



THE FINANCIAL SERVICES ROUNDTABLE

Impacting Policy. Impacting People.



For Immediate Release:
Thursday, February 18, 2010

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NEW RESEARCH SHOWS MOST LOW- AND MODERATE INCOME FAMILIES DON'T HAVE SAVINGS ACCOUNTS

NEW SURVEY SHOWS AMERICANS BELIEVE BANKS COULD HELP LOW-
AND MODERATE INCOME FAMILIES SAVE BY OFFERING AND PROMOTING
LOW BALANCE REQUIREMENTS AND AUTOMATIC SAVINGS.

MAJOR FINANCIAL INSTITUTIONS COMMIT TO PROMOTE AUTOMATIC SAVINGS

Washington, DC – Kicking off a new historic partnership, The Financial Services Roundtable, Consumer Federation of America (CFA), and Employee Benefit Research Institute (EBRI) released new data on how America saves. They also announced a commitment to promote automatic saving, especially by low- and moderate-income households.

Said Ron O'Hanley, President & CEO of BNY Mellon Asset Management and Co-Chair of The Roundtable's Council on Asset Management: "This savings crisis ranges from the many low- and moderate-income families who do not have an emergency savings fund to cover unexpected expenses to the retirement crisis that threatens the retirement security of the vast majority of Americans." And he added: "Research has repeatedly shown that the most effective way to save for anything is through auto-savings."

The three groups released new data on saving, consumer attitudes about saving, bank automatic savings products and promotion, a best practices commitment, and financial institution participation in next week's America Saves Week.

- A new analysis of the Fed's latest Survey of Consumer Finances data found that less than one-third (32%) of low-income households and less than half (48%) of moderate-income households, but four-fifths (80%) of upper-income households, have savings or money market accounts.

- A nationwide survey this month learned that a large majority of Americans (83%) believe the most effective way to build personal savings is to automatically transfer funds from paycheck or checking to savings or investments. And a large majority (78%) believes that if banks and credit unions made it a priority to promote and offer automatic savings incentives, American families would save more effectively.
- Research on large bank practices found that nearly all offer free regular transfers from checking, and a majority lower minimums when regular automatic deposits are made, but only some institutions offer incentives for customers to save automatically.
- The Roundtable and CFA announce new best automatic savings practices for banks and commit to promote these best practices.
- Major financial institutions have agreed to use the America Saves Week logo in ads, websites, and/or flyers.

Many American Families Don't Have Savings Accounts

Recent research completed for CFA by Ohio State Professor Catherine Montalto, using the latest Federal Reserve Board Survey of Consumer Finances data, revealed that most low- and moderate-income households don't have savings accounts.

- Less than one-third (32%) of low-income households – bottom quintile with incomes below \$18,900 in 2007 – have savings or money market accounts.
- Less than one-half (48%) of moderate-income households – second quintile with incomes \$18,900-33,899 – have savings or money market accounts.
- Even less than three-fifths (58%) of middle-income households – third quintile with incomes \$33,899-53,599 – have an account.
- But 80% of upper-income households – highest quintile with income above \$89,300 – have an account.

“Most of the families without savings accounts do not even have adequate funds to cover emergency expenditures, let alone to save for homeownership or retirement,” said CFA Executive Director Stephen Brobeck. “But most do have a checking account so have a convenient opportunity to save automatically,” he added.

Most Americans Support Automatic Savings at Banks and Credit Unions

A nationwide survey of more than 1000 representative adult Americans, commissioned by CFA and undertaken by Opinion Research Corporation in early February, revealed that:

- A large majority of Americans (83% vs. 15%) agree the “most effective way to build personal savings is to do so automatically by agreeing in advance to transfer funds regularly from a paycheck or checking to savings or investments.”
- A large majority (78% vs. 20%) also believe that if banks and credit unions “made it a priority to promote and offer incentives for all their customers to save

automatically, this would help American families save more effectively.” Low (74%) and moderate (78%) income households agree.

- Moreover, a large majority (69% vs. 26%) believe that banks’ and credit unions’ “eliminating opening and minimum balance requirements, as long as the customer agrees to an automatic transfer of at least \$25 each month from checking,” is a positive development. And low (64%) and moderate (68%) income households agree.

Most Big Banks Offer But Do Not Yet Effectively Promote Automatic Savings

A survey conducted earlier this year by The Financial Services Roundtable of the automatic savings products and promotion by 22 of its members, which include most of the nation’s largest banks, and recent research by the Consumer Federation in the websites of the 50 largest banks by number of branches, revealed widespread offering, but not promotion, of automatic savings from checking accounts.

- Nearly all banks offer free regular transfers from checking to saving.
- A majority of all banks surveyed lower minimums when regular automatic deposits are made – e.g., 16 of the 22 banks surveyed by The Roundtable.
- This automatic savings is often linked to customer saving for a specific goal such as Christmas, a home, education, or medical care.
- Some banks surveyed offer an incentive – such as higher interest, matched interest, cash bonus, gift card – to save automatically. For example:
 - **Fifth Third Bank** provides a double interest bonus to those who meet a goal in the Goal Setter Savings.
 - **U.S. Bank** offers a \$50 Rewards Card for the first \$1,000 in savings and another \$50 Rewards Card if that balance is maintained for a year in its S.T.A.R.T. Savings Today and Rewards Tomorrow program.
 - **SunTrust**, in its Get Started Savings Program that in March will become its Live Solid Savings, offers a 1.5% rate for two months and a 2% anniversary bonus (up to \$50) as well as free overdraft protection for those agreeing to automatically transfer at least \$25 monthly to savings.
 - **Regions**, in its LifeGreen Savings, provides a 1% interest rate bonus if automatic deposits are made for 12 months.
 - **BBVA Compass**, in its Build My SavingsSM, will match, on an annual basis, up to 6% of a customer’s monthly automatic savings transfer amount. This program will be launching in April.
 - **Bank of America**, in its Keep the Change program, rounds up debit card purchases and transfers the difference from checking to savings where it provides a 100% match for three months then matches 5% a year (up to \$250/year).
 - The Way2Save® account, created by Wachovia, will be offered to **Wells Fargo** customers in the future. It’s a savings account that can be linked to checking, turning purchases into automatic savings by transferring \$1 from checking to the Way2Save® account each time you make a check card purchase or use bill pay.

- There is evidence that the promotion of automatic savings can be effective. In the Roundtable survey:
 - **SunTrust** reported that it had sold more than 100,000 of its Get Started Savings accounts in the past year.
 - **Regions** reported that, because of their LifeGreen Savings program, the percentage of those opening a checking account who also opened a savings account rose from one-fifth to one-half.
 - **Huntington** reported that new checking customers responded to letters promoting automatic savings at twice the rate they have responded to other direct mail offers.
 - **Bank of America** has enrolled more than 12 million customers, who have saved over \$3 billion, in its Keep the Change program.
 - One out of every three new **U.S. Bank** customers are enrolling in S.T.A.R.T. where it is available.

“Decades ago the Christmas Club account was a mainstay community activity at many banks, where it helped instill a culture of saving for the future that credit cards and easy credit eroded,” said EBRI President Dallas Salisbury. “Banks need to renew that primary value in the community by teaching customers the value of saving and providing innovative products to make this possible,” he added.

Financial Services Roundtable Announces Commitment to Promote Automatic Savings

The Financial Services Roundtable announced its commitment to promote savings in two important ways. First, through its Council on Asset Management, it has encouraged members to participate actively and visibly in next week’s America Saves Week. That participation includes:

- **Dreyfus** putting the America Saves Week logo in ads, in Dreyfus Financial Centers, and on their website;
- **US Bank** incorporating the logo into television and radio advertisements as well as print insertions;
- **Wells Fargo** putting the logo on flyers in stores; and
- **Union Bank** offering a \$25 bonus to those opening a new savings account.

Second, with CFA, The Roundtable has developed Best Practices for Automatic Savings and committed to promoting these best practices to its members. The practices are:

- Free automatic transfers from checking to savings.
- Low minimums for automatic savers.
- Incentives for customers to use automatic savings.
- Good disclosure of automatic savings options.
- Active promotion of these options.
- Increased percentage of checking customers, especially small depositors, who save automatically.

“The Roundtable will do everything in its power to encourage retail banks to adopt these practices to improve their programs so that they meet these criteria,” said Roundtable President Steve Bartlett. “Moreover, we commit to publishing a review of our progress in one year,” he added.

“The Consumer Federation commends The Roundtable for taking this initiative,” said CFA’s Brobeck. “Not only will bank customers benefit, over time so will banks and the whole nation,” he added.

The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer.

The Consumer Federation of America is a non-profit association of some 280 consumer groups that, since 1968, has sought to advance the consumer interest through research, advocacy, and education.

The Employee Benefit Research Institute (EBRI) is a private, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions.