

Help Washington Families Save for the Future

Support Prize Linked Savings

HB 1326 & SB 5232

Prize-Linked Savings Works

In 2008, Doorway to Dreams, the Filene Research Institute, and the Michigan Credit Union League piloted a Prize-Linked Savings program in Michigan. Initial findings after the program's first year demonstrate that the program encourages savings among low-income consumers:

- 55% of participants had not saved regularly before opening their accounts;
- 64% of participants had never had a CD before;
- 39% of participants reported financial assets of \$5,000 or less;
- 44% of participants reported annual household incomes less than \$40,000;
- 16% of participants reported annual household incomes less than \$20,000.

What is Prize-Linked Savings? Everyone Wins with

Prize-linked savings allows people to earn chances to win by making a deposit into a Certificate of Deposit (CD). Participants purchase a CD and are then entered into a drawing for a cash prize. Additional contributions earn additional entries.

The program is specifically designed to encourage saving among low-income people by offering a low-dollar CD, but still has broad appeal.

In Michigan, for example, a person buys a 12-month CD with a minimum \$25 initial investment, earning between 1% and 2% interest and entry into monthly and annual drawings. For each additional contribution of \$25, the saver earns another entry into the drawing. Participants can save as much as they want, but to keep the contest fair for low-income savers, only the first \$250 saved each month earns extra chances to win.

Prize-Linked Savings

- This program makes savings fun;
- Provides incentive to save more;
- Encourages non-savers to start saving.

How Do We Get Started?

Several credit unions in Washington have expressed interest in partnering to offer prize-linked savings programs, but current state law prevents financial institutions from conducting raffles. Our proposed legislation, reviewed and recommended by the Gambling Commission, changes state law to allow savings linked to raffles so that interested financial institutions can help people save more.

No Cost to State

These accounts require no public subsidies, tax credits or other public expenditures.

