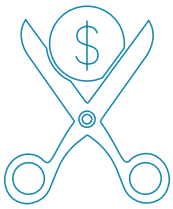


REDUCING EXPENSES

Reducing expenses is a key enabler of many of our other target financial behaviors like increased savings and reduced debt. In order to create enough slack in budgets to be able to save for unexpected expenses, one generally has to either increase their income or decrease their expenses. For many, looking for ways to decrease expenses can feel like a more immediate and achievable path. But it's usually not easy to break our spending habits.

These expenses come in many forms: some are fees incurred because of the mismatch between income and payments, some are temptation purchases that we later regret (see our Regret Spending case study in our 2017 Annual Report), some are subscriptions that we've forgotten to cancel, some are compounded because we delayed the expense, and many are essential to our health and happiness. It is tricky business sorting out how to reduce expenses when most of a budget goes to food and housing.

In 2020, the traditional pattern of increasing spend year-over-year changed dramatically. We saw spending on services such as dining, personal care and entertainment declined significantly due to lock downs but spending on goods increased substantially as people tried to cope with the pandemic at home. In our partnership with Varo, we surveyed households across the U.S. and found that about half were spending less. However, high-income earners have managed to reduce their expenses by 17%, whereas low-income earners are only able to reduce their already tight budgets by 4%.
Typically, if someone wants or needs to reduce their expenses, they are advised to make a budget and are then encouraged to reduce expenses by cutting out the fancy cup of coffee or bringing in homemade lunch to work. However, there's little evidence that budgeting, in the traditional sense,

actually works to reduce spending. In our partnership with Clarity Money, we found that traditional budgeting had no positive or negative impact on spending, even though it did increase engagement with the App. Read the full case study on page 42.

Reducing expenses is difficult. And there are two key barriers that we focused on this year:

1. Inertia: We may need to make significant changes or upfront investments to reduce some of our large expenses, for example, changing health insurance or applying for financial grants. These actions make take substantial time to complete but allow us to reap ongoing savings. Sometimes, we need an added push to help us get past the first needed action.
2. Overcorrection: Just as we might feel entitled to splurge on desserts following a week of lots of exercising, Kan, Fernbach and Lynch found that we are prone to overcorrect our spending behavior following a reduction in expenses in a previous period. This causes us to take one step forward but two steps back from our goal, and struggle to make significant progress.

This year, we tackled these barriers in a variety of ways:

1. **Nudges to get started:** Sometimes ongoing benefits take significant upfront investment. We can help by reducing the investment required or providing enough motivation to get people over the hump.
    - » In partnership with PerkUp, we are encouraging users to seek out financial assistance using precommitment, nudges, and text reminders. Read more on page 58.
    - » With Duke Kunshan University, we are designing a campaign, focused on village providers, to make it easier for chronic disease patients to enroll in a medication discount program. Read more on page 49.
    - » With LISC, we designed a digital intake tool for financial coaching to ensure that the first session can lead to deeper conversations and connections. Read more on page 55.
2. **Budget feedback:** By providing real time, relevant feedback on spending progress, we may be able to help people stick to their spending goals and address overcorrection.
    - » In a lab experiment, we found that using a stacked bar to clearly show what had been spent already, what was committed to be spent before the next paycheck, and what was left over for daily purchases increased intention to spend less in a hypothetical scenario. Read more on page 61.
    - » To prevent overcorrection, we are working with Branch to test providing more ambiguous feedback when things go well and more specific feedback when things don't go as well. Read more on page 38.

In 2021, we anticipate sharing out our learnings from these studies while continuing to explore new ways to help struggling households reduce fees, free up cash to put towards future goals, and maximize their paycheck.

Partner Type:	Partner Cohort:	Project Type:	Project Status:
Tech	2020	Field Study	In Design

Increasing Account Balance Through Better Spend Feedback

BACKGROUND

With the onset of COVID-19 stay-at-home orders, 56% of hourly employees experienced reduced hours, unpaid leave, or job loss. Even before COVID, a survey of U.S. households found that 60% experienced at least one financial shock in a 12-month period, with $2,000 being the median most expensive shock. Half of these households struggled to make ends meet after their most expensive shock. Earned wage access (EWA), giving employees access to their earned wages before the normal payroll cycle, allows people to tap their funds to help pay bills and make rent while under financial distress without resorting to payday loans. However, research by Wendy De La Rosa and Stephanie Tully shows that higher payment frequencies can lead to greater perceptions of subjective wealth, and consequently increase discretionary spending.

Branch, a fintech company that partners with employers to offer free, instant access to earned wages and other digital payments to employees' Mastercard® Branch card, partnered with the Common Cents Lab to explore how to help users decrease their discretionary spending, take fewer pay advances, and ultimately increase their account balance.

HYPOTHESIS AND KEY INSIGHTS

The Common Cents Lab began the discovery phase to understand what barriers exist to planning for expenses, how users are currently budgeting, and what kinds of information a budgeting visual could convey that might help decrease spending. As the first step in exploring these questions, we turned to the literature and to CCL's past research, which highlighted that:

- People are overly optimistic about future expenses and set demotivating budgets.
- Going through a budgeting exercise decreases financial confidence.
- Categorization can make overspending more likely.
- People who track their budgets are more likely to overspend after a period of fiscal restraint than those who do not track their budgets.

Since Branch's budgeting screen was already focused on providing automated insights into spending habits, rather than category budgeting, these potential pitfalls were fairly easy to avoid. As our next step in exploring these questions, we conducted 11 in-depth interviews with Branch users. From these interviews, we learned that:

- Most interviewees were not budgeting primarily in a digital application.
- Some interviewees had lost trust in budgeting apps either because of faulty information, or because they didn't fit their mental model.
- Those who used budgeting apps used them to assess what they may have spent too much on in the past, but this didn't necessarily translate into future action.
- Interviewees wanted to do minimal thinking, be shown accurate calculations, and have bills paid on their behalf.
- Interviewees expressed interest in being reminded of the future consequences of their spending decisions.

Ready to begin exploring solutions, we designed a survey to test out some new budgeting visuals on Branch users. We wanted to see which new budgeting visual had the most potential for influencing spending decisions, as well as helping users understand the future consequences of their spending decisions. For more information on the survey design and detailed findings, see Learning from the Lab: Building Better Spending Visuals on page 61. At a high level, we tested three different visuals, each with two different messaging types ("doing great" versus "overdraft risk").

Out of the three visuals, the stacked bar visual:

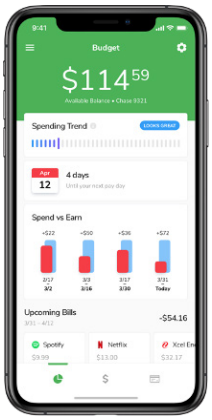
- Was best at helping users spend less when faced with a hypothetical choice.
- Left the strongest impression that users had been spending too much.
- Created the most confidence that money would last until the next pay period when things were going well.
- Performed best at helping users understand how much they had committed to upcoming bills, versus available to spend.

EXPERIMENT

Leveraging survey findings, we refined the stacked bar visual to clarify a few things users found confusing. The experiment will have one control condition (the budgeting screen without the new stacked bar visual), and four experimental conditions, all of which contain the stacked bar visual. The four experimental conditions vary the level of specificity of the text feedback that sits above the stacked bar, in order to test the following hypothesis: If users receive specific feedback when their money is

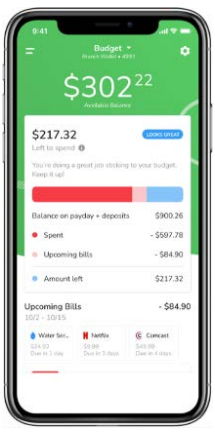
running low, but vague feedback when they are doing well, they will be less likely to view underspending as a license to spend more.

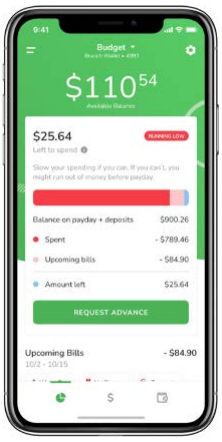
Control



Experimental 1

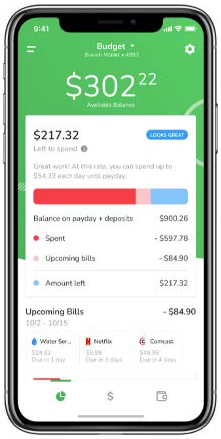
Ambiguous feedback for both “looks great” and for “running low”

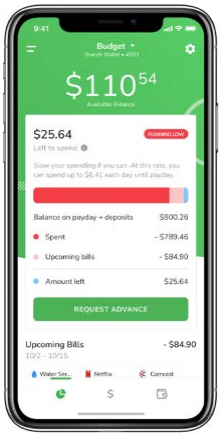




Experimental 2

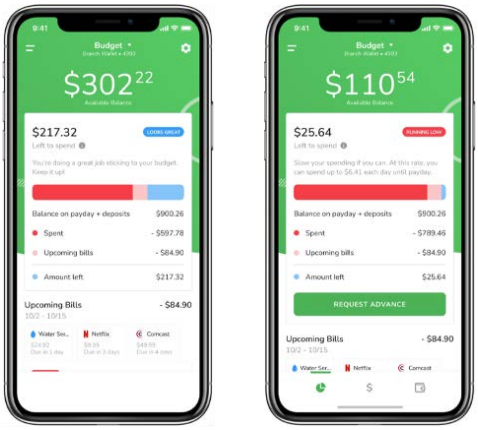
Specific feedback for both “looks great” and for “running low”





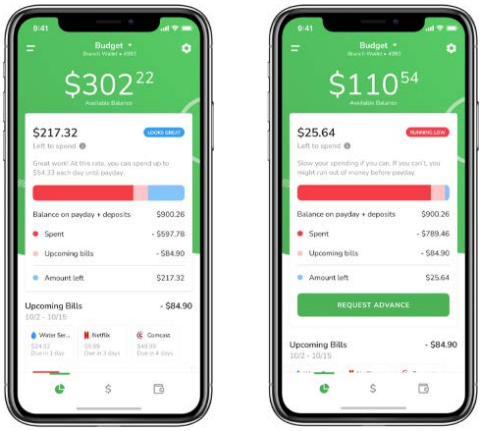
Experimental 3

Ambiguous feedback for "looks great," but specific feedback for "running low"



Experimental 4

Specific feedback for "looks great," but ambiguous feedback for "running low"



Once the experiment is launched, users will be randomized to see one of the five conditions, which they will see for the duration of the experiment. The stacked bar visual emphasizes how much they have already spent, how much is committed to upcoming bills, and how much they have left until their next payday. Users shown specific feedback will also see how much they can spend each day in order to make it to payday without overspending. We will then track actual spending, as well as pay advance frequencies and amounts, to understand whether the refined visual improved spend behavior.

RESULTS

This experiment will be launched in 2021, with results included in the 2021 Annual Report.

Partner Type:	Partner Cohort:	Project Type:	Project Status:
Tech	**2019**	**Field Study**	**Complete**

Measuring Spending With Budgeting

BACKGROUND

Among financial educators and within personal finance circles, budgeting – both tracking expenses and planning how much to spend in a specific category of expenses – is heralded as a way to reduce expenses and focus spending on areas of personal importance. However, much remains unclear about the best ways to structure budgets, as well as how to help people adhere to them. Furthermore, the extent to which budgeting actually helps people to reduce expenses even in the short-term, let alone in the longer-term, is equally uncertain, especially given the behavioral challenges associated with creating and adhering to a budget.

The experiment explored how people approach and use budgets to guide their financial behavior. Clarity Money, which was acquired by Goldman Sachs in 2018, was a fintech app that offered insights into user's finances with the aim of giving them a greater sense of control and improving their financial behavior. Clarity Money was decommissioned in 2021, but some of their features are now incorporated into Marcus Insights, available in the Marcus by Goldman Sachs app. Together, we developed an experiment so Common Cent Labs could explore whether traditional-style budgeting is effective at changing behavior and how we might use findings from behavioral research to improve budgets. As with all Common Cents Lab projects, Clarity Money provided an anonymized data set for this project.

HYPOTHESIS & KEY INSIGHTS

Common Cents Lab began by researching budgeting first through in-person interviews and auditing financial education courses. We wanted to learn how people think about budgets and how efforts to encourage budgeting suggest that people begin using them. We also conducted online surveys and analyzed engagement and behavior through the Clarity Money app.

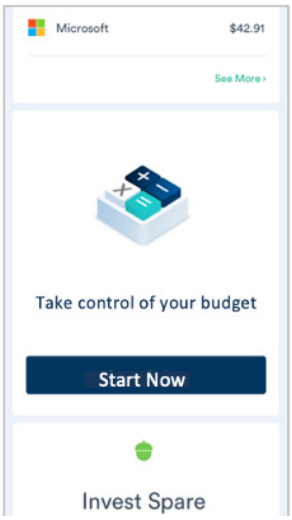
This background work highlighted several behavioral challenges that people face when budgeting:

- Just sitting down and thinking through a budget requires significant self-control and time. Getting started on a budget is a daunting activity and procrastinating is easy – busy people already find it difficult to carve out time for things that they actually want to do. People easily push off the planning until tomorrow, and then six months have passed with no progress.
- Once a person has undertaken the seemingly monumental task of creating a budget, the self-control struggle has only begun since then they must actually adhere to that budget.
- Creating a budget and adhering to a budget requires combating information aversion. Budgeting forces a person to take stock of previous financial decisions and reflect on life decisions that might be unpleasant to revisit. On top of that, when someone does not follow their budget, chances are high that they do not want to be reminded – or worse, feel shame – that they did not spend their money as planned.
- Creating a budget also requires fighting inattention and forgetting. Once a budget is actually created, a person must remember how much spending is allowed in a particular category over the budget period. They must also track and be able to recall how much has been spent so far across all categories for a month (or more) at a time.

EXPERIMENT

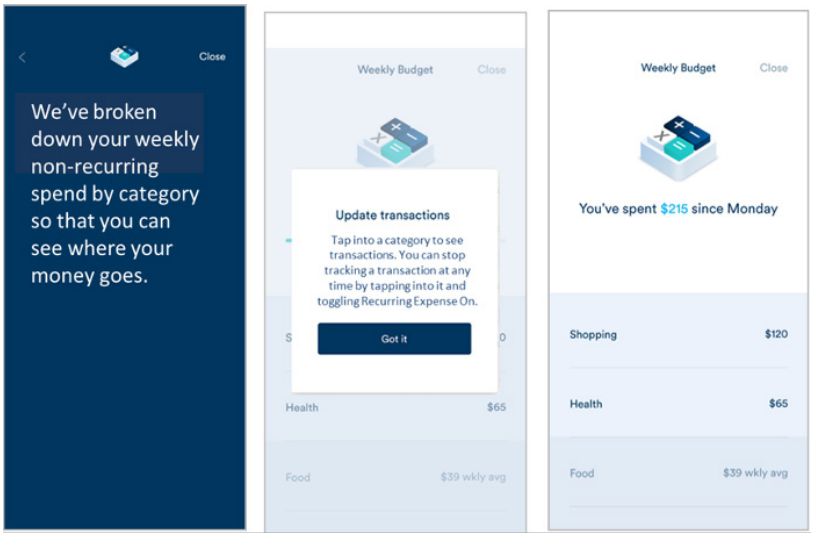
We worked with Clarity Money to develop and test three different approaches to budgeting. We randomized 9,035 people into one of three conditions: 1) Informational Control (N = 4368); 2) One-Number Budgeting (N = 2723); and 3) Category Budgeting (N = 1944). We initiated the experiment September 30, 2019 and ran it for 13 weeks.

To eliminate selection bias, we showed Clarity Money Android users the same tile screen, prompting them to "Take control of your budget."



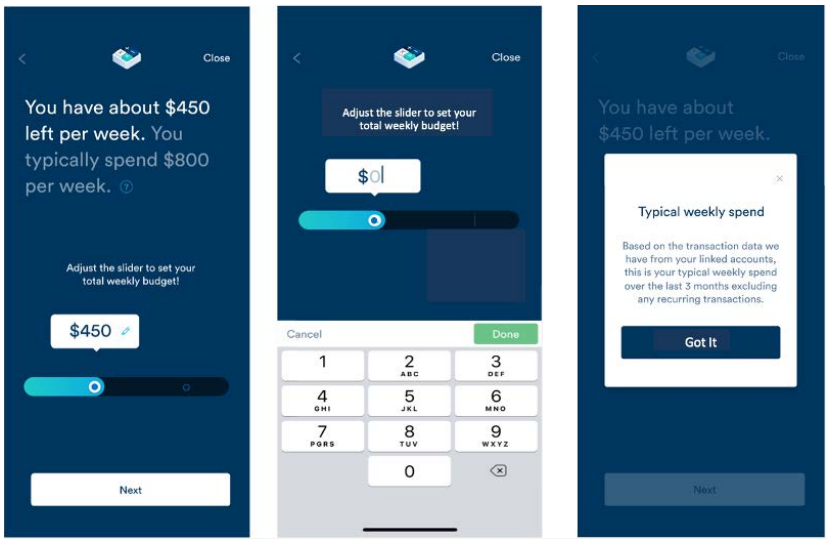
Those users that clicked this tile were opted into the budgeting experiment and were randomized into one of the three budgeting conditions.
The conditions were as follows:

1. **An informational control** where people are presented with a sum of their overall weekly spending, broken down into transactions by category.

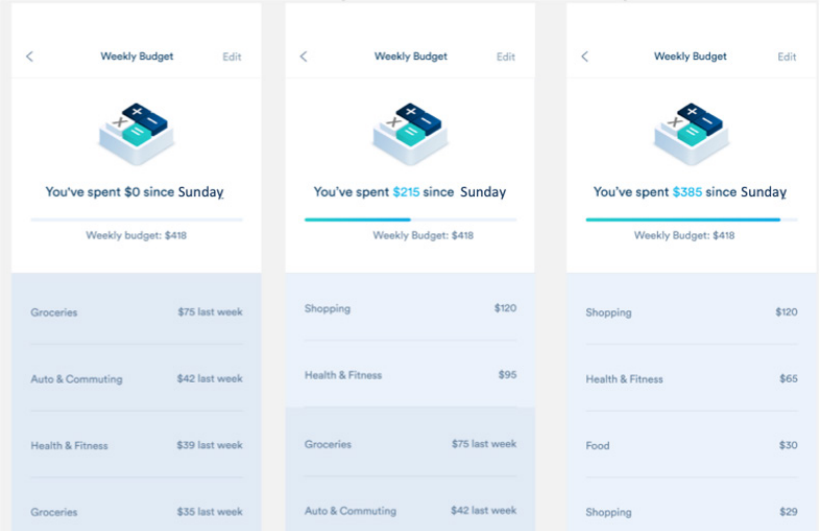


2. **An overall budget-setting condition** where people are guided to set up a one-number budget for the week.

Setting the Budget

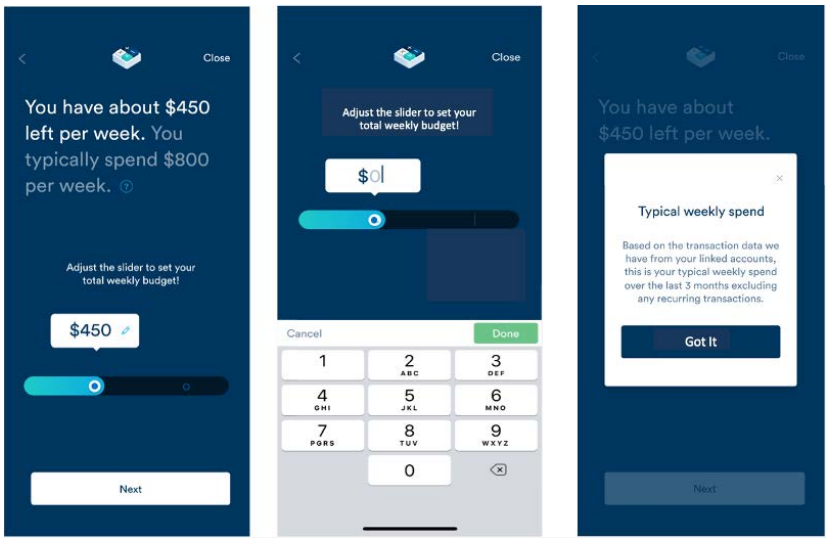


Clarity Money Feature Details View

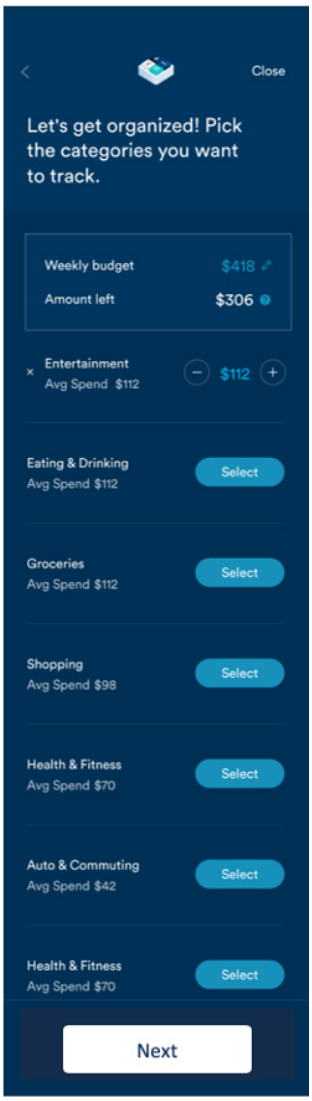


3. **A category-by-category budget setting condition** where people are prompted to set up an overall weekly budget number then to select specific categories of expenses to set goals for.

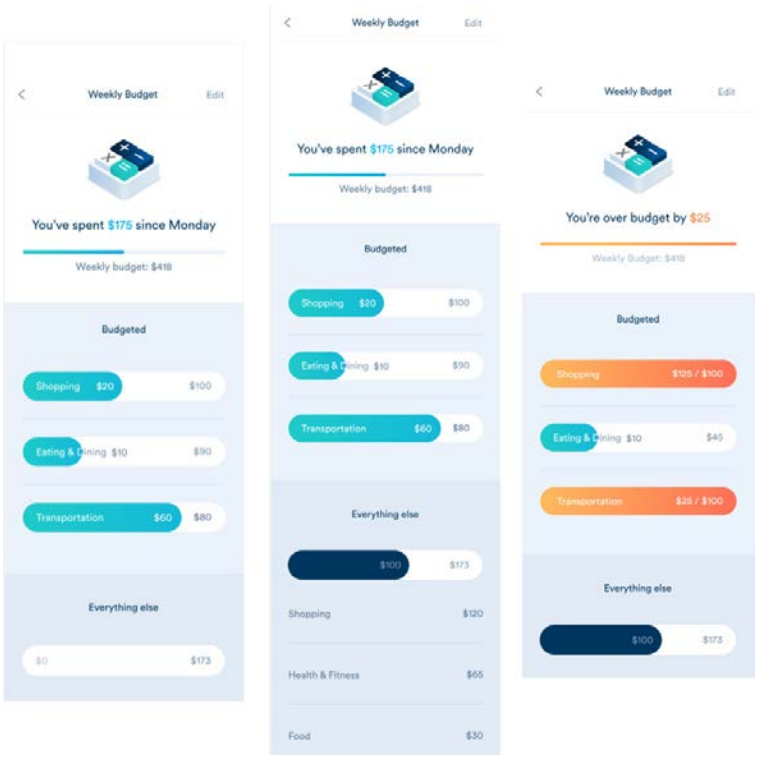
Setting the Budget



Setting the Budget (continued)



Clarity Money Feature Details View



We tracked how budgeting affects subsequent spending behavior to see if budgeting helped participants to reduce their expenses more than an informational control.

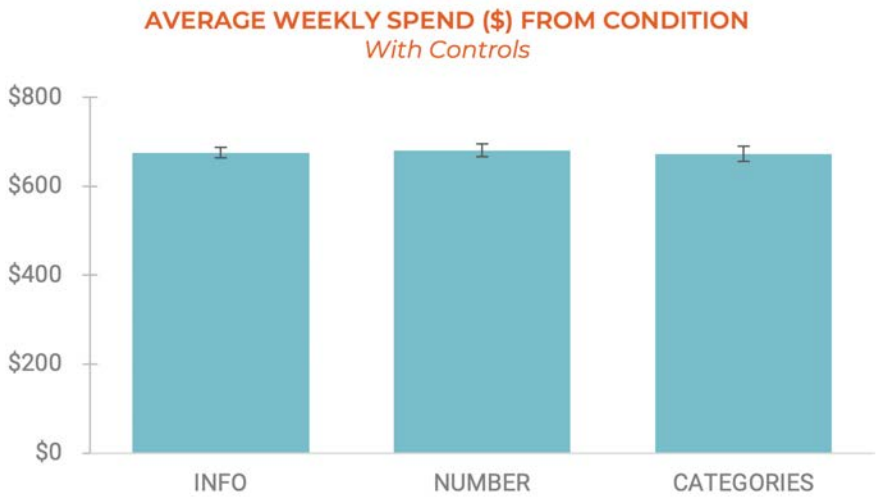
RESULTS

Although some differential drop-off occurred due to effort between conditions, budgeting inherently requires some level of effort and active participation. For example, in a hypothetical two-condition paper-and-pencil budgeting intervention which placed people in two separate rooms--one in which people are asked to complete a budget, and one in which they would be asked to wait or perform some other activity such as reflection--someone who did not lift a pencil to participate in the budgeting experiment would not be considered to have budgeted.

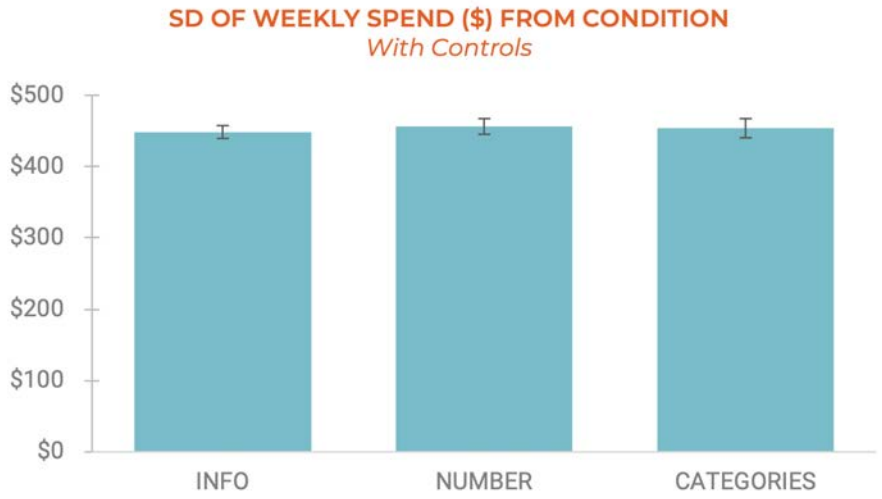
The budgeting experiment that we conducted randomized someone's chances of being placed in one of the three conditions due to the identical opt-in screen, and the feature lowered the amount of effort required to participate in budgeting as low as reasonably possible with pre-populated budgeting options. There were no observable pre-existing differences between the budgeting groups on income or spending patterns.

In terms of engagement with the budget, about 10% of the users in the experimental condition saw the budget 8 times or more, while a majority of the users (84%) saw the budget 5 or fewer times over the experimental period. Both budgeting variants statistically significantly increased engagement over the control from once every 4 weeks to once every 3 weeks ($p < 0.001$). However, in all conditions, engagement declined over time.

Overall, we found no significant difference between the average spending of the control group ($675.97) vs. the single budget ($681.08) or the category condition ($673.25) ($p$s > 0.4).



We also found no statistically significant difference in the variability in spending across conditions.



Budgeters generally overspent the amount they budgeted, spending 1.3-1.4 times what they intended. We did not see evidence that budgeters reduced their spending relative to their historic spend (*p*s > .15). We did not see spending differences by condition when we examined only the most frequently budgeted spending categories (food, groceries, shopping, and transportation) (*p*s > .5). Even after controlling for usual spending patterns, we found that spending in a budgeted category was about $30 higher than spending in non-budgeted categories ($p < .001$). We found no differential impact for users that checked their budgets more frequently, (*p*s > .1).

So while the budgeting feature increased engagement with the Clarity Money app, overall we found neither positive nor negative financial impacts from budgeting.

This project is in collaboration with Irrational Labs

Partner Type:	Partner Cohort:	Project Type:	Project Status:
Local Government	**2020**	**Field Study**	**In Design**

Promoting Enrollment in a Reimbursement Program for Chronic Disease Medication

BACKGROUND

Chronic disease is a significant issue in China, and up to 75.8% of Chinese people over age 60 have one or more chronic diseases. Furthermore, people with chronic diseases in rural areas are more likely to live in poverty, and the cost of medication for chronic disease management can be a significant financial burden, forcing them to choose between basic needs and their medication. In rural China, the number of people in poverty due to an illness was 44.1%, and those in poverty due to long-term chronic diseases was 22.8%. In 2019, following national guidelines on reducing outpatient costs for residents with hypertension and diabetes, the Nantong city government instituted a reimbursement plan that covers 50% of hypertension and diabetes medication costs for all registered hypertension and diabetes patients if they refill their medications at designated public medical institutions or pharmacies. However, many rural citizens with chronic diseases are often not aware of this new policy, and either are not registered or are refilling their medications at local pharmacies and missing out on the significant cost reductions. This limits the program's positive effects on reducing the financial burdens of the patients.

Led by a research team from Duke Kunshan University, in collaboration with Nantong University and the local health insurance bureau, we are designing a pilot to increase enrollment rates of patients in the program, which should decrease costs for patients, and ultimately benefit the population's financial health and physical health.

HYPOTHESIS AND KEY INSIGHTS

In the diagnosis phase, we found several key insights:

The information gap among patients: The patients have limited access to information, and there is no established channel to inform patients about this reimbursement program. Therefore, most of them are not aware of this policy.

Village doctors lack incentives to promote the program: Theoretically, doctors in township hospitals and upper-level hospitals ought to recommend and enroll patients in reimbursement programs like this. However, they are not keen to do so. Through prior interviews, we learned that village doctors (who interact directly with patients in rural areas) do not consider it their responsibility to recommend and enroll patients in this program, since it is not directly related to their work. If doctors do not recommend and publicize it, patients are unlikely to learn about the program or benefit from it.

A complex operation system reinforces the intention-behavior gap among village doctors: Through interviews, we determined that there were logistical barriers for some village doctors to operate the reimbursement system for patients' registration.

The hypothesis is that the practical intervention led by village doctors can increase policy adoption measured by percentage of patients enrolled in the policy program as well as a number of other financial and health outcomes.

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EXPERIMENT

Using villages as clusters, we plan to adopt a cluster randomized controlled approach, and randomize 30 villages to either the intervention group or the control group, stratified by township with an allocation ratio of 1:1. Each village is expected to have 400-500 patients registered, and the experimental group will have around 5,000 patients.

The control group would serve as a natural baseline and would not receive any intervention, and the intervention group would adopt a "cocktail treatment" that involves different kinds of interventions. All intervention-related tasks will be performed by village doctors allocated to the intervention group.

On the village doctor level:

- Conduct a performance-based incentive program among village doctors: Provide incentives to village doctors for the number of patients registered and the number of patients purchasing medications at designated medical institutions for reimbursement in the program.
- Provide action-oriented tips and rules of thumb about the operation system: Design a clear visualization of the enrollment process for the doctors; clear visualization (e.g. flow chart) of the registration process might increase their capabilities with regard to registering patients in the reimbursement system on computers. They also serve as a proxy for patients' registration under patients' consent by collecting their materials and handling their registration at township hospitals.
- Provide village doctors with scripts that use loss aversion and social norms to motivate patients to enroll in the program: Improve communication skills during policy promotion with patients. The script includes how much money patients would lose in one year if they don't enroll in the program, and the social comparison with other patients in the village.

On the patient level:

- Action-oriented tips and rules of thumb about registration: Hang up posters in public places in villages and provide policy leaflets to patients with the contact information of village doctors and quick steps to enroll in the program.
- Use reminders to increase medication pick-up from village and mark medication pick-up dates on the calendar on the same policy leaflet distributed to patients.

RESULTS

The experiment will last for 6 months and will be launched in Q1 2021, and we anticipate sharing the full results in the 2021 Annual Report.

This project is in collaboration with Duke Kunshan University

Partner Type: **Community Organization**

Partner Cohort: **2019**

Project Type: **Field Study**

Project Status: **In Field**

Improving Access to Publicly Subsidized Health Insurance through Text Messaging

BACKGROUND

Through the Affordable Care Act, many low- and moderate-income (LMI) households gained access to public subsidies that could be used to purchase private insurance on the ACA Marketplace. These subsidies can be quite substantial, sometimes valued at tens of thousands of dollars and representing up to 94% of the actuarial value of private insurance. However, around half of uninsured adults in the United States do not take advantage of the publicly subsidized health insurance available to them.

Foundation Communities (FC) is a community nonprofit organization offering free support services to thousands of families in North Texas. One of these services involves assisting individuals through the health insurance enrollment process, either through employers, the ACA Marketplace, or Medicaid. In this study, we partnered with Foundation Communities to test how sending redesigned promotional messages to prospective health insurance enrollees affects the total number of FC clients who receive public health insurance subsidies.

KEY INSIGHTS

There is ample research on the behavioral or cognitive barriers that make it difficult for people to access public benefit programs for which they qualify. For example, misperceptions of the costs and/or benefits of health insurance, procrastination during the open-enrollment period, and perceived stigma associated with stereotypes of public benefit recipients have been shown to reduce take-up of public benefit programs such as publicly subsidized health insurance.

Ordinarily, FC sends strictly informational messages to its clients about when, where, and how they can sign up to receive help enrolling in health insurance. In this study, we are testing how messages explicitly targeting the aforementioned behavioral barriers can affect participation in FC's health insurance enrollment program and the subsequent receipt of public health insurance subsidies.

A two-armed experiment that tests how behaviorally-designed promotional messages affect enrollment in publicly subsidized health insurance programs.

EXPERIMENT

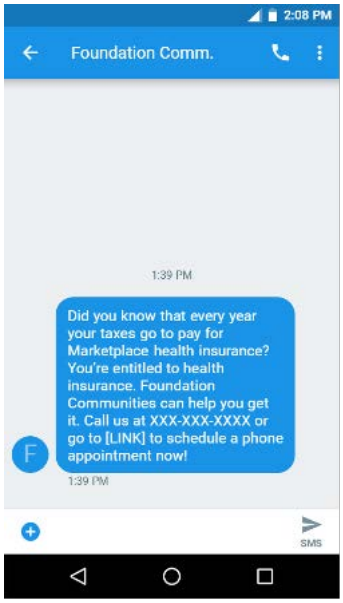
We are currently working with FC to field a two-armed experiment that tests how behaviorally-designed promotional messages affect enrollment in publicly subsidized health insurance programs. In both the Treatment and Control groups, clients can receive up to nine promotional messages. All promotional messages (regardless of experimental group) conclude with an invitation for the client to fill out an intake form and schedule an enrollment session. These intake and scheduling materials are identical for Treatment and Control groups. This experimental structure allows us to test the effects of the redesigned promotional messages on health insurance enrollment.

The sample in this study is made up of all FC clients who either utilized FC's health insurance services in a previous year (but need to re-enroll this year) or who indicated that they may be in need of health insurance when receiving other FC services in the Winter and Spring of 2020. All clients in the sample were randomly assigned to either the Control or Treatment groups, which we describe here:

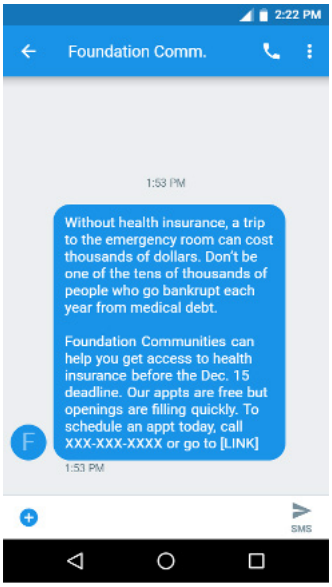
- **Control Group (N=1,523):** Roughly half of the study participants were randomly assigned to the Control group. Messages received by those in the Control group are comparable to the messages that were sent to all clients during the 2019 open enrollment period which focused solely on informing the recipient when, where, and how FC can help them sign up for health insurance.
- **Treatment Group (N=1,522):** Study participants randomized into the Treatment group receive redesigned promotional messages that also address barriers to accessing publicly subsidized health insurance in addition to providing information about how to access FC's insurance services.

Illustrative examples of treatment and control messages can be found below.

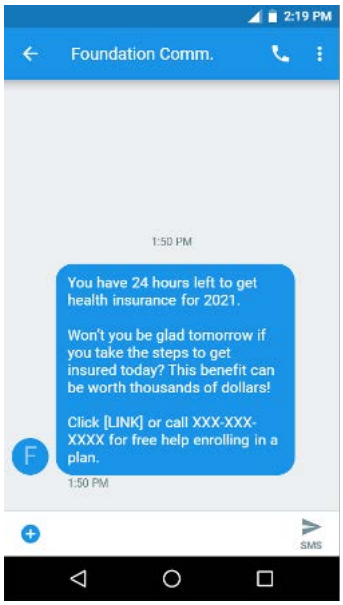
Treatment Group Example 1:



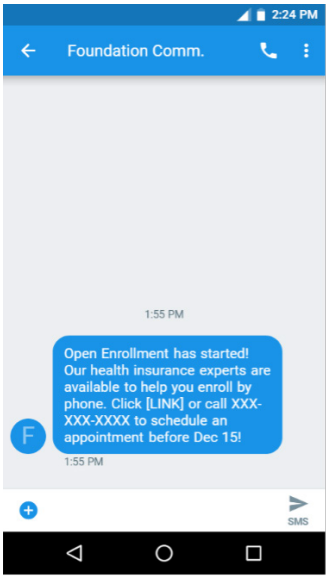
Treatment Group Example 2:



Treatment Group Example 3:



Control Group Example:



This project is in collaboration with the Social Policy Institute at Washington University in St. Louis.

Partner Type:	Partner Cohort:	Project Type:	Project Status:
Community Organization	**2015**	**Field Pilot**	**In Field**

Using Technology to Increase Retention in Financial Coaching

BACKGROUND

Beginning in 2015, the Common Cents Lab and LISC began collaborating on strategies that leverage behavioral science to improve retention in financial coaching programs. We first designed a visual goal setting activity for coaches to use with clients during the first session. We found that the intervention significantly increased the number of clients that stayed engaged with financial coaching after three months, six months, and even nine months later.

This first intervention highlighted the importance of a client's early engagement with the financial coaching program. The way a client interacts with the coach during their first session has consequential, downstream effects. That insight inspired a second project that aimed to leverage technology to shape clients' early engagement with sites. The digital tool developed in that project, which came to be known as the ARC tool, primarily focused on providing technology that complements and supports financial coaching efforts.

HYPOTHESIS AND KEY INSIGHTS

We began this second project with a discovery phase where we tried to capture the motivations for both financial coaches and their clients. Using these as a framework, we then develop a wider range of potential opportunities to pursue. Ultimately, the ARC Tool aimed to increase engagement and retention with financial coaching in three main ways:

- Simplify and reduce friction for clients as they onboard with sites. Providing a digital intake that makes the onboarding process easier and clearly communicates the value of financial coaching will increase clients' motivation to engage with the site.
- Reduce the administrative burden on coaches. Much of a coach's time day-to-day is taken up by administrative duties that limit their ability to deepen their relationships with existing clients or work with new clients. Providing technology that automates and facilitates administrative responsibilities and data-entry for coaches will increase the amount of time spent on direct coaching-related activities and outreach.

» Prime coaches to have meaningful conversations with clients. Providing technology that accelerates the relationship-building process and ensures that the first meeting focuses on topics that are relevant and meaningful to the client will increase their motivation to stay engaged with the site.

PILOT

To achieve those goals, we developed a prototype of the ARC Tool that was comprised of four main features:

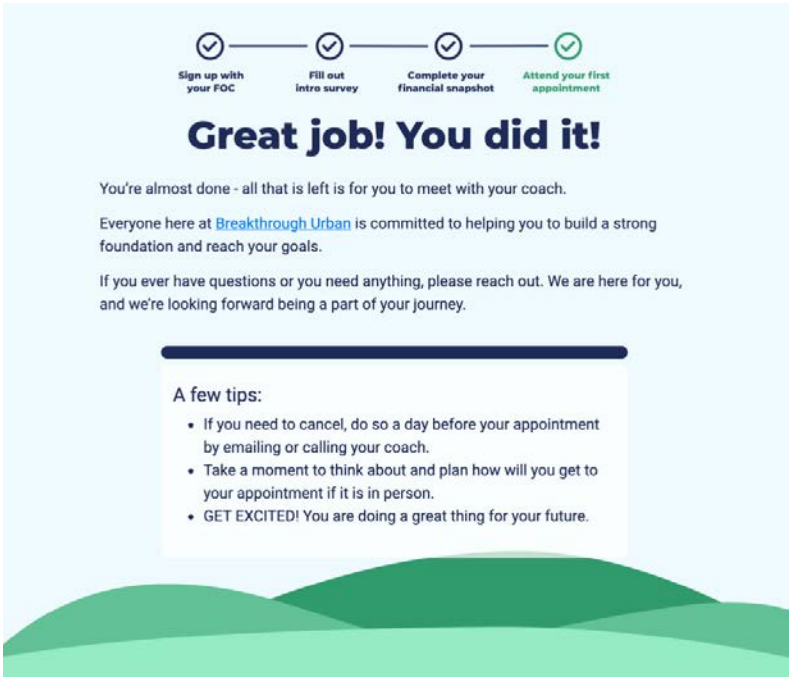
» A digitized version of the intake and onboarding that automatically uploaded the collected information into LISC's Salesforce system.

» A digital calendar system that gives clients the ability to schedule sessions themselves.

» An automatically generated report that summarizes the information collected as part of the intake that is sent to coaches prior to the first session. The report also gave coaches prompts, or "conversation starters", that provided high-level overview of a client's financial circumstances and information about their goals.

» A system of ongoing email or text message reminders.

The prototype of the ARC tool was piloted at the Jane Addams Resource Center (JARC) in Chicago. In total, 72 clients used the tool with a single coach. That initial pilot with JARC was instrumental in refining the ARC tool and helping to clarify critical barriers clients and coaches face when using the tool.



RESULTS

The original pilot was intended to include additional sites in Chicago and the sites that comprise LISC's Financial Opportunity Center® network in Houston. The pilot also included an evaluation component that would have allowed for us to assess the impact of the tool on client engagement and retention. We were in the process of rolling out the ARC tool to extend the pilot in early 2020 as the COVID-19 pandemic unfolded across the country, which significantly altered the direction of the ARC tool's development.

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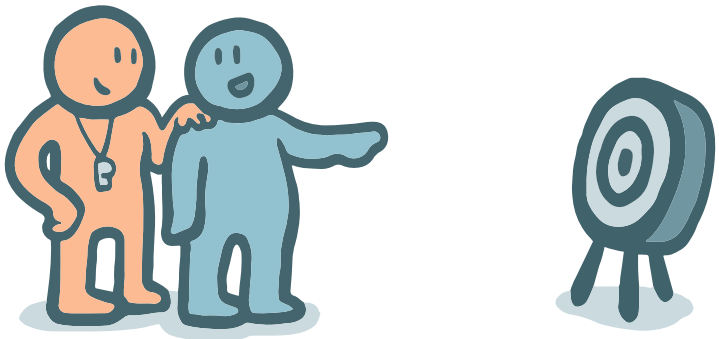
Many sites faced challenges in recruiting and onboarding new clients remotely. Thus, the ARC tool and the digital intake offered significant value to FOC's. The team determined that the greatest value of the ARC tool would be to quickly scale the digital intake to be available across the FOC network. Scaling the original version from five to ten sites to more than 100 posed challenges and some of the tool's functionality needed to be scaled back.

Ultimately, the ARC Tool was scaled across the FOC network. Despite cutting the pilot short, we were fortunately in the right position to fulfill an immediate need and to support sites as they grapple with serving their clients during and after the COVID-19 pandemic. Furthermore, the ARC tool surfaced a large set of future functionality or directions for future research as LISC continues to develop and scale the ARC tool.



Partner Type:	Partner Cohort:	Project Type:	Project Status:
FinTech	**2020**	**Field Study**	**In Field**

Encouraging Unemployed and Furloughed Hospitality Workers to Use Covid-19 Financial Assistance for Basic Household Needs

BACKGROUND

PerkUp is a digital platform through which employees can access savings and loan products as an employee benefit. Through partnerships with credit unions, PerkUp offers loans of $500 to $2,500 over 12-month terms at no greater than 17.99% APR. Savings accounts include payroll-deducted deposits as a fixed amount or percentage of pay and prizes for making deposits. The digital platform also includes a set of curated financial education resources.

Prior to the COVID-19 pandemic, PerkUp was working with local foundations to market loans to hotel and restaurant workers in New Orleans as alternatives to payday loans and to test ideas for encouraging workers to transition from making loan payments to building savings. Most of these workers were laid off or furloughed, prompting Perk Up to plan an emergency financial assistance program with its philanthropic partners: the PerkUp COVID-19 Assistance Fund for Employees, or PerkUp CAFÉ.

The PerkUp CAFÉ program was launched in October 2020. This program includes an experiment to test persuasive messaging and pre-commitment nudges coupled with email and text reminders, with the aim of encouraging the use of emergency assistance for meeting basic needs.

KEY INSIGHTS

A behavioral diagnosis for the PerkUp CAFÉ program was not possible because it is a new program. However, a principle concern among philanthropic partners is to ensure that limited financial assistance is used by workers to pay for essential household needs such as food and medicine. The timing of CAFÉ's launch was deliberate—after the CARES Act's Economic Impact Payments had been spent and

supplemental unemployment benefits expired at the end of July, and before a second round of federal economic relief may be offered. Meanwhile, most of the furloughed and laid off hospitality workers are not expected to return to work until perhaps the second quarter of 2021. Thus, a key goal of the program was to help sustain households during a period of decreased public assistance and continued unemployment.

The idea of encouraging the use of assistance for basic needs tests a more efficient way to target financial assistance than traditional means testing (e.g., making workers document financial need) and/or attempts to condition assistance on certain behaviors (e.g., applying for other jobs). As such, the experiment tests whether need-based consumption can be encouraged through an unconditional cash transfer (UCT).

PERKUP CAFÉ PROGRAM IMPLEMENTATION

Workers who were working for one of three New Orleans' hotels on March 1, 2020 and who were subsequently laid off or furloughed are eligible to receive $600 in financial assistance over a three month period from November 2020 through January 2021. The human resources (HR) department of each hotel contacted employees to let them know they could apply for assistance by registering on the PerkUp website. Upon registration and identity and eligibility verification, employees receive an email with instructions to complete a brief survey and choose the form of assistance they wish to receive—a physical or digital re-loadable VISA debit or Rouse's (grocery store) card. Employees are also given an offer of speaking with a financial coach. Employees who do not complete the survey are sent a text reminder within seven days and must complete a survey each month to receive assistance in $200 increments.

EXPERIMENT

Employees of one of the three hotels will receive an intervention while employees of the other two hotels will receive the financial assistance alone. The intervention has three components:

1. **Persuasive prompt with pre-commitment:** In Survey 1, employees are told "We only have a limited amount of money to support people during the pandemic. We hope that you will use this money to help cover your essential expenses like groceries, gas, and bills." This prompt is followed by the question "Would you use the funds on essential expenses?"
2. **Basic Needs Nudge:** Later in Survey 1, employees are asked "How will you use your gift card? Select all that apply:" with a response list that includes "groceries, medical care, gas, utility bills, child-related expenses like clothing or school supplies, and other: please indicate." This "nudged" list of needs reflects needs employees could ostensibly pay for with $200 and is randomized across surveys.
3. **Text reminders:** Employees are reminded of their pre-commitment and intention to use their assistance through follow-up text messages.

RESULTS

Outcomes will be assessed in three ways. First, employees' survey responses on surveys 2 and 3 will be compared with respect to self-reported difficulty covering household expenses and food insecurity. Second, aggregated spending data by merchant category will be compared among employees who chose a VISA card. Third, the choice of whether to receive a general-purpose VISA versus a grocery store gift card will be compared between treatment and control group employees. Employee employment and demographic information on Survey 1 will be used to assess the degree of sample balance among the treatment and control samples.

As of November 16, 2020, 1,047 employees have registered for the PerkUp CAFÉ program, including 1,006 initial verified registrations. Most (N=963) of these employees have completed Survey 1, including 580 treatment and 383 control group employees.

This project is in collaboration with the Social Policy Institute at Washington University in St. Louis.

Partner Type:	Partner Cohort:	Project Type:	Project Status:
N/A	N/A	Lab Study	Complete

Learning from the Lab: Building Better Spending Visuals

BACKGROUND

With about half of Americans living paycheck-to-paycheck in 2020, appropriately planning for upcoming expenses is more important than ever. While there are a plethora of budgeting tools on the market, many of these budgeting tools are better at helping individuals assess their past spending than they are at providing instant feedback on how individuals are doing compared to their goals, and informing current and future spend decisions. Individuals also tend to forget about upcoming obligations, such as bills, and to anchor on the wrong number when determining how much money they have left, and what kinds of purchases they can afford.

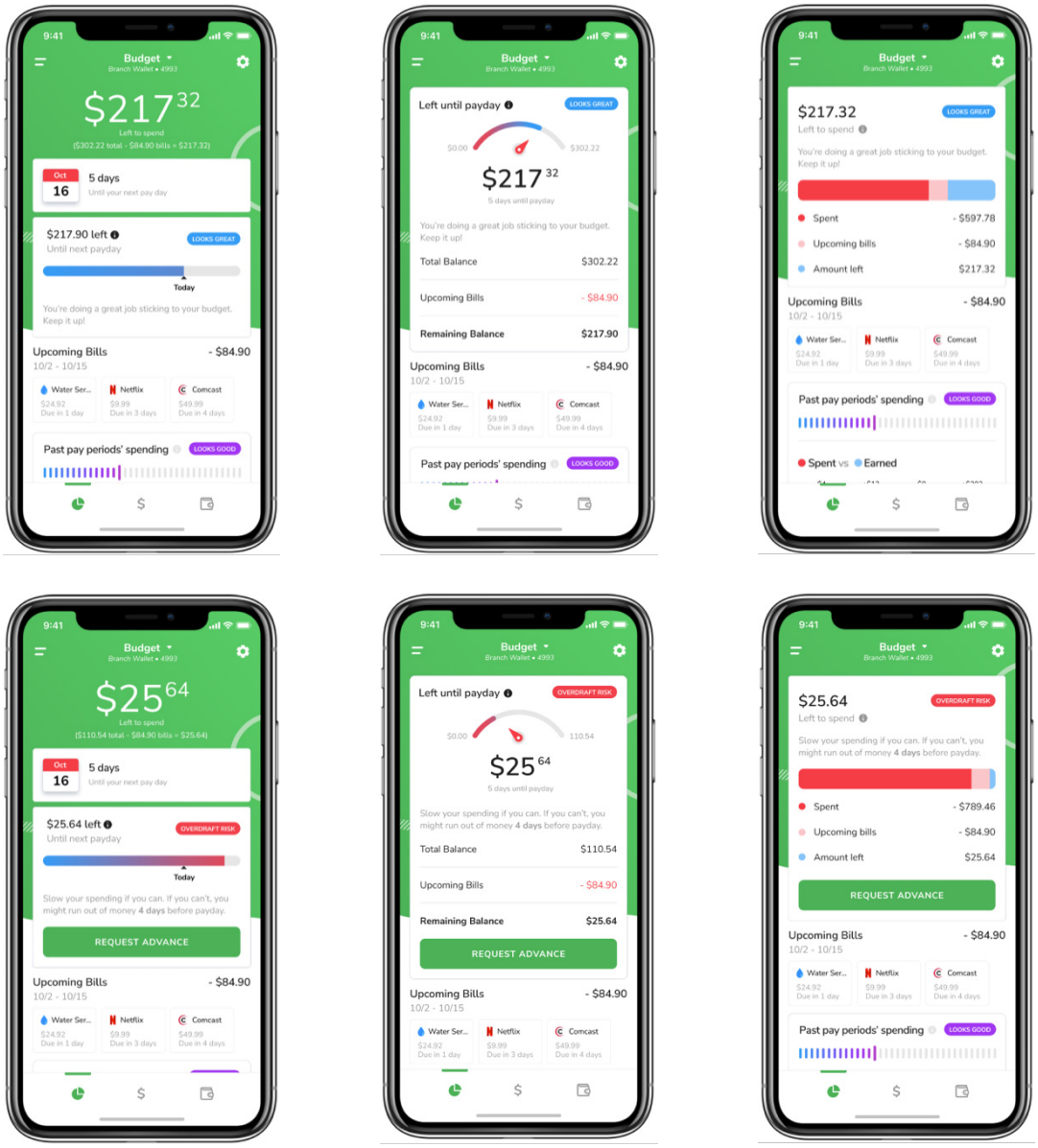
Branch [see case study on page 38] was interested in applying behavioral science to improve upon how a user's spending, balance, and bills were communicated in budgeting data visualizations. The aim was to make more salient: (1) the amount of money available to spend after upcoming bills were deducted, and (2) the impact of recent spending behavior on money available for the remainder of the pay period. The Common Cents Lab designed a survey to test three different redesigns of the budgeting screen to gauge behavioral intentions, interpretation of new graphics, and relative preferences between redesigns.

HYPOTHESIS AND KEY INSIGHTS

The Common Cents Lab tested three budgeting visuals that communicated either good financial standing (i.e., "looks great") or overspending (i.e., "overdraft risk"). The screens differed in how they communicated a starting amount, as well as how much of the remaining funds were committed to upcoming bills, versus available to spend:

- **Progress bar:** Displayed a big "left to spend" amount at the top (available balance - upcoming bills), as well as the amount the user should have spent by today if they were to spend their paycheck at an even rate across the pay period.
- **Gas gauge:** Displayed a small available balance (full length of bar) and subtracted for the user their upcoming bills to get to their large "left until payday" amount (what the dial points to).
- **Stacked bar**: The full length of the bar represented their full paycheck, and was broken down into what had been spent, what was still in their account but committed to upcoming bills, and what was available to spend ("amount left").

Progress Bar | **Gas Gauge** | **Stacked Bar**



We had three hypotheses regarding how users would respond to these visuals:

1. Users would choose to decrease spending more often when shown an “overdraft risk” message.
2. Users would choose the most expensive decision in a hypothetical scenario less often when shown an “overdraft risk” message.
3. Users would correctly interpret the features of their assigned budgeting visual.

EXPERIMENT

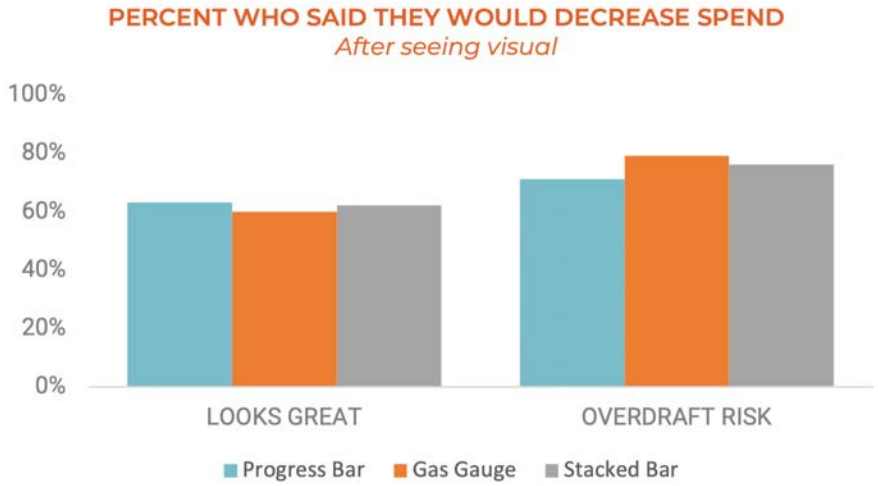
The experiment was implemented as a Qualtrics survey delivered directly to Branch users through a push notification in the Branch app.

The survey consisted of three parts:

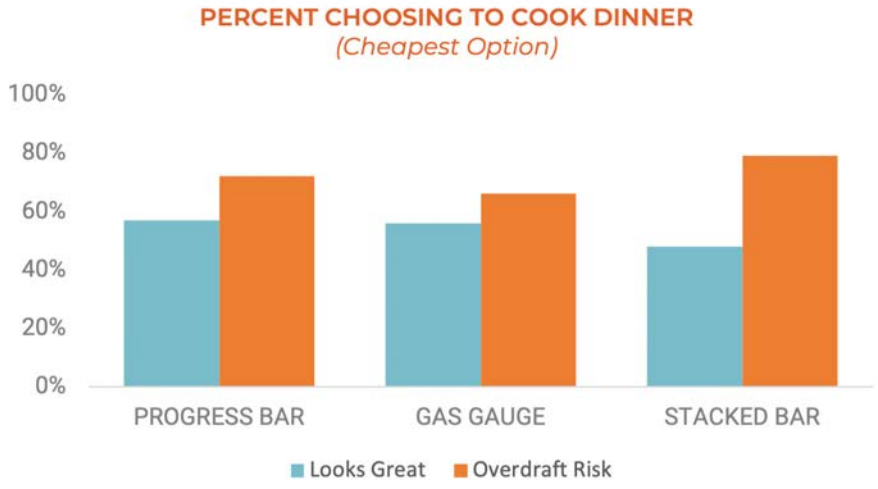
4. **Behavioral Questions:** Participants were randomly shown one of the three budgeting visuals displaying either positive feedback (i.e., "looks good") or negative feedback (i.e., "overdraft risk"), for a total of six conditions. Based on this screen they were asked: (1) how they would respond in a hypothetical scenario where they could purchase food, (2) how and whether they would change their spending if this screen reflected their current financial status, and (3) how this screen affected their perceptions of how they spend their money. There were 1,145 respondents that completed this section and were included in this part of the analysis.
5. **Visual Interpretation:** Participants were shown the budgeting visual they had been assigned and were asked to identify the meaning of the different features of the data visualization (e.g., the length of the bar, the fill of the gauge, etc.). There were 1,082 respondents that completed this section and were included in this part of the analysis.
6. **Choosing between Visuals:** Participants were shown all three sets of budgeting visuals (progress bar, gas gauge, and stacked bar) and were asked which set of visuals would be the most helpful to see used in the Branch app with their reasoning for their selection. There were 1,043 respondents that completed this section and were included in this part of the analysis.

RESULTS

Very few users responded that they would increase their spending regardless of whether they saw a "looks great" versus or an "overdraft risk" visual. The main trade-off was between choosing to maintain or decrease spending. Users presented with gas gauge or stacked bar visuals showed a significant difference in spending decisions when presented with "looks great" versus "overdraft risk" versions. They were more likely than expected to choose to "spend at the same rate" when presented with a "looks great" version. They also chose to "decrease spending" more than expected when presented with an "overdraft risk" version. This effect is highly significant for the stacked bar ($p = 0.0003$) and gas gauge ($p = 0.0007$) budget visuals. Responses for the progress bar users shows a similar trend but did not meet statistical significance ($p = 0.1639$).



All three visuals helped users curb spending when presented with an "overdraft risk" version versus a "looks great" version. For all three visuals, users said they were significantly more likely to cook dinner than get fast food or Uber Eats when presented with an overdraft risk. This effect is significant for the progress bar ($p = 0.007$) and gas gauge ($p = 0.004$), but is most visible when users rely on the stacked bar budget visual ($p < 0.0001$).



Users also interpreted the stacked bar correctly more often than the other two visuals, with 65% of users correctly interpreting the full length of the bar and 41% correctly interpreting the amount left. One reason for this could be that the bar represented their full paycheck, while the progress bar and gas gauge used the user's available balance or the length (in days) of a pay period as reference points.

This study demonstrated that, at least when making hypothetical decisions, the amount an individual anchors on does have the ability to affect their spending decisions. The challenge comes in visually representing those anchor amounts in a way that is clear and intuitive, particularly when trying to introduce individuals to new numerical anchors that contrast their existing mental models. The key lessons we learned in testing out concepts aimed at doing so are:

- Users needed clearer explanations of what was represented by the "left to spend" amount than was shown in these survey mockups.
- Users got the strongest impression that they had been spending too much from the visual that showed them not just how much money they had left, but also the fraction of their paycheck they had already spent down (i.e., the stacked bar visual).
- Understanding a rate of spend (the amount the user should have spent by today if they were to spend their paycheck at an even rate across the pay period) required either clearer explanation or a higher level of data visualization literacy than was represented by this user base.