Saving at Work for a Rainy Day

Results from a National Survey of Employees

David C. John
AARP Public Policy Institute

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Description of the Rainy Day Savings Program

“To help you be prepared for emergencies or unexpected expenses, an amount of money you specify will be deducted from each of your paychecks and deposited into a special savings account set up for you at a bank or other financial institution. These transfers from your paychecks to the savings account will continue for as long as you would like and you can stop them at any time.

You are free to take the money out of the savings account at any time without paying a penalty. There are no fees on this account. At no time is your account information shared with a third party.”
Seven in ten employees would likely participate in an employer-based rainy day savings program

How likely are you to enroll in this benefit?

- Very likely, 35%
- Somewhat likely, 36%
- Not too likely, 16%
- Not at all likely, 13%

71% of survey respondents would be likely to enroll

Total respondents: n=2603
Individuals’ attitudes and opinions are more important drivers of participation than demographic factors

Regression analysis showed that, overall, likelihood of enrolling in the rainy day savings program is driven primarily by psychographic factors as opposed to demographic factors.

Effect of factors on likelihood to enroll

**Psychographic** 67%

**Demographic** 33%

Examples

- Stress over financial situation
- Trust in employer
- Confidence in ability to pay for a $2,000 unexpected expense

Examples

- Household income
- Gender
- Age
The most powerful drivers* of likelihood to participate in an employer-based rainy day savings program:

1. Non-retirement savings
2. Stress about overall financial situation
3. Trust in primary employer
4. Ability to pay for an unexpected expense costing one month of household income

*Based on regression analysis. Factors are listed in order of the degree to which they appear to impact likelihood to enroll in the program.
Moderately powerful drivers* of likelihood to participate in an employer-based rainy day savings program:

1. Trust in financial institutions
2. Race
3. Ability to pay for an unexpected expense of $2,000

*Based on regression analysis. Factors are listed in order of the degree to which they appear to impact likelihood to enroll in the program.
Weak drivers* of likelihood to participate in an employer-based rainy day savings program:

1. Gender
2. Ethnicity
3. Age
4. Marital status
5. Years of formal education

*Based on regression analysis. Factors are listed in order of the degree to which they appear to impact likelihood to enroll in the program.
Factors that have **no significant effect** on likelihood to participate in an employer-based rainy day savings program:

- Household income
- Number of months since dealing with a large, unexpected expense
- Proportion of monthly take-home pay to expenses (including loan payments, mortgage and rent, child care, food, transportation, and health care)
- Perceived level of knowledge about financial matters
- Agreement with “I often need to borrow money to make ends meet.”
- Agreement with “I feel like I have no control of my financial situation.”
- Agreement with “I have an unmanageable amount of debt.”
- Regularly putting money into retirement accounts outside of work
- Balances in employer-sponsored retirement plans
An employer match makes 87% of employees more likely to participate

Suppose your employer decided to match at least some of the amount that you put into this account. How would this affect your likelihood of enrolling in this employee benefit?

<table>
<thead>
<tr>
<th>Likely to enroll in proposed benefit</th>
<th>More likely</th>
<th>No effect</th>
<th>Less likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>(n=1856)</td>
<td>88%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unlikely to enroll in proposed benefit</th>
<th>More likely</th>
<th>No effect</th>
<th>Less likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>(n=740)</td>
<td>85%</td>
<td>8%</td>
<td>7%</td>
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</tbody>
</table>

Total respondents: n=2603
Most would prefer that the match be deposited into the emergency savings account rather than into a retirement account

If your employer decided to match at least some of the amount that you put into this account, where would you prefer the employer match be deposited?

- Into this account (your savings account for unexpected expenses): 60%
- Into your retirement savings account: 26%
- No preference: 13%
- Refused: 1%

Respondents whose employer offers a retirement savings plan at work that allows employees to make contributions from their paychecks: n=2216
The ability to direct payroll contributions to an existing account makes half of employees more likely to participate

Suppose you could direct your savings contributions to a savings account you already have at a bank or financial institution. How would this affect your likelihood of enrolling in this employee benefit?

- More likely: 61%
- No effect: 27%
- Less likely: 11%

Likely to enroll in proposed benefit (n=1856)

Unlikely to enroll in proposed benefit (n=740)

Total respondents: n=2603
Program feature tradeoffs: control, convenience, and privacy are essential

Employees are least willing to compromise on the ability to access their money immediately, start or stop contributing, keep the account if they leave their job, and maintain privacy.

- **Time it would take to withdraw from the account**
  - Immediately: Moderate
  - Up to one week: High
  - 48 to 72 hours: High
  - 24 hours: High

- **Ability to change or stop contributions to the account**
  - At any time, you can change the amount you contribute or even stop contributing: Moderate
  - At certain times of the year, you can change the amount that you contribute or stop contributing: High

- **Ability to keep the account in case of job change**
  - You can continue to use your savings account after you leave your employer: High
  - You must close the savings account and withdraw your funds when you leave your employer: High

- **Privacy: level of information known to the employer**
  - Neither account balance nor withdrawal history: High
  - Account balance only: Moderate
  - Account balance and withdrawal history: High
Program feature tradeoffs (continued)

Use of a prepaid card for withdrawals and transactions
- The card provides immediate access to the money: Moderate
- Employees must transfer money to the card with a website or mobile app: Moderate

The bank or financial institution where the account resides
- Employees can select a bank or financial institution other than the employer-chosen default: Moderate
- Employees’ contributions are deposited at a bank or financial institution chosen by the employer: Moderate

How employees are enrolled in the program
- Employees proactively opt in to the program: Drop in appeal: Low
- Employees are automatically enrolled in the program with the ability to opt out: Drop in appeal: Low

Account risk and return
- Low- or no-interest account with no risk of investment loss: Low
- Higher-interest, higher-risk account: Drop in appeal: Low
Program feature tradeoffs (continued)

<table>
<thead>
<tr>
<th>Percent of pay deposited into the account each pay period (default contribution)</th>
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<tbody>
<tr>
<td>3% of pay</td>
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<tr>
<td>1% of pay</td>
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<tr>
<td>2% of pay</td>
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Drop in appeal: Low
Most effective messages

- “Easily start saving through an account that you control”
- “Having money tucked away out of every paycheck for emergencies will relieve some stress”
- “Routinely set aside money for unexpected events”
- “Access your savings quickly and easily whenever you need to”
- “Automatically deposit money from each paycheck into a separate account in your name”
Least effective messages

• “Easily start saving through an account that your employer sets up for you”
• “This account will help employees to be more productive at work”
• “This is a way for a company to do right by its employees”
What to call the program

Nearly eight in ten respondents say that “emergency savings account” describes the program well.

<table>
<thead>
<tr>
<th>Name of Savings Account</th>
<th>Share of Respondents</th>
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<tbody>
<tr>
<td>Emergency Savings Account</td>
<td>79%</td>
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<tr>
<td>Safety Net Savings Account</td>
<td>70%</td>
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<tr>
<td>Payroll Savings Account</td>
<td>68%</td>
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<tr>
<td>Rainy Day Savings Account</td>
<td>67%</td>
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<tr>
<td>Unexpected Events Savings Account</td>
<td>65%</td>
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<td>Sidecar Savings Account</td>
<td>21%</td>
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Questions or suggestions?

Catherine Harvey
Senior Policy Advisor
charvey@aarp.org

David John
Senior Strategic Policy Advisor
djohn@aarp.org