The Behavioral Design Project

for Promoting Financial Health

ideas42

Financial capability organizations provide supportive financial services to millions of Americans, making a meaningful impact on countless lives. Cost-effective adjustments to their programs that **account for human behavior** could allow these organizations to reach even more people with their helpful services.

Putting behavioral design directly into the hands of financial capability organizations can make a wide and lasting impact on Americans' financial well-being. That's why we conducted an immersive, 18-month program with 11 pioneering organizations called **The Behavioral Design Project for Promoting Financial Health.** Funded by JPMorgan Chase & Co., this project guided financial capability practitioners from across the country through our behavioral design methodology, with each organization selecting a real problem they wanted to solve and applying behavioral design directly to it.

Included here are a few of the **most important lessons participants learned about applying behavioral design** for the first time.

> **Take it one problem at a time.** Examining the decision-making context illuminates discrete challenges that fuel broader problems. Hone in on a specific issue rather than trying to find a silver bullet solution.

> **Check that you're solving the right problem.** Before designing solutions, consult data to confirm that the problem is real and widespread. You'll avoid investing time and money solving a problem that few people have.

> **Confront hurdles head on with your design.** Start by removing unnecessary hassles or supplementing them with a helpful intervention.

> **Test your assumptions on the front lines.** Without transparency, it's easy to make assumptions about other people's choices or behaviors. Test these assumptions on the front lines by experiencing firsthand how clients interact with systems.

> **Refine and repeat.** Behavioral design is a problem-solving approach, not a one-time fix. Evaluate results, refine the design, and identify additional problems ripe for behavioral applications to continue impacting lives.

The Behavioral Design Project sought to help financial capability organizations bolster the effectiveness of their programs. These financial innovators' new behavioral design knowledge and skills will **supercharge their efforts to promote financial health among their clients** long after our engagement together ends. Read our case study to learn how to apply these insights to your organization's efforts.

INSIDE: Lessons from first-time behavioral innovators participating in our Behavioral Design Project

JPMORGAN CHASE & CO.

THE LESSONS

Take it one problem at a time

Financial capability organizations tackle complex issues to support their clients every day. So when we first asked Behavioral Design Project participants about the problems they wanted to solve, it wasn't surprising to hear big picture targets such as "improve clients' economic mobility." But facing broad problems raises the question: where to begin?

The first step is to examine the context in which clients make decisions. This often illuminates the discrete challenges that fuel broader problems—and that is where behavioral design makes a difference. For example, "increase savings" is a broad goal, and one solution won't work for all contexts. A single, 18-year-old college student will face different barriers to saving money than a 30-year-old parent working full time. They may have distinct goals and responsibilities, and receive money in different ways: the college student might receive a financial aid check once per semester, whereas the full-time worker might receive biweekly paychecks. The worker might be saving for retirement; the college student probably is not. Honing in on the context of a problem allows you to tackle issues individually rather than trying to find a silver bullet solution.

Milly DuBouchet, a Project Manager at Neighborhood Trust Financial Partners, started her work with ideas42 aiming to help all their clients save money. "Getting people to save more has always been our main goal," she said. But this universal problem brought to mind common, seemingly intractable barriers people face every day: cash flow problems, chronic stress, and extreme focus on getting by today at the expense of tomorrow. In this scenario, it's difficult to identify problem areas that are tractable.

When Milly examined more specific contexts within clients' lives, she found an actionable problem she could tackle with behavioral design. Neighborhood Trust's mission includes helping community organizations integrate financial counseling into their employee services. Milly identified a behavioral problem at one of Neighborhood Trust's community partners, Goodwill. Employees at Goodwill weren't using an easy, available option for saving: depositing part of their paycheck directly into a savings account.

"Focusing on one specific program made it more concrete," Milly said. "The behavioral insights were suddenly more applicable. That was when our work really came to life." Like a magnifying glass, this narrowed scope revealed manageable, yet often overlooked, behavioral barriers that employees faced. The Neighborhood Trust team mapped out the exact steps Goodwill employees needed to take to split funds into savings. They interviewed employees and managers about the factors that led them to use direct deposit savings—or not—and redesigned the process to remove many of the barriers identified. Right away, Goodwill started using a new direct deposit form that made it simpler to sign up for this option.

Tackling this specific problem with a behavioral lens brought Neighborhood Trust a step closer to achieving their overall objective of helping people save more money.

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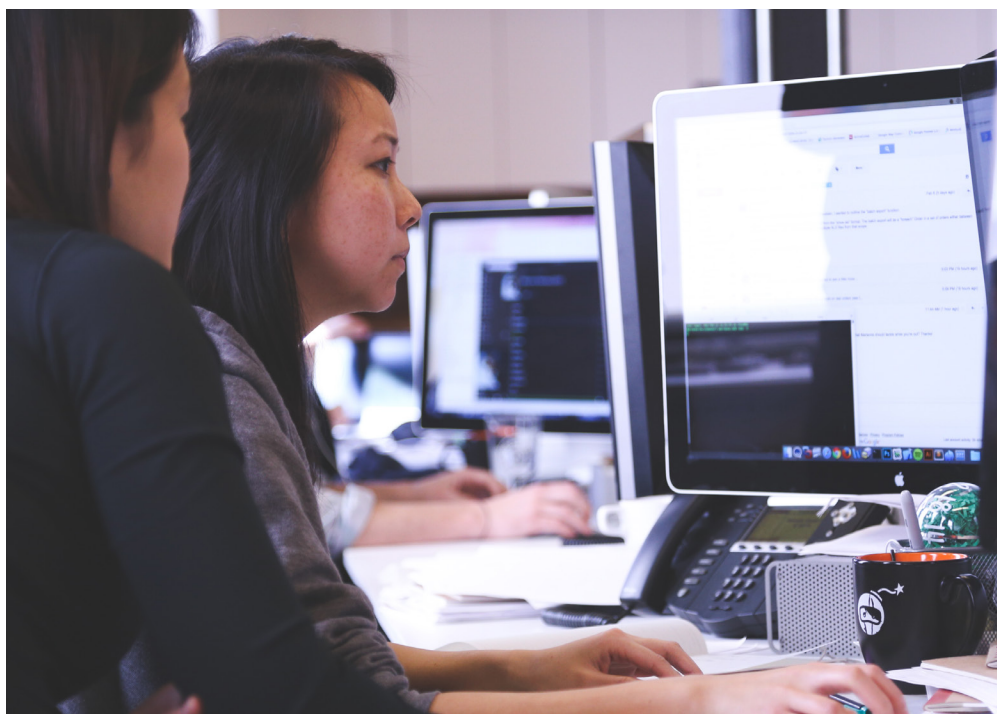—Milly DuBouchet, Project Manager, Neighborhood Trust Financial Partners

Check that you're solving the right problem

Though it can be tempting to dive head first into creating a solution and implementing it, Behavioral Design Project participants examined available data to ensure the problem was real before investigating causes—let alone creating possible solutions.

Self-Help Federal Credit Union, a federally chartered credit union that provides responsible and affordable financial services, wanted to improve the use of their Fresh Start Loan. The Fresh Start Loan helps people build credit by depositing a loan into a savings account that the client can access once the loan is repaid. There was a widespread perception among staff that clients were paying off the loans too quickly, which doesn't help them build their credit and can even hurt it. But when they checked the data, it turned out that less than 15% of Self-Help Federal CU's clients paid off their loans early. It also revealed that a much larger segment of clients never paid off their loans at all.

"The data so far has surprised us," said Micheline Savarin, Director of Marketing and Communications at Self-Help Federal CU, and Jeannine Esposito, Development and Impact Manager at Self-Help Federal CU. "Looking at various reports and filters, our assumptions may not be as correct as we had hoped."

Based on the data alone, it would be easy to assume Self-Help Federal CU's clients stop making payments because they don't have the money to pay off their loans—but

> "When we see a problem, our gut instinct is to fix it. Practitioners' minds are always going to the solution and trying to figure out if it's feasible. If it is, we implement. If it isn't, we move on."
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> —*Helah Robinson, National Program Director, LIFT*

While getting data was often challenging, doing so was critical to many Behavioral Design Project participants' success

the team at Self-Help Federal CU conducted qualitative interviews and found three different, perhaps unexpected, reasons. First, without reminders many clients simply forget to make payments. Second, some clients misunderstand the product, thinking they were taking out a regular loan to receive an up-front, lump-sum payment. Once they realize that Fresh Start Loans don't function that way, they stop paying. Finally, some clients use the credit-building loan as a savings product, depositing only enough to meet their savings goal and then ceasing payments. Each of these clients needs a particular design to help them reach their goals—and some may be better served by a product or service other than the Fresh Start Loan.

Program data helps us understand what's going on in clients' lives. Critically examining their data helped Self-Help Federal CU avoid spending time and resources designing solutions for a problem very few clients had.

Confront hurdles head on with your design

After a round of interviews or a dive into data, practitioners usually have a pile of transcripts, notes, or results to comb through. Translating these findings into solutions is challenging. One place to start is by looking for hassles and removing them.

A hassle could be a process a client must go through, or a fact they need to know in order to complete a step. To remove hassles, eliminate unnecessary steps or supplement them with helpful interventions. For example, inputting an ID number on a form can be enough to deter a person from completing that form if they don't know the number offhand—if possible, remove the requirement. If a client needs to complete a step of a process later, send her a reminder to do so.

The International Rescue Committee (IRC) is a non-profit that helps people whose lives are shattered by conflict and disaster to recover and regain control of their future. During the Behavioral Design Project, they sought ways to streamline their lending program (part their commitment to supporting the economic well-being of refugees). Using behavioral design, they wanted to help clients struggling to keep up with loan payments avoid harming their credit.

IRC wants borrowers to reach out proactively if they anticipate having problems making a payment in order to accommodate them. This flexibility is a real benefit for borrowers, but few were taking advantage of it in time to avoid negative consequences. In fact, IRC staff would often call or visit delinquent borrowers individually to work out a plan, which consumed a lot of organizational resources and did not model the behavior borrowers need to learn to interact with other creditors.

"One of the guidelines we received [from ideas42] was to turn our problem on its head," said Kasra Movahedi, Technical Advisor for Economic Empowerment Programs at IRC. During this project, the IRC team discovered that it wasn't that clients didn't want help. Rather, they didn't know help was available because staff members hadn't made that flexibility explicit. This could be a hurdle for borrowers, who must actively seek out information about IRC's flexibility.

> "We were operating under various assumptions because there was not an easy way to pull the data. But once we did, it surprised us as it showed we were not tackling the right problem."
>
> —Micheline Savarin, Director of Marketing and Communications, Self-Help Federal CU

Kasra remembers ideas42 asking him, "If few clients are aware that you have this flexibility, why don't you just tell them how flexible you can be?" And he thought, "Yeah, why don't we?"

This led the team at IRC to directly address the hassle by making the terms and limits of their flexibility clearer. "Everyone had this expectation that borrowers wouldn't be proactive, that we had to call them directly if we wanted any kind of response from them," said Ellen Beattie, Senior Director of Program Quality for United States Programs at IRC. But an initial test suggests their new designs are working.

"We tried sending emails to borrowers letting them know that we were going to pull recurring payments from their accounts, and they responded," Kasra said. "A handful responded to say 'that's fine' but a handful also asked us to wait a few days. That's exactly the kind of communication we want. We can be flexible, but we have to know what they need."
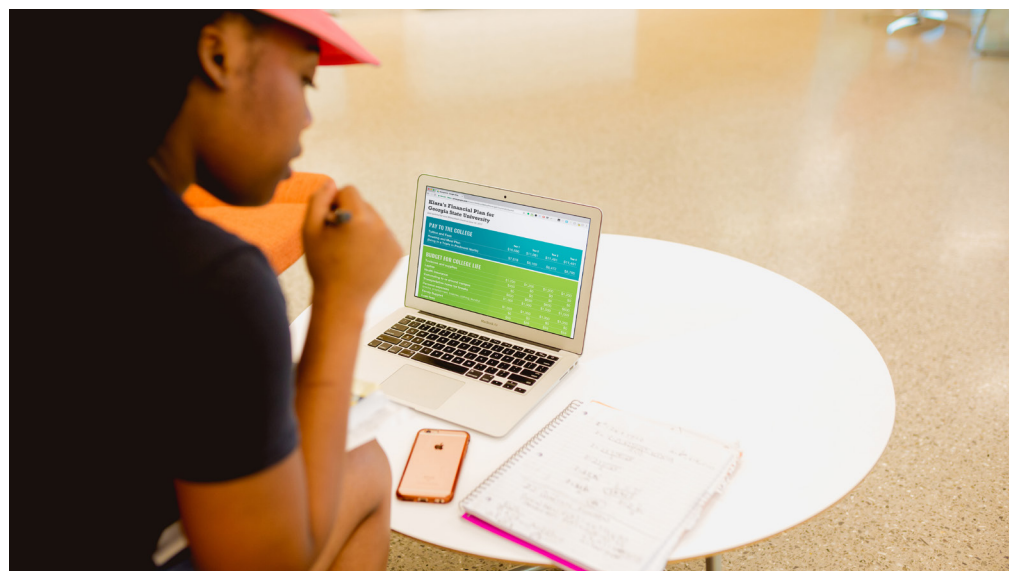
Test your assumptions on the front lines

The challenges people face in their daily lives are often invisible to others—even to organizations working hard to provide helpful services. Without transparency, it's easy to make assumptions about clients' lives.

Behavioral design offers many approaches to shedding light on the barriers that clients face, and one of the strongest approaches is a classic: get out on the front lines. By engaging with clients one-on-one, behavioral design practitioners can see firsthand how clients interact with systems, which helps them develop empathy and find the contextual rough patches where behavioral insights can be effective.

Moneythink's service is entirely remote so students can access support no matter where they are.

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Behavioral design pushed our thinking in ways that are new and exciting for our team."

—Amy Malinowski, UX/UI Design Lead, Moneythink

Moneythink is a non-profit that supports under-resourced students in college financial decision-making. While Moneythink's product managers, designers, and researchers spend a lot of time thinking about the challenges their clients face, they don't have as many opportunities to interact with clients as front line staff. During the Behavioral Design Project, they immersed themselves in the students' context by taking on the responsibilities of a college financial coach—spending hours each week supporting college-bound high school seniors. Through this qualitative research, the team encountered firsthand the striking challenges that their clients face.

"Often people think this has to be a learning experience for students, that if we help them too much we'll take away their agency," said Amy Malinowski, UX/UI Design Lead at Moneythink. During her time on the front lines, Amy saw that students' reality was often more complicated. She once spent over 2 hours on call waiting before she was able to get in touch with a financial aid officer to understand the details of a single line item on a student's financial aid award letter. And that's just one of numerous challenges she faced while acting on a student's behalf.

"We see that these students are working jobs, taking care of family members, and going to school. How can we, on top of all that, expect them to navigate bureaucracy and build out a financial plan for the first time?" Amy said.

The burden on their clients was much larger than the Moneythink team had imagined. When tackling a problem area, immersing oneself in front-line work is an effective way to quickly learn about the barriers of today and envision possible solutions.

Refine and repeat

Participants in the Behavioral Design Project spent over a year learning about behavioral science, questioning their programs' inner workings, and addressing specific problems that will have a meaningful impact on their clients. Now they're looking beyond the scope of this particular project, leveraging what they have learned to identify how behavioral design could support their clients' financial health and goals in new and exciting ways.

There are seemingly endless ways to employ the behavioral design approach to impact people's lives. Participants have noticed behavioral science playing a role in their everyday work. "We've been using a lot of behavioral science thinking outside of the official Behavioral Design Project structure," said Amy at Moneythink. Amy's team has embraced behavioral principles in every part of their work, from individual interactions with students to planning the product roadmap months from now.

Some organizations, such as EARN—a national non-profit that offers the digitally based SaverLife program—have already delved into multiple problems through the Behavioral Design Project. "When we first started with the Behavioral Design Project, we flagged two possible areas to work on: maximizing onboarding and conversion rates, and helping people reach their savings goals," said David Derryck, Chief Impact Officer at EARN. "During the first half of the Behavioral Design Project, we

> " We expected to find a diversity of reasons why people weren't signing up for our savings program. In fact, most everybody knew they should be saving and wanted to save. We realized we needed a flow that took all the financial situations someone might be in into account."
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> —Julia Harrigan, Research and Innovation Associate, EARN

"Everything we've done in the Behavioral Design Project will have an impact on the bottom line."

—Kasra Movahedi, Technical Advisor for Economic Empowerment Programs, IRC

addressed the first one. Now we're in the process of addressing the second."

Participants' behavioral design knowledge will not only outlive this project, it will also extend beyond participants to their teams and organizations. "I can see myself being a source of information for my colleagues," said Milly at Neighborhood Trust. "And my colleagues have become more interested in the subject because I've done work in it. They want me to reference principles; [they say] 'hey what principles could we apply here?'"

CONCLUSION

Take it one problem at a time. Check that you're solving the right problem. Confront hurdles head on with your design. Test your assumptions on the front lines. Refine and repeat.

These lessons come from practitioners who tried behavioral design for the first time. Throughout the Behavioral Design Project for Promoting Financial Health, the 11 organizations we worked with were challenged and sometimes surprised. They questioned assumptions and standard practices. They learned more about their clients, and themselves. They are inspired to continue these methods and spread insights to others working to promote financial health.

Behavioral design is an important tool at the disposal of financial capability organizations. It's clear that our natural human tendencies don't make money management easy—for anyone. Sharing the behavioral design approach with problem-solvers, along with these five key lessons, can help programs to work *with* people—their real lives and everyday challenges—to bring financial health closer to reality.

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"This is going to revolutionize the way we approach our work."

—Chris Moreno, Community Wealth Manager, Catalyst Miami

Behavioral Design Project participants and ideas42 staff at the Project's final convening

About the Behavioral Design Project Team

ideas42

ideas42 has a clear mission: to use our unique experience as a non-profit at the forefront of behavioral science to change millions of lives. We create innovative solutions in economic mobility, health, education, safety and justice, consumer finance, energy efficiency and international development. Our approach is based on a deep understanding of human behavior and why people make the decisions they do. Working closely with our partners from government, foundations, NGOs and companies, we have more than 80 active projects in the United States and around the world.

Project staff: Vivien Caetano, Erin Sherman, Katy Davis

Acknowledgements

For more information, associated materials, and project updates, visit www.ideas42.com/bdp

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