

## Break the bank

By Anya Kamenetz, *Fast Company*, Sep. 2008



A range of financial institutions are nudging, and even paying, customers to save money. Here are some highlights from a few innovative programs as described by Peter Tufano, a Filene Research Fellow and Harvard Business School professor who, for the past decade, has been studying and testing new policies to promote savings.

### Banks

Wachovia's **Way2Save** program takes \$1 from checking with every ATM-card use or online bill payment, and puts it into an account that pays a loss-leading 5 percent APR for the first year, plus a 5 percent end-of-year bonus. "I consider this an investment," says Kathryn Black, Wachovia's first-ever savings director. "We're using this to acquire new customers." So far, Way2Save has attracted more than 250,000 new customers in just a few months.

### Online startups

Jon Gaskell and Mike Ferrari launched **SmartyPig.com** as a 21<sup>st</sup>-century version of a piggy bank. "We're encouraging people to save up before they buy stuff," says Gaskell. Set up a savings account with an automatic monthly contribution, plus family and friends can contribute to your account. It pays 3.9 percent through West Bank of Des Moines. SmartyPig shares revenue with the bank and also partners with retailers that offer a 5 percent bonus if you cash out to a dedicated gift card.

### Credit unions

Matt Davis, director of PR at Members Credit Union in North Carolina introduced the **What Are You Saving For?** program. This program offers a 1.8 percent interest rate, but also includes monthly drawings for additional cash prizes. "I fully expect this to lose money," says Davis, but I think the good will we'll create will far outweigh that."

### Lotteries

The poorest Americans already spend an average of \$645 a year in lottery tickets. Tufano believes lotteries could be the answer to marry our something-for-nothing culture with the noble goal of long-term savings. He has helped pilot the concept using sweepstakes structures, which allow anyone to enter for the prize whether or not they have an account.

## The Weekly Number

### \$500

The average U.S. household throws out nearly a quarter of the fruits and vegetables they buy. For a family of four, that adds up to about \$500 each year, according to a study by the University of Arizona.

(Source: MSNBC.com, July 23, 2008)

## The Weekly Word

### Prototype

A trial version, or model, of a product being developed.

## The Weekly Quote

*"To stay ahead, you must have your next idea waiting in the wings."*

**Rosabeth Moss Kanter**  
**Harvard Business School**

## Ready Credit can save money for people who don't use banks

By Dick Youngblood, *Minneapolis Star Tribune*, Aug. 26, 2008



More than 40 million households are in the so-called “unbanked” category – people with no bank accounts who pay a steep price in fees and inconvenience for their cash-only financial practices. They often are the low-income folks, according to the nonprofit Center for Financial Services Innovation, and they typically pay 2 to 5 percent of face value to cash a paycheck or government stipend. They might pay more for money orders with which to pay their bills (and stand in lengthy lines on payday to do so.)

An Eden Prairie company, Ready Credit Corp., offers a more convenient and generally less expensive alternative. In the past two years, it has installed more than 70 self-service kiosks in eight states where users can insert cash and, with a few touches on the screen, pay their bills and/or obtain a prepaid MasterCard. To Ready Credit CEO Tim Walsh, the company answers a serious question: “Why are the poorest people, who are living paycheck-to-paycheck, paying the most for financial services?”

## FAA First extends relief with Crisis Co-Pilot program

By Michelle Samaad, *Credit Union Times*, Aug. 28, 2008



“As a credit union that serves the air transportation industry, we felt compelled to have a program in place to help our members get back on track, financially, should they at some point be affected by an industry crisis,” said Eileen Rivera, president/CEO of \$300 million FAA First. To help members stay on course, FAA First Federal Credit Union has created the Crisis Co-Pilot program. The new plan includes the Crisis Co-Pilot loan, which allows affected members to borrow up to \$5,000 with a 0-percent annual percentage rate for the first six months with no payments required for the first 90 days. After six months, the loan converts to FAA First’s standard signature loan rate for the duration of the 48-month term, according to the credit union. In addition, members also receive fee reversals for six months for items such as early certificate of deposit withdrawals, courtesy pay, overdraft transfers and any minimum balance-related service charge. They also will receive 90-day payment extensions on any existing loans. Free resources are available for members such as credit counseling services through a third party or a financial consultation with the investment services team.

## DreamBank takes the guesswork out of gifting

By Nissa Hanna, *Iconoculture*, Aug. 22, 2008



DreamBank believes it's better to give a high-impact gift than something unwanted, so the beta Web site helps consumers find funds to get exactly what they want. Users post their dream (money for college, a vacation, a bike, eco-renovations, etc.) or create a page for a loved one. Friends, family or anonymous donors use their PayPal account to contribute a personalized amount. While dreamers wait for their account to accrue necessary funds, the money they do have acquires interest, which DreamBank donates to the user's selected charity.