

Payroll providers

The payroll industry is well-positioned to increase access to liquid savings, due to its reach, direct role in delivering net pay, and existing payroll card solutions, which can include built-in savings features. Millions of workers already rely on payroll cards to securely and easily access their earned income. These workers tend to be younger, from communities of color, and earn lower incomes.[8]

Payroll providers in action

- ESI demonstrated the opportunity for payroll companies to expand the value they provide to these workers through **our partnership with ADP, which processes pay for 1 in 6 Americans**. By enhancing the emergency savings features on the company's Wisely® card and myWisely® mobile app,[9] ESI and ADP generated **dramatic emergency savings growth for a total of $1.55 billion saved**.[10] The product saw greater uptake (3.5x monthly average new users) and increased utilization (2.7x net inflows).[11]

Building on this momentum, the payroll industry has the opportunity to play a significant role in supporting emergency savings and other financial wellness benefits by investing in these capabilities and raising awareness among employers and employees about the benefits they can provide.[12]

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Recordkeepers

As trusted vendors to employers with significant reach, recordkeepers have been leaders in tackling the emergency savings crisis.[13] Recordkeepers understand the relationship between short-term savings and retirement savings: retirement participation is negatively impacted by a lack of short-term savings. Among other reasons, this is because employees also tap into their retirement to cover emergencies through loans and hardships when other savings are nonexistent. Conversely, workers with significant emergency savings are half as likely to tap into retirement savings, which improves their short- and long-term financial security.[14]

Recordkeeper in action

- **Voya Financial**, the first recordkeeper to join ESI, serves nearly 14 million retirement plan participants. Through the ESI, **UPS and Voya collaborated to create a robust emergency savings program for UPS' nearly 100,000 non-union employees, generating $15 million** in contributions over a 21-month period.[15]

Financial institutions and fintechs

Financial services providers are well-positioned to provide emergency savings tools. They often already have the savings infrastructure to automate and offer easy, attractive ways to save. By developing and scaling financial products that increase access to savings and meet the unique needs of financially vulnerable consumers, financial services firms enable customers to build both emergency savings and wealth over time.

Financial institutions and fintechs in action

- **Self,** a consumer credit fintech, demonstrated the success of linking savings habits with a credit-building loan program. **More than 34% of Self's customers, or over 1.1 million people, continued saving after completing their credit-builder loans**.

- **Truist,** a top 10 financial institution, motivated **25,000 households to open new savings accounts, accumulating approximately $37 million in balances over a six-month pilot** by creating the "Start, Save, Win!" sweepstakes and offering monthly prizes for saving.[16]

- **Mastercard,** a critical infrastructure player in financial services, tested multiple emergency savings interventions through ESI. One test with Virginia Credit Union using its Cash Back Mastercard® showed **redesigning the redemption portal to make savings the default redemption option and removing friction costs doubled the number of cardholders who made a redemption to savings**.[17]

Through ESI, BlackRock is helping to expand access to emergency savings tools for people living on low incomes and to build recognition for research that shows that even a few hundred dollars of savings can make a significant difference.

Case studies

How ADP's solution facilitated $1.5 billion in emergency savings

Overview

BlackRock's ESI, Commonwealth, and ADP – the nation's largest provider of payroll services, reaching 1 in 6 workers in the U.S. – collaborated to learn more about the emergency savings needs of both employees and employers. Together, they translated their learnings about enhanced high-quality savings features into the emergency savings options available through the myWisely® mobile app available to Wisely® paycard account holders.[18]

Evidence-based product enhancements included customization, automation, gamification, and targeted messaging strategies.[19] Specifically, the research identified the following ways ADP's myWisely app could meet the emergency savings needs of their consumers:

- Multiple, customizable savings envelopes[20]
- Automated payday transfers to savings
- Customized scheduling of savings transfers
- Gamification to turn cash rewards from card use into savings[21]

Results

Changes to the features on the app increased total savings deposits from $199 million to $1.55 billion, a 3.5x increase in monthly average new users of the savings envelopes, and 2.7x growth in net savings inflows (savings less withdrawals). Moreover, the pattern of savings and withdrawals showed effective utilization of ADP's product as a high-quality "build, use, rebuild" emergency savings tool, even before any proactive messaging to users.[22] To build on that utilization, the collaboration also included pilot testing of messaging strategies at a few large employers, which resulted in even greater savings activity, demonstrating the potential gains from targeted marketing.

Conclusion

Commonwealth's partnership with ADP revealed significant demand for high-quality workplace emergency savings options. The combined features and capabilities of the Wisely card plus the myWisely mobile app provide companies with a cost-efficient approach to support employee financial wellness, build a stronger workforce, and enhance productivity and competitiveness.[23]

Traditional employee benefit packages tend to help the more financially capable. Workers living on LMI may not be eligible for or be able to afford the customary offerings; moreover, these benefits rarely address these workers' most pressing needs. The companies that will be most successful in the future will be those that cultivate a new generation of widely accessible and useful financial security benefits — such as payroll-based emergency savings — to support a secure and productive workforce.

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How Best Buy used custom savings accounts to help employees save

Overview

Best Buy partnered with its credit union, Wings Financial; BlackRock's ESI; and Commonwealth to drive awareness and utilization of its customized Savings Builder Program (easily linked to direct deposit from a Best Buy paycheck). The retailer sought to ensure employees understood the importance of saving and took action to create a safety net through emergency savings.

In the Savings Builder Program, Wings deposits the first $5 into an employee's account and offers higher dividend rates for those with direct deposit and e-documents. The program offers an additional $100 to employees who complete six online financial education courses of their choice. Every month, employees participating in direct deposit to their Savings Builder account have the chance to win one of four $250 cash deposit prizes. Best Buy also partnered with Commonwealth to provide recommendations to elevate awareness and usage of the Savings Builder Program, including changes to the language of the program's enrollment website and more robust information in onboarding and open enrollment. The organizations collaborated on a multi-channel communications effort to build awareness.

Results

Using prize-linked incentives, higher dividend rates, incentivized educational programming, and a multi-channel employee awareness campaign, at least 1,360 new employees have opened an account since Best Buy joined ESI in January 2021.

Conclusion

The combined tactics of prizes, education, and reward rates provide a model for large employers who want to support worker financial wellness.

How Red Tab Foundation tapped strong employee networks for savings

Overview

Levi Strauss & Co.'s (LS&Co.) Red Tab Foundation (RTF) partnered with BlackRock's ESI and the Financial Health Network to review and streamline its existing Red Tab Savers program, including simplifying the signup and enrollment process. The partner work made it easier for all eligible LS&Co. employees to access and succeed with the program.

In the new program, employees earn a $20 signup bonus to complete enrollment and $1 for $1 matched savings (up to $40 a month) for six months, offering a total of $500 in savings after full participation. Once employees complete the savings match, they roll over to a prize-linked savings model for an additional year, during which they can earn entries for one of five $50 monthly prizes and one $1,000 half-yearly grand prize.

Results

After the launch of the revised Savers program, RTF increased enrollment to 14% of its eligible workforce – a roughly 27% increase from the program's previous total for the biggest cohort. Higher enrollment is attributed to several factors, including pent-up demand for the program, which had been on hold for a year; competition-based enrollment drives; and word-of-mouth referrals between employees.

Conclusion

Iterating on an existing program to make it more simple and more accessible can increase adoption with employees. Employee feedback and engagement is a key lever for program success.

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How UPS and Voya designed a solution resulting in $15 million in savings

Overview

UPS, Commonwealth, and Voya collaborated to leverage an existing feature of the UPS 401(k) plan, encouraging its nearly 100,000 non-union employees to save for the unexpected. The working group chose the after-tax option of UPS' Voya-administered 401(k) plan as the high-quality emergency savings solution. Through a multi-channel engagement and communications campaign, the project increased awareness of and participation in the emergency savings program by UPS employees, including employees earning LMI who benefit most from increased emergency savings.

Results

Over a 21-month period, 4,209 employees took up the emergency savings solution, representing a 39% increase in the number of participants in the first year. Of the employees who are contributing to the after-tax option, over three-quarters are doing so at 2% of their pay or higher, which represents a 25% increase in overall assets, or nearly $15 million in new savings.

Conclusion

Commonwealth's collaboration with UPS and Voya to offer an emergency savings solution to UPS' non-union employees demonstrates an opportunity for other recordkeepers and plan sponsors to improve worker financial security through an existing feature of many retirement plans.

How Varo Bank used prompts to promote auto-savings and deposits

Overview

BlackRock's ESI and Common Cents Lab collaborated with Varo Bank to design an intervention centered on Varo's paycheck-splitting service, Save Your Pay. Using time-commitment prompts, Varo offered the ability to turn on Save Your Pay to one group of members who were scheduled to receive a direct deposit within the next three days, a concept known as precommitment. Varo offered another group of members who had *just* received a direct deposit the ability to commit to Save Your Pay, automatically turning the service on for their next direct deposit, a concept the team dubbed "procrasti-mitment" for its characteristic delay from a lack of urgency.

Results

Both sets of prompts encouraged Varo members to turn on Save Your Pay at rates far above those members who did not receive any time-commitment prompts. Members who received the procrasti-mitment prompt were 3.4x more likely to turn on Save Your Pay (12.2% compared with 3.6%) and members who received the precommitment prompt were 4x more likely to turn on the automatic savings feature (14.6% compared with 3.6%). In the three months the experiment was in the field, these simple prompts encouraged 8,181 Varo users to begin using Save Your Pay, and those users transferred an average of $313 a month into savings using Save Your Pay for a combined average monthly savings of $2,560,835.

Conclusion

Time commitment devices like precommitment can help users take action on their financial health intentions. Organizations who want to help their users save should review their existing features for opportunities to surface powerful tools like automated savings.

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From the UK: How Nest Insight demonstrated the potential of emergency savings auto enrollment

Overview

Nest Insight is a UK public benefit research unit set up by the Nest pension scheme to find ways to support low- and moderate-income workers to be financially secure, both today and into retirement. BlackRock has been a strategic partner of Nest Insight since 2019 as part of ESI's work in the UK. Building on lessons from experience with automatic enrollment in the pensions space, as well as learnings from its sidecar savings trial, Nest Insight launched a workplace emergency savings trial in collaboration with employer SUEZ Recycling and Recovery UK and credit union TransaveUK.[24] The trial, the first of its kind in the UK, examines whether making payroll saving the default through automatic enrollment enables more workers who want to build up an emergency savings pot to get started. The approach preserves the choice not to save for those who don't want to put that money aside.

Results

Preliminary results suggest an automatic enrollment ("opt-out") payroll saving approach could meaningfully boost employee financial resilience. Early provisional data suggests up to 53% of employee participation in emergency saving via payroll among those who experienced the autosave (opt-out) approach at month four of employment, compared to 1% among those who had to opt-in to save. Furthermore, those enrolled automatically had an average balance of around £130 in savings after four months, compared with an average balance of around £29 amongst opt-in savers. Finally, results showed that increased emergency savings participation did not cannibalize long-term or retirement savings contributions.

Conclusion

Nest Insight's preliminary results with SUEZ and TransaveUK show that an automatic enrollment approach to emergency savings can be an effective way to improve payroll saving participation among those who choose to save in this way, improves the amount saved, and does not have any immediate cannibalization effect on pensions contribution.

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Key learnings

Key themes from across many of the projects and ESI's qualitative and quantitative research underscore broader lessons that are critical for emergency savings design and deployment. The learnings below spotlight how institutions and platforms can strategically expand access to emergency savings. They also point to where more research is needed to reach populations who have historically been underserved.

In depth

Retirement and emergency savings are closely connected

Key learning: Retirement industry plan providers and employers can help protect balances and drive higher retirement plan contributions from workers by offering both in-plan and out-of-plan emergency savings accounts.

ESI's project results and research have highlighted the links between short- and long-term savings in several ways. Some of the high-level findings include:

Emergency savings act as an important buffer against early withdrawals from retirement.

ESI research with the Defined Contribution Institutional Investment Association Retirement Research Center (DCIAA RRC) during the pandemic showed that low-income households with at least $1,000 in emergency savings were half as likely to withdraw from their workplace retirement savings account.[25] Additionally, research from ESI partner Voya found that participants with inadequate emergency funds are 13 times more likely to take a hardship withdrawal than those with adequate savings.[26] Other research from DCIIA RRC showed workers with significant emergency savings are half as likely to tap retirement savings, which improves short- and long-term financial security.[27]

Offering emergency savings paired with a retirement account could encourage more retirement contributions.

ESI/DCIIA RRC research also showed that people with emergency savings were 70% more likely to contribute to their defined contribution plan.[28] Another study from Commonwealth and SaverLife found that nearly a third of individuals would be more likely to start contributing or contribute more to a retirement account if it was paired with an emergency savings option.[29] In ESI's partnership with UPS, the project results underscored that finding. In the UPS work, introducing an emergency savings option positively impacted retirement savings for some. Employees who increased their after-tax contribution rate were about twice as likely to also have increased their pre-tax contribution rate than those who made no changes.[30]

In depth

Auto-enrollment doesn't cannibalize retirement savings participation.

An auto-enrollment pilot in the UK through ESI partner Nest found no evidence that people opted out of their pension at higher rates when they were offered payroll autosave compared with opt-in payroll saving.[31]

Auto-enrollment can dramatically improve emergency savings rates.

The same auto-enrollment pilot in the UK showed the effectiveness of auto-enrollment for emergency savings. Participation in payroll saving was only 1.3% in the opt-in group versus 52.6% in the auto-save group in tenure month four – a 50 percentage point increase in savings participation among employees who experienced the auto-save approach.

Offering in-plan after-tax options as well as out-of-plan options will ensure emergency savings access reaches more employees.

One of the most effective channels for reaching people at scale is through existing workplace benefit providers. However, the majority (58%) of the bottom quarter of earners do not have access to retirement plans, which means that many employees, especially those earning low incomes, need emergency savings options that are separate from a retirement plan.[32]

The big picture

Insights that increased adoption of emergency savings

In looking at data from across the initiative to see what worked, we observed three elements that effectively encouraged short-term savings across millions of people.

01 | Make savings opt-out

Interventions that were opt-out, perceived opt-out, or required savings saw a median uptake rate that was 4x higher than interventions in which people had to proactively take action if they wanted to start saving (43% vs 10%). This provides compelling evidence for continuing to pursue auto-enrollment for short-term savings programs through employers, recordkeepers, and financial institutions.

02 | Prompt for savings in product

Interventions that changed or amended an in-product sign-up flow to encourage savings (such as re-ordering onboarding screens or adding a savings questionnaire) saw increased median uptake rates (39%) compared with interventions that relied solely on email campaigns to nudge savings behavior (7%).

03 | Target new users

Interventions that targeted new employees or members had greater median uptake rates (39%) than projects that targeted existing employees or members (8%). This is likely because new users are less habituated; are at a prime moment for starting a new behavior; and are more easily presented with an opt-out, perceived opt-out, or required savings prompt (e.g., through employee onboarding or new product/account opening).

Note: This data analysis reflects available data from 31 projects with 17 partners.

Supporting policy change

In December 2022, Congress took historic action to enable emergency savings via the workplace retirement system, making clear that the issue is a national policy priority and warrants attention from employers, benefits providers, and the retirement industry.[33]

Policy change expands access

The passage of Secure 2.0, which includes the Emergency Savings Act of 2022, stands to significantly expand emergency savings opportunities for the millions of workers with access to a 401(k) plan (e.g., in-plan emergency savings) and allows employers to match workers' emergency savings contributions. Since the inception of ESI, policy change has been a key pillar of our work. We applaud this important milestone and are proud that ESI research findings, relationships, and insights helped shape this important legislation. The passage of this legislation allows focus to now shift to implementation and adoption of the new provisions and work on "out-of-plan" workplace emergency savings opportunities.

Building emergency savings at the scale necessary to create financial security for as many American households as possible requires continued public policy to accelerate change. In March 2022, ESI provided guidance to lawmakers considering emergency savings provisions in "Joint Principles for Effective Emergency Savings Policy," co-authored with AARP Public Policy Institute, the Aspen Institute Financial Security Program, the Bipartisan Policy Center, Commonwealth, and SaverLife.[34] The brief specifically notes that employers and workplace benefits providers need regulatory clarity about their ability to utilize automatic enrollment and incentives to support employee emergency savings. This has been partially addressed by the passage of Secure 2.0 for workers with access to a retirement plan.

More action by lawmakers and public officials is necessary to fully deliver on the principles, ensuring that there is a wide range of options designed to meet the needs of workers earning LMI and protect their retirement savings.

The building blocks to change

ESI's initial work with the Consumer Financial Protection Bureau (CFPB), industry research and reports, and facilitated conversations between industry stakeholders and legislative staff have all been important in building the case with lawmakers about the need for policy changes.[35] While our policy focus has shifted over the course of the initiative, CFPB's approval of Commonwealth's Compliance Assistance Sandbox Autosave Template for employers was a key first signal from a federal regulator regarding the importance of emergency savings and the potential of automatic enrollment.[36]

The bipartisan retirement security legislation that passed in December 2022 built off the initial recognition by the CFPB and the aforementioned Joint Principles brief by including provisions for employers to increase access to emergency savings, including through automatic enrollment. When Senators Booker and Young introduced the Emergency Savings Act of 2022, which would ultimately be included in Secure 2.0, they referenced a study from Commonwealth and SaverLife, which found that nearly a third of individuals would be more likely to start contributing or would contribute more to a retirement account if it was paired with an emergency savings option.[37] Employers now have the opportunity to implement automatic enrollment into a retirement plan-connected (in-plan) emergency savings account, significantly expanding access to high-quality emergency savings.

However, ESI recognizes that policy changes are also necessary for *out-of-plan* emergency savings because more than half of working Americans in the bottom quartile of earners do not have access to an in-plan retirement option. Public policy should further catalyze the innovation for out-of-plan solutions already happening in the private sector. This includes ensuring that savings options utilized by people earning low income – such as savings features on payroll cards or stand-alone savings accounts – benefit from future policy changes, like allowing for similar automatic enrollment into out-of-plan accounts.

Spotlight

Influencing workplace decision-makers through amplification

While the pandemic amplified the focus on frontline workers' financial health, UPS' pioneering move to add emergency savings as a benefit in 2020 boosted mainstream interest in emergency savings. Many large-scale employers announced their emergency savings programs in the 24 months since, a trend the New York Times called a "hot job perk" in October 2022.

Additional ESI workplace press mentions include:

- "More Companies Offer Emergency Savings Option to Workers," New York Times, October 2022.
- "The New Employer Benefit: Matching Workplace Savings," Wall Street Journal, August 2021.
- "UPS to Offer Employees a Way To Save for Emergencies," Wall Street Journal, October 2020.

View all press coverage at SavingsProject.org.

Looking ahead

The road to financial well-being

In our experience, broad-based financial security is critical for households and economies to thrive, which is why it must be a shared goal across the public, private, and social sectors. Near-term financial security is critical to long-term financial success, including allowing all people to retire with dignity.

Our ambition is for emergency savings to become the foundation for financial security for all households, regardless of income level. Realizing this vision means making low-cost, accessible, and easy-to-use emergency savings the norm for every worker in America.

The past four years have been an enormous down payment on that vision, with significant progress through partnerships with workplace, retirement, and financial leaders like ADP, Voya, Truist, UPS, Mastercard, and so many others. In the year ahead, ESI will continue to support the design and launch of liquid savings with our existing workplace partners whose scale and standing will help build the case for broad market adoption.

We look forward to sharing learnings in the form of additional case studies as the work progresses. In the meantime, we invite new business and policy leaders to join the momentum of this effort by launching their own initiatives to expand access and use of emergency savings tools.

Together, we can encourage the widespread adoption of emergency savings tools and dramatically increase household financial security.

What's next for emergency savings

Continue to embed emergency savings and make auto-enrollment the default

To make emergency savings tools ubiquitous, we must:

- Further embed them in the systems that already serve tens of millions of people in retirement plans, workplace benefits, payroll cards, and during the events that shape people's financial lives, like beginning a new job, opening a new financial product, or receiving a raise or tax refund.
- Financial institutions and fintechs should make emergency savings a standard feature of basic financial product offerings by integrating liquid savings mechanisms into lending products or longer-term savings options.
- Policymakers and public officials can include emergency savings solutions in 529 plans, health savings accounts (HSA), state automatic IRA programs, and more.

The evidence is also clear that defaulting people into emergency savings tools is effective and often popular. Automatic enrollment is a powerful, proven approach to support people in realizing their own savings aspirations, provided ways to opt out are easy and clear. In the workplace, this means ensuring the emergency savings provisions of Secure 2.0 legislation are implemented broadly and taken up by workers; it may also mean enabling out-of-plan automatic enrollment through future policy action.

Continue to cultivate cross-sector leadership for emergency savings action and progress

Enormous progress in emergency savings has come through a unique mixture of private, public, and social sector leadership. Pioneering corporate executives, retirement industry leaders, social sector innovators, legislators, and public officials have taken risks to prioritize the emergency savings crisis.

We must support these leaders by celebrating and highlighting their progress. We must also continue the coalition-building, research, demonstration tests, policy advocacy, and thought leadership that serves as essential "public goods" for a range of leaders to draw on and help ensure that those who need financial security the most are central to efforts to enable emergency savings. Social sector organizations, often supported by philanthropy, have a critical role in enabling private actors to help address a public crisis while driving their own organization's success.

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The view beyond: the journey from short-term financial security to long-term wealth building

Grow recognition that emergency savings is the foundation for long-term financial security and a critical part of building long-term retirement savings and overall wealth creation

ESI research demonstrates that emergency savings are a foundational step in the journey to long-term financial security, whether that's a secure retirement nest egg or building wealth through homeownership and education. The awareness that different populations – including those living on lower incomes or who have been historically excluded – engage in saving in different ways is a critical part of success. We need well-designed savings solutions offered through multiple channels, using a range of tested design features. We should continue to design and test new approaches until we are confident we have product designs that work well for every target population and in every channel. By doing so, we can start to offer this first step toward building a more secure financial future for all.

While ESI's overarching focus has been on households earning low income, it is highly intersectional with race, ethnicity, and gender equity issues. The ways in which different populations save and use savings are nuanced and merit further research.

This work is bigger than any one firm, industry, or sector. BlackRock has been privileged to help advance this work over the past four years, and we are proud to have partnered with so many leading firms and individuals throughout. Our aspiration is that the work of ESI has helped set the stage for even more success and progress in the years ahead. In a world of so many seemingly intractable problems, we can continue to work towards a future where it is possible for every person living in the U.S. to have the opportunity to build a savings cushion and, ultimately, build savings for long-term wealth. The payoff will be both immediate – for families, employers, and our economy – and long-term, as more of us take the first step toward lasting financial prosperity.

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Shared Harvest
Simple
Treasury Department Federal Credit Union
Truist
Uber
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Varo
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Voya
Wisely by ADP

CENTER FOR ADVANCED HINDSIGHT
COMMON CENTS LAB

The Common Cents Lab (CCL) is a financial behavior research lab within the Center for Advanced Hindsight at Duke University. CCL gathers and develops insights about what influences decisions to spend, save, borrow, and earn, and then leverages those insights to encourage behavior that aligns with people's financial goals. In the last three years alone, CCL has partnered with over 50 organizations including Credit Unions, Banks, Tech Companies, Non-profits, local governments, and more, to re-design their product and services to measurably improve the financial health of more than half of a million people in the United States. Together we help their customers lead happier, healthier, and wealthier lives.

commonwealth

Commonwealth strengthens the financial opportunity and security of financially vulnerable people by discovering ideas, piloting solutions, and driving innovations to scale. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling over two million people to save nearly $8 billion. Commonwealth understands broad changes require market players to act. That's why we collaborate with consumers, the financial services industry, employers, policy-makers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them.

FINANCIAL HEALTH NETWORK

The Financial Health Network is the leading authority on financial health. We are a trusted resource for business leaders, policymakers and innovators united in a mission to improve the financial health of their customers, employees and communities. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, we advance awareness, understanding and proven best practices in support of improved financial health for all.

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Notes

1 Report on the Economic Well-Being of U.S. Households in 2017, Federal Reserve (2018) https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf
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9 The Wisely card is a prepaid card, references to digital account are referring to the management and servicing of your prepaid card online digitally or through a mobile app. The Wisely card is not a credit card and does not build credit. The Wisely Pay Visa® is issued by Fifth Third Bank, N.A., Member FDIC or Pathward, N.A., Member FDIC, pursuant to a license from Visa U.S.A. Inc. The Wisely Pay Mastercard® is issued by Fifth Third Bank, N.A., Member FDIC or Pathward, N.A., Member FDIC, pursuant to license by Mastercard International Incorporated. The Wisely Direct Mastercard is issued by Fifth Third Bank, N.A., Member FDIC. ADP is a registered ISO of Fifth Third Bank, N.A., or Pathward, N.A. The Wisely Pay Visa card can be used everywhere Visa debit cards are accepted. Visa and the Visa logo are registered trademarks of Visa International Service Association. The Wisely Pay Mastercard and Wisely Direct Mastercard can be used where debit Mastercard is accepted. Standard text message fees and data rates may apply. Mastercard and the circles design are registered trademarks of Mastercard International Incorporated. ADP, the ADP logo, Wisely, myWisely, and the Wisely logo are registered trademarks of ADP, Inc. Copyright© 2022 ADP, Inc. All rights reserved.
10 With emergency savings features, amounts transferred to your savings envelope will no longer appear in your available balance. You can transfer money from your savings envelope back to your available balance at any time using the myWisely® app mobile app. See Footnote 9 for full description of the Wisely® card and myWisely® mobile app.
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19 Here, automation refers to the use of technology to reduce the need for manual actions; in the example of savings, it is used to reduce or eliminate the need for the manual movement of funds by the saver. Gamification is a concept that describes using game elements in non-game activities as a way to increase people's engagement or motivate a desired outcome.
20 Amounts transferred to your savings envelope will no longer appear in your available balance. You can transfer money from your savings envelope back to your available balance at any time using the myWisely app mobile app.
21 Cash Back Rewards on purchases at participating merchants are powered by Dosh Rewards. Opt-In is required for Dosh Rewards only. Most Cash Back Rewards will appear in your savings envelope within 4 weeks after the transaction has completed. Only Cash Back Rewards for the purchase of eGift cards will appear instantly. eGift Card Cash Back offers range from 2% – 12%, depending on the gift card that is purchased. Cash Back amounts will be disclosed before you select a gift card. Please review the Terms and Conditions of each eGift card product before purchase. Funds from all Rewards can be moved from the savings envelope into the available balance on your card. You must login to myWisely to access the Rewards feature for purchases and e-gift cards. These optional offers are not a Fifth Third Bank, Pathward, Mastercard or Visa product or service, nor does Fifth Third Bank, Pathward, Mastercard or Visa endorse this offer.
22 Amounts transferred to your savings envelope will no longer appear in your available balance. You can transfer money from your savings envelope back to your available balance at any time using the myWisely app mobile app.
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