

BlackRock Emergency Savings Initiative (ESI) Insights from the USA

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About Commonwealth

Commonwealth is a US national nonprofit / NGO building **financial security and opportunity for financially vulnerable people** through innovation and partnerships.

Emergency Savings in the US

36%

Don't have \$400 for an unexpected emergency

58%

<\$60k

58%

**Women
<\$60k**

70%

**Hispanic
households
<\$60k**

72%

**Black
households
<\$60k**

Source: Commonwealth Analysis of Federal Reserve *Report on the Economic Well Being of Households*, 2020

buildcommonwealth.org

BlackRock Emergency Savings Initiative (ESI)



LEVI STRAUSS & CO.



Case Study: UPS / Voya

- UPS focused on financial wellness of workforce, esp. its nearly **100,000 non-union employees**
- Commonwealth and UPS reviewed data on employees' **financial security** to shape a **emergency savings** solution
- Commonwealth conducted an extensive landscape scan of potential solutions



Solution: In-plan, after-tax option

- Leveraged existing UPS workplace retirement platform, administered by Voya
- After-tax option allows automatic contributions, penalty-free withdrawals
- More liquid compared to pre-tax

Want a simple, automatic way to save?

Making after-tax contributions to the **UPS 401(k) Savings Plan** is an easy way to build your emergency fund. Contributions are automatically deducted from your paycheck so you can "set it and forget it."

Type of savings	After-tax ⓘ
How you save	Automatic deductions from your paycheck
Savings growth potential	Depends on the performance of your selected investments
How withdrawals are taxed	Income taxes are automatically deducted from the investment earnings portion ⓘ
Early withdrawal penalties	Withdrawals before age 59½ are subject to a 10% penalty on the investment earnings portion ⓘ
Ease of withdrawals	Receive money within two business days if your 401(k) Plan account is linked to your bank account
Use of funds	Can be used for any need, but consider reserving just for emergencies

Intervention: Multi-Channel Emergency Savings Campaign



New Landing Page



Direct Mail



Multiple Emails



Behaviorally-Informed
Intervention



New Content



Findings From A Survey

Campaign Results



23,000 Visited landing page over one-year.



\$10 million in new after-tax savings; 25% increase



40% open rate across all emails



40% aware of after-tax option



39% increase in after-tax participation (4,155 employees)



76% contributing at 2% of pay or more

Reaching LMI Employees

- Since June 2021, rate of LMI employees contributing has surpassed general population
- Employees with no emergency savings: more likely to have increased after-tax contributions
- Employees who increased after-tax contribution rate were more likely to have *also* increased their pre-tax contribution rate

UPS Experience: Key Findings

- Adding emergency savings had **positive or neutral impact on retirement** savings
- **Thoughtful design** can drive savings take-up and engagement
- Effective outreach includes **frequent messaging via multiple channels** to drive awareness, take-up, utilization
- High engagement by LMI, and Black, Latinx and Asian employees underscores the **need and opportunity for intentional design**
- Reducing friction, faster funds access, incentives, and flat dollar contributions likely **to increase take-up**

Retirement and/or Emergency Savings?

Commonwealth / DCIIA national survey research (~2,500 LMI people, May 2020 - May 2021) found that **respondents:**

- with emergency savings >\$2,000: **half as likely to have tapped retirement savings**
- with little / no liquid savings: **more likely to plan or take a loan** or withdrawal, pause or reduce retirement contributions
- with specific emergency savings accounts: **more liquid savings** than those without an earmarked account

Beyond Opt-in: Clear Interest



42%

want to be *automatically enrolled* in emergency savings*

14%

are open to the idea*

* <https://bipartisanpolicy.org/blog/new-bpc-survey-shows-americans-need-better-ways-to-save-for-emergencies/>

“AutoSave”



- Automatic enrollment into workplace emergency savings raises **regulatory questions** for employers and providers
- US federal regulator, Consumer Financial Protection Bureau (CFPB), **has taken action**
- “CAST template” - **regulatory clarity** for innovative employers and providers to pilot a automatic emergency savings benefit
- In effect, a **path to Autosave** for innovators; more at www.buildcommonwealth.org/autosave

Emerging Policy Developments

- US Congress currently debating retirement legislation (“SECURE 2.0”)
- Emergency savings part of these conversations
 - Single annual \$1k hardship withdrawal
 - Pension-linked (“sidecar”)
 - Out-of-plan

ESI Early Key Findings

- **Decisive progress** in *access* to e-savings in workplace & financial systems
- Complexities of e-savings crisis requires **sustained, multi-sector, multi-strategies** approach
- Observed **positive link between short and long-term** savings.
- Need **more solutions in market** that meet employers' diverse needs, integrate into "one to many" systems
- Must continue building evidence base for innovative, behaviorally-informed **consumer engagement strategies**
- **Policy action is critical** for continued progress, including on uptake

Thank You!

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