

Testimony in Support of Raised H.B. 5564, *An Act Encouraging Increased Savings Deposits*

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Banks Committee
March 7, 2013

Senator Leone, Representative Tong, and distinguished members of the Committee:

My name is Matt Santacroce. I am a Policy Analyst at Connecticut Voices for Children, a research-based public education and advocacy organization that works statewide to promote the well-being of Connecticut's children, youth, and families. **I am here to testify in favor of Raised House Bill 5564, *An Act Encouraging Increased Savings Deposits*.** Connecticut Voices strongly supports this legislation, and this Committee's efforts to increase financial literacy and economic security among Connecticut's low-income families.

This bill, which would allow community banks and credit unions in Connecticut to establish so-called "prize-linked savings" programs, is likely to strengthen savings habits among those currently least likely to regularly put money away in interest-bearing accounts. These prize-linked savings programs would allow savers entry into raffle-type drawings on a monthly and/or annual basis, with odds of winning in these competitions improving with every dollar saved -- \$1,000 saved over the course of a year, for example, might earn the saver 10 raffle tickets at the end of the year. These prize-linked savings programs are currently found in some 22 countries, and in seven other states, including Maine and Rhode Island, and have been found to significantly improve savings outcomes for the most financially vulnerable populations -- marginally-attached or underemployed workers, single parents, and other populations that are generally more likely to be considered "unbanked."

Michigan's prize-linked savings program, Save to Win, is the oldest such program in the country and, as such, is the best example of its potential effectiveness. Save to Win has had a distinctly positive impact on Michigan's financially vulnerable account-holders (those with household income below \$40,000), who realized an average savings gain of about 34 percent in the first three years of the program's existence. Michigan's Save to Win program increased both the number of accountholders, and the savings balances in these accounts.

So why does this matter? Parental savings habits have been closely linked to improved long-run financial outcomes among children -- low-income kids with parents who save are more likely to be upwardly mobile than their low-income counterparts with parents who don't. By incentivizing savings behavior among financially vulnerable households, prize-linked savings has the potential to play an important role in reinforcing sound financial habits in these families -- which could have a positive impact that transcends generations. Asset building -- now and in the future -- is a critical element of overall family security, and we eagerly support this proposal to make that more of a reality.

Thank you for the opportunity to testify before you today. I look forward to your questions.