

FINANCIAL INCLUSION 100% BONUS

Top of Mind


Reminders can increase savings deposits at almost no cost to providers

Despite good intentions, people often make less-than-optimal financial choices. In this series, we match insights from our global research in behavioral economics with specific financial product and service opportunities for U.S. providers. Providers can use these evidence-based insights to expand financial inclusion, improve client offerings, and continue to promote financial health.

» FEATURED SOLUTION: REMINDERS


Providing access to savings accounts is an important step in bringing financial services to the poor, but access alone does not guarantee people will save. Many people struggle to develop good savings habits because they put off saving until a future time, or face so many seemingly urgent needs today that it is difficult to save for tomorrow, or they simply forget to save. Reminders that bring savings goals to the “top of mind” are a low-cost way to address these barriers and help clients reach their savings goals.

WHY DO REMINDERS WORK?




People tend to be inattentive to their future needs

People often fail to think about or budget for large future expenses—particularly “exceptional” expenses like a wedding or a new roof, or emergencies, which are hard to budget for.



People prioritize today over tomorrow

People tend to put their current desires ahead of their future needs, even when they are tempted to buy something they know they shouldn't. Temptation today makes saving for tomorrow particularly difficult.



People procrastinate

People often get caught up in their busy lives and delay taking action. They may intend to deposit money in a savings account, but never seem to find the time.

HOW CAN PROVIDERS AND NON-PROFITS APPLY REMINDERS?

Reminders have been proven to help people follow through on their goals and commitments. Providers can use them in several ways:

- **Helping clients save more:** Providers can use text messages (most cost-effective) or letters to remind savings account holders to save, or of specific savings goals.
- **Helping clients repay loans:** Text message reminders have been shown to increase the timeliness of loan payments and the amount of the loan that is repaid.¹ Importantly, in the one study, text messages were only effective when they included the name of the loan officer, which personalized the clients' obligation.
- **Helping clients follow through on important actions.** Personalized reminders have been effective in enforcing collection of unpaid taxes and submitting time-sensitive paperwork for financial aid in the US.² They could also be effective at helping people complete other actions, like opening and making deposits into a college savings account or refinancing a mortgage when rates go down.

Top of Mind

Reminders can increase savings deposits at almost no cost to providers

Despite good intentions, people often make less-than-optimal financial choices. In this series, we match insights from our global research in behavioral economics with specific financial product and service opportunities for U.S. providers. Providers can use these evidence-based insights to expand financial inclusion, improve client offerings, and continue to promote financial health.

Providing access to savings accounts is an important step in bringing financial services to the poor, but access alone does not guarantee people will save. Many people struggle to develop good savings habits because they put off saving until a future time, or face so many seemingly urgent needs today that it is difficult to save for tomorrow, or they simply forget to save. Reminders that bring savings goals to the “top of mind” are a low-cost way to address these barriers and help clients reach their savings goals.

*This brief is part of IPA's Nudges for Financial Health series, which is available as a combined booklet [here](#). The other briefs in the series can be downloaded individually: **The Power of Doing Nothing, Count on Commitment**.*

February 13, 2017