FDIC Steps to Support Household Savings

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Session goal

- Gather feedback on a set of potential steps the FDIC could take to add value to efforts to encourage regular household savings, particularly in liquid, insured accounts

Presentation outline

- Brief review of savings statistics
- FDIC role
- Perceived challenges to savings efforts
- Potential steps
- Discussion

Low household savings participation

- 30% of households lack a savings account (FDIC 2012)

- 39% of families save regularly and an additional 35% save amounts “left over” at year end (FRB 2012)
  - Even among families with incomes of $15,000-$30,000, median account holdings were higher among regular savers ($2,220 vs. $1,326) and lowest among those that did not save (< $250)

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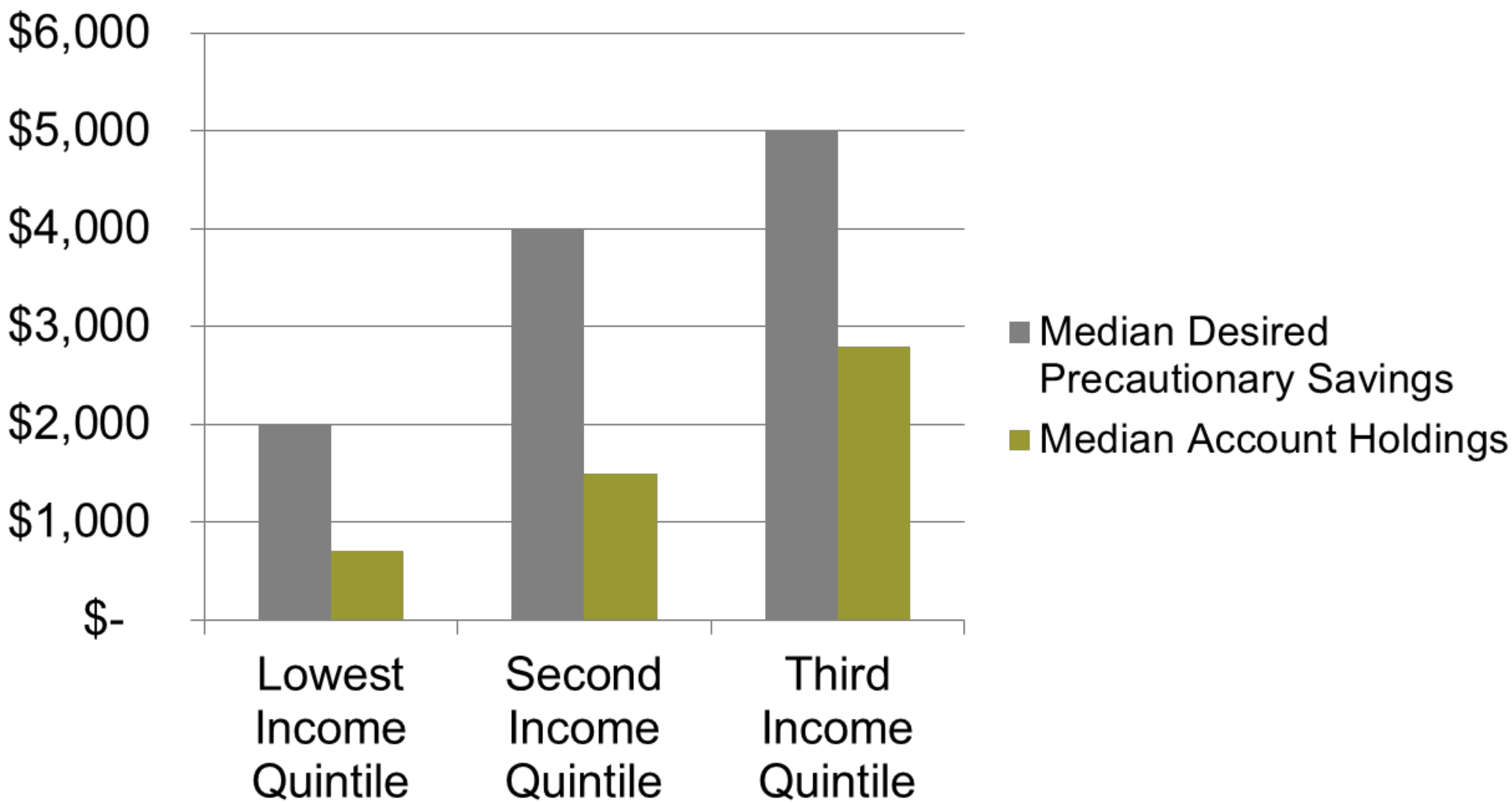
Limited household resources

- 2 in 5 consumers report that they certainly or probably could not come up with $2,000 if an unexpected emergency arose (FINRA Investor Education Foundation 2013)

- Families in the bottom three-fifth's of the U.S. income distribution reported a median of $1,500 across all of their checking, savings, and other transaction accounts (FRB 2012)

Families want more savings



Consequences

- 43% of Americans could not sustain poverty level spending for three months if they faced income disruption (CFED 2012)

- Upon job loss, low income families frequently face hardships (food, bills), but are more likely to do so when in “liquid asset poverty” (51% vs 28%) (Urban Institute 2009)

FDIC’s role

- A safe option to build savings is an important benefit from a banking relationship
- Making that opportunity available broadly is consistent with FDIC economic inclusion priority
- Builds on prior work, including safe savings account

Four perceived challenges

- Limits to intermediary expertise and capacity
- Consumer challenges
- Lack of identified benefits to motivate for-profit partners
- Lack of awareness among civic leaders and other stakeholders

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Complement existing expertise and capacity

- Support efforts to convene national and regional conversations
- Clarify potential technical obstacles
  - E.g., perceived obstacles arising from CIP requirements & application screening
- Identify and promote promising practices on savings product development and marketing

Address consumer challenges

- Develop and distribute FDIC-branded materials specifically designed for use with consumers that—
  - Motivate
  - Clarify and simplify choices
  - Assist in developing a plan to save regularly
  - Help position consumers to have success on savings commitments

Motivate partners

- Conduct research into the benefits that may flow to institutions that promote positive savings options to consumers
- Conduct and highlight research into best practices around savings program design and marketing
- Clearly and consistently speak to institutions about opportunities to promote savings

Raise awareness

- Enhance data collection in the Household and Bank Surveys to focus on household savings habits and institutions' efforts to assist households to save

- Develop a communications strategy to detail savings rates and opportunities to encourage strong savings habits targeted at reaching civic leaders and other stakeholders

Discussion questions

- Do we have the right set of challenges?
- Would the steps we have described to address them add value to efforts to encourage household savings?
- Are any duplicative of existing efforts?
- Are there additional steps the FDIC should consider?