



# Financial Innovation and Savings: Beyond the Passbook

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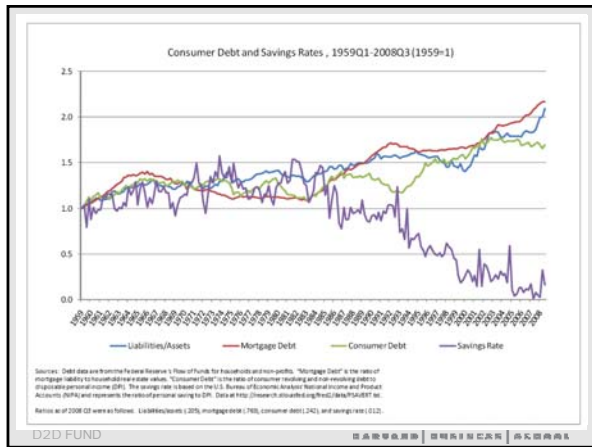
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## Haveman and Wolff's Estimates of US Asset Poverty (2001)

- Overall, 25-33% of Americans are asset-poor: insufficient financial assets to survive for three months at the poverty line.
- But considerably more pronounced for many groups:
  - Blacks/Hispanics 62 percent
  - Head aged less than 25 years 72 percent
  - Head aged 25-34 years 52 percent
  - Head with < high school degree 60 percent
  - Renters 64 percent
  - Female heads with children 71 percent

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### Why do families save?

- Long term goals: retirement, education
- Long term risk management: health
- Medium term capital purchases: homes, cars
- LIFE: rainy days, emergencies, weddings, future bills

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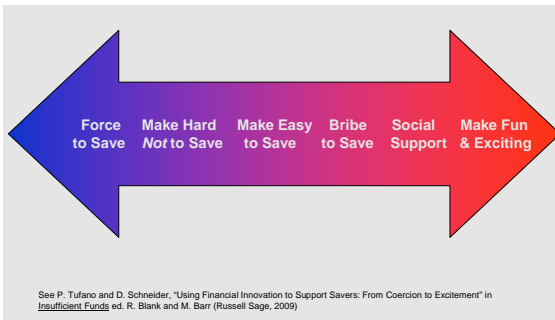
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### Wide range of savings interventions




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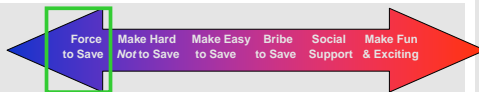
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### Force to Save



Impediment	People can't or won't save
Change	Take away the decision; Mandate or Grant Savings
Partner	Government
Resources	Political will and money (grant)
Examples	<i>Mandate:</i> Social Security <i>Grant:</i> UK Child Trust Fund; Aspire Act and others

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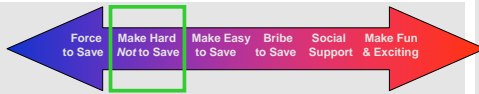
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### Make it hard NOT to save



Impediment	Procrastination
Change	Make people to decide <i>not</i> to save
Partner	Government, employer, businesses
Resources	Process and product innovation
Examples	<i>Defaults:</i> Auto-enrollment, Auto-IRA <i>Bundling:</i> Savings added to credit, payments, other products

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### Make it easier to save



Impediment	Institutional barriers to savings – it's too hard
Change	Simplify the savings process
Partner	All
Resources	Process innovations
Examples	<i>Change place of savings:</i> Tax-refund based programs, workplace programs, AFS programs, retail programs <i>Change time of savings:</i> Pay yourself first

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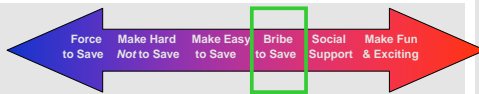
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### Bribe to save



Impediment	Savings is economically unattractive
Change	Provide financial incentives to save
Partner	Government, perhaps employer
Resources	Money
Examples	Tax advantaged savings programs (401k, IRA), IDA programs, Savers Credit Private Sector Rebates

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## Easy to Save, Social Networks and Financial Incentives



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## Summary

- Are we “done” with savings? No.
- Is there one type of saver? No.
- Is there one solution? No.
- Can innovation play a meaningful role? Yes!

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