

# BlackRock Emergency Savings Initiative (ESI) Insights from the USA

18 May, 2022

#### **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







Women <\$60k



Hispanic households <\$60k



Black households <\$60k

### **BlackRock Emergency Savings Initiative (ESI)**



















































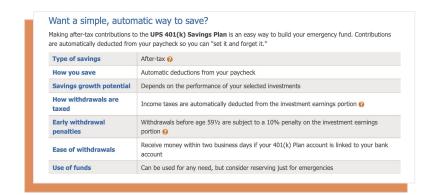
# Case Study: UPS / Voya

- 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



# Intervention: Multi-Channel Emergency Savings Campaign



New Landing Page



Direct Mail



**Multiple Emails** 





**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**

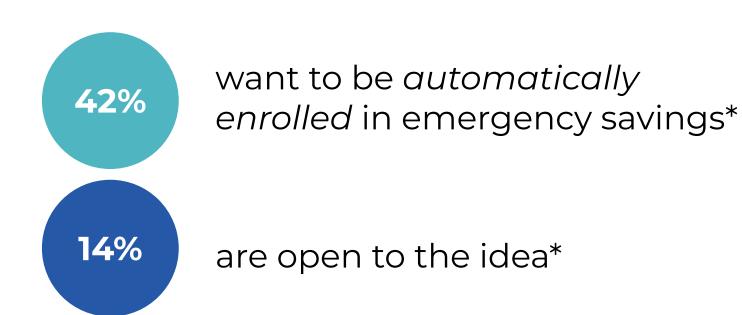
- Adding emergency savings had positive or neutral impact on retirement savings
- Thoughtful design can drive savings take-up and engagement
- Effective outreach includes frequent messaging via multiple channels to drive awareness, take-up, utilization
- High engagement by LMI, and Black, Latinx and 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**



<sup>\*</sup> 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, behaviorallyinformed consumer engagement strategies
- Policy action is critical for continued progress, including on uptake

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# **Thank You!**

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