

## Tools for Saving: Using Prepaid Cards to Set Aside Funds<sup>1</sup>

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We present the results of a large field study exploring consumers' use of the *Reserve* "set aside" feature on the American Express (AmEx) *Serve* prepaid card. The study aimed to encourage consumer saving behavior on prepaid cards using various behavioral interventions and explore whether increased saving behavior was associated with better outcomes for consumers. To encourage consumer saving behavior, AmEx fielded a randomized controlled trial (RCT) testing four different savings strategies to promote savings to prepaid customers who had not previously signed up for the savings feature. The strategies included: 1) encouragement to save via email; 2) encouragement to save via direct mail; 3) promotional incentives; and 4) encouragement to enroll in automatic transfers to the savings feature.

Results from the pilot indicate that, in particular, offering customers a \$10 incentive for using the savings feature during a 12-week period was highly effective at encouraging enrollment in the savings feature. A survey conducted on a random sample of study participants nine months post-intervention also showed that participants who were sent an incentive offer as part of the messaging reported statistically significantly less payday loan use compared to those in the control group. Using an instrumental variables approach, we find that the maximum balance ever held in *Reserve* is one significant mediator of the decrease in reported likelihood of using payday loans in the previous year.

These results suggest that incentivizing prepaid card customers to save, and providing an opportunity for them to do so using a savings feature that keeps funds dedicated for saving separate from those used for spending, could provide tangible financial benefits.

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