Prize Linked Accounts for Youth (PLAY):

A New Approach to Youth Financial Education and Savings

By Laura Choi

Introduction

"I've had a bank account since I was 15, but my mom handled it. I gave her money sometimes to put into it, but she wouldn't let me touch it," said Tina, age 17.[1] Rosa, also age 17, shared a similar story, saying "I would just give my mom my money to put away. So I had an account, but I never did anything with it, my mom handled all of it." Kelly, age 17, had easier access to her money and said, "I would just spend it. I would just go anywhere and just swipe my [debit] card, like it had no limits. I wasn't really thinking about saving as much. When I saw that I did too much, then I'd have to stop." When asked how she knew if she was doing "too much" Kelly explained, "I got overdrafts."

These experiences are perhaps fairly typical of many teens; their parents set up a savings account for them, but they have little to no experience in handling their own money. Or, they spend their money freely with little active management. Other youth may be completely disconnected from financial institutions and formalized money management. One recent survey estimated that 25 percent of high school seniors do not have any type of bank account.[2] Yet the vast majority of these students (75 percent) earn income through employment during the school year or summer,[3] and youth are wielding more and more purchasing power in their households.[4] Wherever they fall on the spectrum of account ownership and money management, youth stand to benefit tremendously from financial management training and skill building, which can provide them with a solid foundation for making responsible financial choices in adulthood.

In an attempt to connect youth with financial skill building and real world experience with financial institutions, Mission SF Community Financial Center (Mission SF), a nonprofit affiliate of the Mission SF Federal Credit Union in San Francisco, CA, launched the Prize Linked Accounts for Youth (PLAY) program in 2010. PLAY provides youth with financial education and a savings account, but also incentivizes youth to save by awarding a prize linked to their savings behavior. Tina and Rosa, along with more than 30 other youth, engaged in peer-led financial training, set personal savings goals, and had the opportunity to make regular deposits and personally manage their own savings accounts. Recognizing the opportunity to learn from this initiative, the Ruddie Memorial Youth Foundation funded Mission SF to conduct data collection and an evaluation of the pilot. This article provides an overview of the PLAY pilot program, describes the experiences of the youth participants, and synthesizes the lessons learned from the program's first year.

A Unique Approach to Youth Financial Education

Mission SF takes a unique approach to youth financial education, utilizing a peer training model known as Youth Trainers for Economic Power (YTEP), created in 2007. Each year, Mission SF recruits a small group of high school students to become youth trainers. These youth spend eight weeks during the summer learning about public speaking, training techniques, and the specifics of the YTEP personal finance curriculum, which was designed to appeal to urban, low-income youth. The curriculum focuses on budgeting, saving, understanding financial institutions and accounts, and financial goal setting. YTEP trainers then deliver the training in a group setting to teens from other youth programs. Margaret Libby, Executive Director of Mission SF, emphasized the importance of the peer training model, saying, “Peer to peer delivery is really important around sensitive topics, and money and financial issues can be particularly sensitive for low-income youth.”

Prior to the YTEP training, it appeared that many youth had never had any formal money management training. “I never really learned about money, we didn’t do anything in school. My friends didn’t talk about it; maybe how to spend money, but that’s it,” said Kelly. A few youth reported that they learned about money from their parents. Alex, age 17, explained, “When I was younger, I thought a job was like, they just give you money. Then I started going to the bank more with my mom and dad and that’s when they started telling me about bank accounts and how you can save money.”

The peer-led financial education trainings, which took place on a monthly basis over the course of the program, were thus a new experience for most of the youth. Chris, age 16, explained, “I liked the training since it was youth our age and we could relate to them. They really knew what they were talking about, so I liked it a lot. If I would have learned it in the classroom, I wouldn’t have paid attention as much. I feel like here, I could visualize it more and see how it applied to me.” Susan, age 15, explained “Adults always say ‘don’t do this’ or ‘don’t do that’ but it’s easy to ignore that. But if you have teens telling you, it’s more like their own experience, so that’s when I think it’s more true than when it comes from adults.” Financial concepts are often abstract and can be difficult to internalize, and the notion of saving can be especially difficult for people of limited means, such as low-income youth. One study of low-income adults found that the mere realization that they could save, regardless of their limited income, led to a drastic shift in the savers’ perception of their ability to save and build assets for future wealth.[5] In a similar manner, peer training can potentially change youth perceptions about financial capability. “I was surprised,” said Maggie, age 16, “because it was people the same age as me, teaching me. I used to spend all my money on stuff that wasn’t important. But I’m a teenager just like them, so if they can do this (save and manage their money), then I can do it too. They inspired me.”

Prize Linked Accounts for Youth (PLAY)

In 2008, Mission SF youth leaders engaged in an eight-month community financial assessment research project to assess the financial education needs and interests of local youth. The Action Research Committee, which consisted of seven youth, studied the concept of prize-linked savings (PLS) and decided to develop a prize-linked program for youth. PLS is a savings innovation that

Peer to peer learning is an important component of Mission SF’s youth financial education program. Not only does the information seem more relevant coming from peers, but the youth in the program support each other in their efforts to meet their savings goals.

Photos courtesy of Mission SF.

incentivizes individuals to make regular deposits by offering them the chance to win a large prize in lieu of traditional interest.[6] A typical PLS program has a set time frame in which an individual's probability of winning a prize is determined by the amount of money saved during the period. Similar to a lottery, a single individual is awarded the prize at the end of the savings cycle.

Mission SF's PLAY pilot took a slightly different approach to the prize-linked concept, adapting the eligibility for winning the prize from the typical PLS approach—the amount saved over a specified time period—to meeting a personal savings goal. A personal savings goal was deemed to be more relevant and achievable for low-income youth. PLAY participants came from three separate afterschool programs and each group had access to $200 from the Bank on San Francisco Microgrant Program,[7] to be used for the PLAY prize. The groups were educated about the PLS concept, but the groups requested to restructure the prize distribution. Rather than hold a lottery style drawing with a single winner, the groups decided to share the prize at the conclusion of the program among those participants that regularly saved to meet their goals. Monique Hosein, Teen Services Program Coordinator at Mission Neighborhood Health Center, one of the afterschool programs that participated in PLAY, pointed out that the youth participants had already formed relationships with each other prior to starting the program. "The youth work together and know each other, they're a small community. I don't see them competing with each other," she said, explaining their decision to share the prize. Ms. Libby, the director of Mission SF's PLAY program, noted, "We wanted to set this up with groups that already had some cohesion. Part of what we're trying to do is encourage the youth to shift their norms around savings and spending, and support each other as a group to do that." This idea of community and shared experience also resonated with the youth. "It's better doing it with the group because everyone is talking about it together, so you get more support. It's different once other people know your goals because you want to be able to tell them that you actually reached your goal," said Jessie, age 16.

She went on to describe the influence that the prize had on her savings behavior. "The prize is like a goal within a goal. You're reaching your own goal to get another goal at the end, so it's like an extra push to reach your first goal. And you don't want to let the rest of the group down so I'm going to do what I have to do," she explained. Alex also described how the prize served as a motivator, saying, "The incentive motivated me to save my money in my Mission SF account every week. Even though I had another account (at another financial institution) I'll take advantage of this opportunity so I can get a prize at the end. The prize for me personally motivated me more."

". . . by the end, the prize didn't matter as much because they reached their goal and I think that feeling was worth more than the prize."

In addition to the motivating influence of the prize, several youth mentioned goal-setting as an important component of the savings program. Rosa said, "The best part has been saving the money and having a goal at the end that I'm going to reach." Participants' savings goals were varied, ranging from "saving money for college" to "hair for prom." Regardless of the specific goal, the act of goal-setting appeared to focus the participants on what they needed to do to achieve their goals. Tina explained, "We set goals once we started, and it taught me that I can't just spend my money when I get it. So when I get my paycheck, I don't want to spend it all because I have a goal to reach. So I'm taking care of my money more." Annie, one of the YTEP trainers, described the effect that goal-setting had on the participants. "At first, I wasn't sure if the youth would be willing to give up part of their paycheck. I think the prize was the main reason they agreed to do it, but by the end, the prize didn't matter as much because they reached their goal and I think that feeling was worth more than the prize," she said.

Building Savings

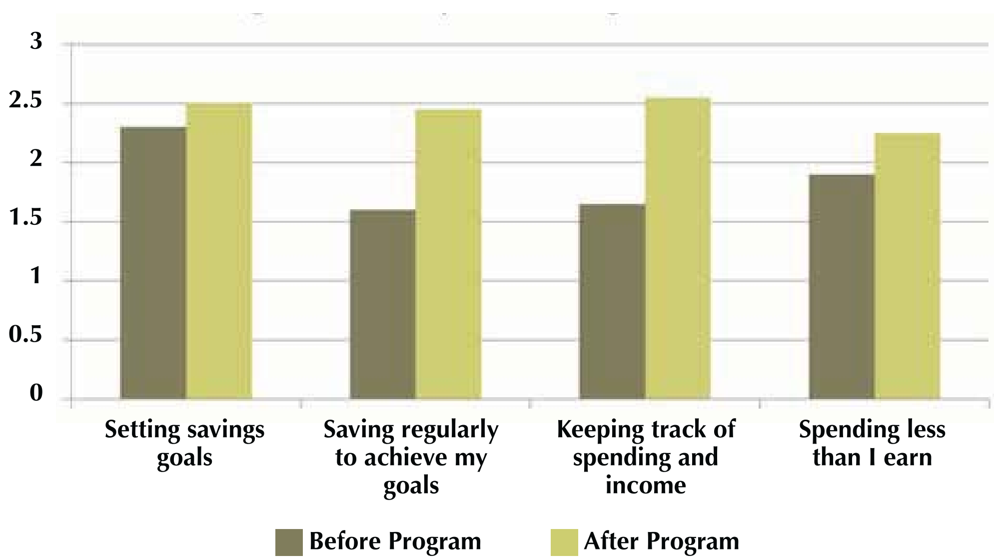
The PLAY savings cycle took place over the course of three months, during which time youth received financial education from the YTEP trainers. Ms. Libby emphasized the importance of combining education with experience, saying "Linking financial education to opportunities to apply the skills pretty immediately is really important… It isn't enough to just show people how to save or budget—even if they have the knowledge and skills, we have to connect them with opportunities to start doing it." Youth participants had the opportunity to open savings accounts through the Mission SF Youth Credit Union Program (YCUP), a youth-operated financial institution that offers a savings account product specifically for youth under age 18. As part of the PLAY program, any savings deposits made during the three month period would be restricted until the completion of the savings cycle. Two out of the three youth groups decided to open YCUP accounts and deposit their PLAY savings into these accounts (even if they had existing accounts at other financial institutions), which allowed Mission SF to directly track their deposits. The third youth group decided not to open YCUP accounts; instead, the youth made deposits to accounts at other financial institutions and the program coordinator was responsible for monitoring their savings.

All of the PLAY participants had a regular source of income as they were each employed by their respective afterschool programs. One of the three participating youth groups elected to set up direct deposit and automatic savings. Rather than cut individual stipend checks to the youth (who all received the same monthly stipend), the program coordinator sent a single lump sum check each month to Mission SF, which was evenly distributed to each participants' YCUP account. Then, out of each monthly deposit, $35 was automatically restricted to savings. Rosa, age 17, praised the automatic savings setup, explaining, "I wasn't really saving before this. If I had money, I mostly just spent it. The direct deposit has been really good, I really like that. If I just got the money, I'd just want to spend it. I'd actually like them to take out even more than $35 from my paycheck for savings." Participants who did not have the automatic savings option had to visit the credit union in person to make their deposits. Some youth enjoyed visiting the credit union to make deposits while others found the single location inconvenient and this added "hassle" may have affected savings behaviors. "It was kind of a hassle having to come all the way here to make my deposit. I closed my YCUP account after PLAY ended and just transferred my money to my other bank, where they have more branches," said Alex. When asked how PLAY could be improved, Morgan, age 14, explained, "You have to go to that specific credit union to get your money. I think there should be an easier way to put money in and take it out, and they should give youth debit cards."

Assessing Program Outcomes

By the end of the three month savings cycle, Mission SF was able to track savings data for 28 youth. These youth saved a total of $2,181 into their YCUP accounts, an average savings of $78 per participant, and many youth reported making additional deposits into their accounts at other financial institutions. Although the total savings outcomes were modest, given the fact that most of the youth come from very low-income families and have limited income, the savings represent a significant amount of money. In addition, youth also demonstrated increases in knowledge and behavior indicators. Participants took a ten question multiple choice test that covered a range of financial topics, such as budgeting, interest, and high cost financial services. Prior to the program, students answered 60 percent of questions correctly; after the program, the score increased to 64 percent. Participants also demonstrated increases in self-reported measures of positive financial behaviors, as shown in Figure 1. Responses were made on a four-point scale (1=I'm not doing this; 2=I'm doing this sometimes; 3=I'm doing this most of the time; 4=I'm doing this all the time). In response to the statement, "I am keeping track of spending and income," respondents indicated an average score 1.75 prior to the program; this increased to 2.6 after the program. For the statement, "I am saving regularly to achieve my goals," participants had

Figure 1. *Self-Reported Savings Behaviors*



Note: n=16. Responses made on a four-point scale. 1=I'm not doing this; 2=I'm doing this sometimes; 3=I'm doing this most of the time; 4=I'm doing this all the time.

After participating, youth in the program reported increased positive financial behaviors, such as keeping track of spending and income and saving regularly toward their goal.

an average score of 1.69 before the program and 2.4 after the program.

It should be noted that the sample is too small to validate any sort of statistical claims about the program's effectiveness. Quantitive data collection and analysis were a challenge given the attrition that many of the afterschool programs experienced, as well as the difficulty in ensuring consistent attendance at all program events. From a qualitative standpoint, interview responses from youth were overhwlemingly positive. "It (the program) is teaching me to be more responsible. Every time I go out I think about how I shouldn't spend all that money because I want to put it in my account. And since I'm going to college I need to learn how to manage my money better," said Chris.

Lessons from the PLAY Pilot

The PLAY pilot, though small in scale, provides an opportunity to better understand how youth respond to this type of financial education intervention. To provide some initial lessons for the field, we analyzed both the PLAY pilot data and conducted interviews with the youth and staff at Mission SF. These lessons will help to guide implementation of the PLAY program going forward.

1. **Make it easy for youth to save.** One of the few criticisms that youth participants had of the program was the logistical requirement of having to physically visit the credit union to make a savings deposit to their YCUP account. Youth pointed out that the inconvenience of having to visit the single branch location was sometimes a deterrent to making a deposit. The field of behavioral economics suggests that when trying to encourage a specific behavior, these types of "hassle factors" (anything that creates additional challenges or inconveniences) should be kept to a minimum. One possibility to overcome this barrier would be to set up direct deposit for more participants or provide online banking access.
2. **Be realistic about the administrative challenge of tracking savings deposits.** One of the youth groups elected not to open YCUP accounts, allowing participants to make deposits to their own accounts at other financial institutions. While this removed the hassle factor of having to visit the credit union, it placed significant administrative burden on the group's program coordinator, who was tasked with verifying participant deposits across multiple financial institutions. In the end, the program coordinator was unable to collect this data, and the group's savings behavior was not recorded. To ensure proper data collection, one consideration for future PLAY cycles would be to require participants to open YCUP accounts, allowing Mission SF to retain control of deposit tracking.
3. **Integrate peer to peer learning as part of the program.** One of the key lessons that came out of the PLAY pilot was the importance of the peer-to-peer structure of the program. Research on learning theory has shown that learning has an important social component, and particularly for youth, financial education is as much about changing their modes of participation in the social world as it is about acquiring new knowledge. In other words, learning is a process of forming identity and membership in a social group. In the PLAY pilot, the peer-to-peer learning approach had a significant impact on the willingness of the youth to be open to the ideas and concepts being taught, and it also contributed to their belief that saving was within their realm of possibility and not just something done by others who are richer or older. Peer support and peer accountability also had an apparent impact on the ability of youth to meet their savings goals.
4. **Engage youth program leadership early on in the process.** At the beginning of the program, Mission SF held an orientation with the participating youth groups' program coordinators and executive directors. Ms. Libby explained the value of this early engagement, saying, "It worked well to set expectations up front and go over the details of the program. We gave them a checklist of things they needed to complete along the way from the administrative side and the staff have been incredible in getting things done. Involving the program coordinators early on was very important."
5. **Target youth groups that already meet consistently on their own.** One of the challenges of the program was ensuring that youth maintained consistent participation throughout the three month PLAY cycle. Prior to starting the PLAY program, two of the groups already had an established routine of regular meetings. Mission SF was able to schedule PLAY trainings and events during their regular meeting times, which

ensured fairly high participation rates. The one group that did not have regularly scheduled meetings prior to starting PLAY had weak attendance at YTEP trainings and high attrition overall.

6. **Ensure that youth have a form of income that they control.** For many low-income youth, the possibility of saving is elusive, since their relatives and/or caretakers may not be able to provide them with an allowance or other monetary gifts. The PLAY pilot was focused on youth who received a regular stipend as part of an after-school program, making it easier for them to start to save.

Conclusion

Given the small scale of the PLAY pilot, the findings are largely anecdotal; further study and data collection at a larger scale will be required to quantitatively assess the effectiveness of the program. One consideration for increasing the scale of the program is the administrative difficulty of coordinating multiple YTEP trainings for each of the participating youth groups. Achieving program scale may require rethinking the training schedule or finding a way to reach more youth per training session. Mission SF is using the lessons learned from the pilot to refine its model and will implement a larger scale version of PLAY in collaboration with San Francisco's youth employment program system in 2011-12. PLAY's promise as a model to engage low-income youth in accounts and saving has captured the attention of the field, earning two national awards in 2010 for innovation and social impact (Dora Maxwell Award) and for excellence in youth financial education (Desjardins Award).

Overall, the PLAY pilot provided a valuable financial experience for its youth participants, offering them a combination of peer-led financial education, access to age appropriate financial products, and a prize-based savings incentive. When asked to identify the most important lesson they learned from the program, the most common answer was differentiating between "needs" and "wants," followed by the importance of setting savings goals. Many youth mentioned that this was the first time they had ever learned about money management and felt that the program helped them think about saving for the future, particularly for college expenses. Susan, age 15, summarized her feelings about the program by saying, "It's helped me think about what will happen once I grow up and get my own job and live on my own, paying for things like rent, food, insurance. It's helped that I learned about saving and managing my money now, so I'll be prepared for the future." CI

Endnotes

Prize Linked Accounts for Youth (PLAY): A New Approach to Youth Financial Education and Savings

1. All names of youth participants have been changed to protect their identity.
2. Jump$tart Coalition for Personal Finance. *2008 Survey of Personal Financial Literacy among High School Seniors.*
3. *Ibid*.
4. GfK Custom Research. (2005). Rising Individualism and Growing Wallets Among Teens and Tweens - GfK NOP Announces Results of Annual Youth Report. Press Release, September 19, 2005.
5. Im, Lena and Camille Busette. (2010). "What Motivates Low Income Earners to Save Money?" EARN Research Brief, January 2010. http://www.earn.org/files/EARN_Saver_Study_Jan_2010.pdf
6. For more on prize linked savings, see: Maynard, Nick (2007). "Prize-Based Savings: Product Innovation to Make Saving Fun" D2D Fund; Maynard, Nick, De Neve, Jan-Emmanuel and Tufano, Peter (2008). Consumer Demand for Prize-Linked Savings: A Preliminary Analysis (February 8, 2008). Harvard Business School Finance Working Paper No. 08-061.
7. Bank on San Francisco, an initiative designed to help the unbanked access mainstream financial services, provides microgrants to nonprofits within the city to help cover the costs of providing financial education. Nonprofit partners can apply for these grants from the city.

A Promising Way Forward for Homeownership: Assessing the Benefits of Shared Equity Programs

1. Boehm, Thomas P. and Alan M. Schlottmann. 2001. *Housing and Wealth Accumulation: Intergenerational Impacts.* http://www.jchs.harvard.edu/publications/homeownership/liho01-15.pdf
2. Davis, John Emmeus. 2006. *Shared Equity Homeownership: The Changing Landscape of Resale-restricted, Owner-occupied Housing*. Montclair, NJ: National Housing Institute.
3. Affordability can be preserved through a very wide range of different legal and financial mechanisms and, complicating matters, these mechanisms themselves are frequently known by different names in different regions of the country. "Subsidy recapture" programs require homebuyers to repay public subsidies when they sell their homes. Some recapture programs require repayment of only the initial principal at resale, while others require repayment of principal along with deferred interest. Others require sellers to repay principal along with a share of any home price appreciation. A different approach to the same problem involves retaining the subsidy in the assisted home and imposing a resale price restriction which enables future buyers to purchase the home at an affordable price. These price restriction programs are known by many names including: Permanently affordable, Long-term Affordable, Limited Equity, Below Market Rate, Moderately Priced Dwelling Units, Deed Restricted, etc. Davis used the term "Shared Equity Homeownership" to refer to the full range of these programs which offer "resale restricted, owner occupied housing", and we adopt that term here.
4. For existing studies, see, for example, Davis, John E. and Amy Demetrowitz. 2003. *Permanently Affordable Homeownership: Does the Community Land Trust Deliver on Its Promises.* Burlington, VT: Burlington Community Land Trust; Davis, John E. and Alice Stokes. 2009. *Lands in Trust, Homes that Last.* Burlington, VT: Champlain Housing Trust; and Gent, Cathleen Will Sawyer, John E. Davis, and Alison Weber. 2005. *Evaluating the Benefits of Living in the Burlington Community Land Trust's Rental Housing or Cooperative Housing*. Burlington, VT: Center for Regional Studies.
5. For a detailed description of the methodology and estimation assumptions, please read the full report, *Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-term Affordability Controls,* by Kenneth Temkin, Brett Theodos, and David Price, available online at http://www.urban.org/sharedequity/.
6. Herbert, Chris and Belsky, Eric. "The Homeownership Experience of Low-income and Minority Households: A Review and Synthesis of the Literature." *Cityscape* 10 (2), 2008; and http://frpo.org/Document/Topics&Issues/Renting%20vs.%20Owning/Achieving%20American%20Dream%20Katz%20Reid.pdf.

When Investors buy Up the Neighborhood

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2. Lauria, M. & Baxter, V. (1999) Residential mortgage foreclosure and racial transition in New Orleans, *Urban Affairs Review,* 34, pp. 757–786; Immergluck and Smith, 2005.
3. Dan Immergluck, *There Goes the Neighborhood: The Effect of Single-Family Mortgage Foreclosures on Property Values,* Woodstock Institute (2005) http://www.woodstockinst.org/for-the-press/press-releases/new-research-illustrates-devastating-impact-of-foreclosures-on-property-values/. Last accessed February 22, 2010; *Soaring Spillover: Accelerating Foreclosures to Cost Neighbors $502 Billion in 2009 Alone,* Center for Responsible Lending (2009) http://www.responsiblelending.org/mortgage-lending/research-analysis/soaring-spillover-3-09.pdf. Last accessed February 22, 2010.
4. 2009 National Association Of Realtors® Investment And Vacation Home Buyers Survey.
5. Tim Logan and Kevin Crowe, Bulk sales of bottom-price homes on the rise, *St. Louis Today* (April 19 2009). http://www.stltoday.com/stltoday/business/stories.nsf/0/E1E060D4474A6FC38625759D000EE317?OpenDocument. Last accessed February 22, 2010.
6. See Richard N. Spivack, The Determinants of Housing Maintenance and Upkeep: A Case Study of Providence, Rhode Island, 23 Applied Econ. 639, 643 (1991); William M. Rohe and Leslie S. Stewart, Homeownership and Neighborhood Stability, 7 *Housing Policy Debate* 37, 48 (1996).
7. Elorza, Jorge, Absentee Landlords, Rent Control, and Healthy Gentrification: A Policy Proposal to De-Concentrate the Poor in Urban America. *Cornell Journal of Law and Public Policy,* Vol. 17, p. 1, 2007; Roger Williams Univ. Legal Studies Paper No. 48.