Innovation to Foster Financial Security
An Introduction to D2D Fund

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Financial Security of American Households

“How confident are you that you could come up with $2k if an unexpected need arose within the next month?”

- 58%
- 49%
- 47%
- 46%
- 44%
- 35%
- 34%
- 27%
- 26%
- 23%
- 18%
- 18%
- 10%
- 2%
- 7%
- 7%
- 6%
- 5%
- 4%
- 4%
- 5%
- 6%
- 1%
- MEX
- UK
- GER
- USA
- POR
- FRA
- ARG
- CAN
- NETH
- SING
- ITALY
- HKG
- LUX

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Mission:
Strengthen the financial opportunity and security of low and moderate income consumers by *innovating, incubating* and *stimulating* new financial products and policies.

- US (Boston) based not-for-profit
- Focus on scale, sustainability
- Record of linking private sector capabilities to public & non-profit ideals
- Co-founded in 2000 by then Harvard Business School Professor, now Oxford Dean, Peter Tufano
Theory of Change

- Fostering financial security requires:
  - Changing the “landscape” – products & policies that increase consumer opportunity
  - Changing consumers – tools & strategies to shape behavior

- Such changes
  - demand innovation, wild ideas
  - must scale to achieve impact
  - require market power to scale
  - must involve real-world trial & error
How we work

D2D Idea Creation Model

Doorways to Dreams (D2D) Fund’s idea creation model: using innovation to bring products and policies to market that increase the financial security and opportunity of low- and moderate-income households.

1. Ideate
   - seek out and observe new consumer finance ideas and trends

2. Innovate
   - create new consumer financial products, services and policy ideas

3. Incubate
   - pilot test and evaluate product, service and policy ideas

4. Stimulate
   - provoke private and public financial system participants to scale tested ideas

Greatly expanded financial services marketplace for low- to moderate-income consumers.
D2D’s Idea Creation Model in action:

- Changing policy landscape: *Tax time saving bonds*
- Changing product landscape: *Prize-linked savings*
- Changing consumers: *Financial Entertainment*
How Do We Improve Financial Decision-Making?
Insight: Engagement is Critical

Which is more likely to get your attention?
Idea: New approach to financial education

D2D’s vision is **Financial Entertainment**

*Taking cues from business and entertainment, we need to work with and for consumers in the development of engaging, interactive new media that teach them how to better manage their money.*

– Why not games?

  + teach as adults learn (by doing, trial & error)
  + Instant feedback / reward
  + Repetition
  + Pride of accomplishment (puzzle solved!)
  + Social dimension (competition, share scores)
Test: D2D library of games

On www.financialentertainment.org:

– **Celebrity Calamity**: Manage credit & debt
– **Groove Nation**: Dance budget game
– **Bite Club**: Vampire retirement savings
– **FarmBlitz**: Manage resources to build savings
– **Refund Rush**: Make the most of a tax refund
– **Celebrity Calamity Mobile**: App Store
Distribution Testing

- Channels & Partners
  - Financial institutions (banks, credit unions, investment firms)
  - Employers & Plan Sponsors (retailers)
  - Schools / Universities (community colleges, universities)
  - Government (state treasurer, mayor of Boston)
  - NGOs (youth, job training, asset building programs)
  - Military (tournaments for troops & their families)
Results to date

Engage Consumers
Facilitate Learning
Enable Action
Support Behavior
Realize Outcome

- 325k plays in 20 months
- Average player stays 15-40 mins
- Double-digit increases in knowledge, confidence pre/post play
- Post-play action taking greater than after written info by >9%
- Hypothesis: environment is engaging enough that consumers will return

Results to date
Scale: Future of Financial Entertainment

- Change financial education conversation
  + Engagement first
  + Behavior change
- Distribution
  + Licenses (e.g., industry, military)
  + Subsidized (e.g., NGO)
- Innovation
  + New platforms, devices
    - Mobile Celebrity Calamity for iPhone launched 7/15/11
  + Social media games
  + “Gamification”
Some projects in our pipeline:

- Innovation in household risk management
- Financial capability through standardized testing
- Reframing retirement saving
Insight: Crises (shocks) are Triggers

- Expense, income shocks are inevitable
- But *impact* of shocks varies greatly; critical factor: preparedness
- Yet: “no emergency funds to cover three months’ expenses:”*
  + 47% with income $25 to $75K
  + 74% with income < $25k

*FINRA National Financial Capability Study (2009)

Why? What prevents consumers from building a buffer?
# Ideas

## Emergency Saving: Challenge, Opportunities, Ideas

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Opportunity</th>
<th>Product Ideas / Features</th>
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</thead>
<tbody>
<tr>
<td>Getting starting</td>
<td>• Meet consumers where they are, capitalize on an existing behavior</td>
<td>• Emergency Savings Gift Cards</td>
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<td>• Make savings more immediately gratifying and impulsive</td>
<td>• “Commoditize” Savings</td>
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<td>• Manage competing household needs</td>
<td>• Bundle Savings - with an existing financial tool (e.g., prepaid card with savings pocket) or function (e.g., emergency savings with Insurance)</td>
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<tr>
<td>Building savings</td>
<td>• Make savings accessible by limiting how much needs to be set aside</td>
<td>• Low barriers to entry (e.g., $25 a month) and ability to save in small increments</td>
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<td>• Make the act of savings easy</td>
<td>• Automate savings, reminder messages tied to income</td>
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<td>• Reward savings behavior</td>
<td>• Use PLS concept to motivate savings; add a “game layer” to saving</td>
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<tr>
<td>Direct saving to address emergencies</td>
<td>• Ensure consumers can access, transact with emergency savings when they need it</td>
<td>• Emergency savings gift card, prepaid card with savings pocket, emergency savings debit card</td>
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<td></td>
<td>• Create some barriers to access to limit use to non-emergency uses</td>
<td>• Circuit-breaker: call 1-800 number to activate funds</td>
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<td>• Social commitments (e.g., 2 friends must authorize use of funds)</td>
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<td>• Reminder of usage of funds when you go to withdraw</td>
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<td>Economics</td>
<td>• International experience suggests consumers are willing to pay for saving</td>
<td>• Fees to purchase “commoditized” saving, profitable ancillary products (e.g., gift card holder)</td>
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<td>• Test consumer reaction to non or reduced interest - bearing products</td>
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<td></td>
<td>• Leverage lower cost platforms (e.g., prepaid)</td>
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