
New Retail Securities Product Focus Group

November 8, 2010

BACKGROUND

The Bureau of the Public Debt plays an integral role in financing the operating expenses of the federal government. Through Public Debt's Retail Securities Services (Retail) program, we sell U.S. Treasury securities to the public to help fund our country's expenses, to pay maturing debt, and to provide savings and investment opportunities to individuals who want to buy securities directly from the Treasury.

Currently, we are evaluating our Retail program to (1) better understand current customers and how well we are meeting their needs, (2) learn how best to meet the saving and investing needs of future customers, and (3) find what products and services will be most appealing in the future. Under consideration are opportunities to offer a new retail product (or products), that carries universal customer appeal and is widely accessible, particularly to low-to-moderate income (LMI) savers.

To help further define potential new products and to comply with Executive Order 12862, we've initiated a multi-tiered research process that includes first meeting with academic/advocacy experts who are interested in saving and financial issues among LMI groups and then conducting focus groups. The information gathered from the academic community has helped us in framing what possible products might be suitable (please see the attached chart) and what questions are important to ask in a focus group setting. The feedback from the focus groups will help us develop an appropriate savings product that can be delivered through the most accessible channels. We are working with the Federal Reserve Bank of St. Louis and their team of experienced research experts to facilitate the focus groups. Our goals are to:

- Better understand the financial investment behaviors and practices of current and future customers
- Gather customers' opinions, beliefs, and attitudes about a small number of pre-defined potential products and delivery mechanisms
- Fulfill Public Debt's commitment under Executive Order 12862 to provide customer service equal to the best in the business

Doing the research for this project is critical, and the timeframe is tight. Recent discussions with Treasury Department officials have focused on the Administration's desire to reduce the cost of the paper savings bond program, to improve program efficiencies, and to offer a "modern" savings product. Due to the rising cost of issuing and servicing paper securities, the plan is to stop offering paper savings bonds in the next few years. Retiring a decades-old product that Americans have valued presents an opportune time to unveil a new security. To coordinate these two events, the Department has asked us to conduct the research and submit a proposal for a new security by the end of January 2011, in time to be included in the fiscal year 2013 budget. We are asking for an expedited approval of our plan to conduct the focus groups in December.

Methodology

To meet these objectives KRC Research will conduct twelve focus groups. Ten focus groups will be among individuals in low to moderate income households. Two groups will be conducted among higher income households to test appeal of all savings products under consideration, including those designed to appeal to that group.

The groups will be conducted in the following locations among key target audiences as follows:

Atlanta

- > Individuals with household incomes under \$35,000 between the ages of 25 to 44
- > Individuals with household incomes between \$35,000 to \$60,000 between the ages of 45 to 64
- > Unbanked under \$35,000 household income

Baltimore

- > Individuals with household incomes under \$35,000 between the ages of 45 to 64
- > Individuals with household incomes between \$35,000 to \$60,000 between the ages of 25 to 44
- > Individuals with household incomes between \$60,000 to \$100,000 between the ages of 25 to 64

St. Louis

- > Individuals with household incomes under \$35,000 between the ages of 25 to 44
- > Individuals with household incomes between \$35,000 to \$60,000 between the ages of 45 to 64
- > Unbanked under \$35,000 household income

Phoenix

- > Individuals with household incomes under \$35,000 between the ages of 45 to 64
- > Individuals with household incomes between \$35,000 to \$60,000 between the ages of 25 to 44
- > Individuals with household incomes between \$60,000 to \$100,000 between the ages of 25 to 64

Each focus group would last approximately two hours and be facilitated a professional moderator.

Participation in the focus groups is voluntary.

This is a one-time collection of information.

Estimated Burden Hours

Conducting 12 focus groups with each group having 8 to 10 participants is expected to take a total of 264 hours of time for those who are contacted through the screening process and participate in the groups.

The estimated hours are calculated as follows:

Participant screening will take approximately 20 hours. This is based on screening 144 participants taking approximately 10 minutes, for a total of 24 hours.

Completion of twelve focus groups is expected to take approximately 240 hours. This estimate is based on completing twelve two hour focus groups where each group would have 10 participants per group. (120 participants X 2 hours).

This is a one-time collection of information.

Justification for Nonstandard Honoraria

It is generally accepted as a standard industry practice to offer an incentive to individuals who participate in focus groups. Since participants are giving their personal time and have to commute to and from the facility, providing them with an incentive is a way to compensate them for their time and participation. In addition, offering an incentive increases participation rates and in turn reduces recruiting costs.

Our experience with similar groups has shown that a \$100 to \$120 incentive yields the number of participants desired for the focus groups. Therefore, for this project, \$100 to \$120 incentive will be provided to make it possible to recruit the desired number of participants within a reasonable amount of time.

Although "up to \$75.00" is considered the standard limit, we believe the higher incentive is warranted because of the targeted groups. Our goal is to attract lower income individuals and past experience indicates that individuals in this group have a higher rate of non-participation and/or not showing up. In addition, lower income individuals often must rely on public transportation and the increased incentive helps with this cost .

DISCUSSION GUIDE/OUTLINE

Savings Product Development

Fall 2010

I. Introduction

15 minutes

- Moderator's introduction.
 - Introduce self and KRC Research.
 - KRC is conducting these groups on behalf of the Department of the Treasury; but, KRC is an independent research firm and does not work for the Department of the Treasury.
 - Explain focus groups, set ground rules:
 - No right or wrong answers.
 - Everyone should voice their opinions during the group.
 - It's okay to agree or disagree with each other.
 - Speak one at a time.
 - Turn off cell phones and pagers.
 - I'm just looking for your opinions about some of the things we'll be talking about. Everything you say is confidential and your last names will not be associated with what you say. This discussion group is for research purposes only.
 - Inform participants we are audiotaping and videotaping the discussion and that observers are behind the one-way mirror.

- Participants' introduction.
 - Please go around the room and tell me your first name and some of the hobbies you like to do.

II. Feelings Toward Saving Money

15 minutes

PICTURE SORT

Today's discussion is going to be about different ways people save money. Before we get started I want to do a little exercise. You'll notice on the sheet in front of you several pictures.

I want you to look through the pictures and write down the one picture you would choose that BEST captures how you feel about your ability to save money these days. Just put the letter of the picture in

the box on your handout and write down briefly why you chose that picture – what feelings did it give you?

Please do not talk to each other while doing this exercise. We will discuss it when everyone is done.

- What picture did you choose?
 - Why did you choose that picture?
 - What feelings did it give you about your ability to save money these days?
 - What other feelings come to mind when you think about your ability to save money these days?

- Do you save money on a regular basis, like every time you get paid, by putting money aside, or do you save less frequently than that? Why do you save that way?
 - Is saving money important to you or not really? Why?

- And what are some of the reasons that you might not be able to save money or as much money as you would like to? What are some of the things that prevent you from saving? (**PROBE EXTENSIVELY.**)

- What goals do you generally have when you are saving money? (**PROBE FOR SHORT AND LONG TERM GOALS**) What are you generally saving for?

Probes: retirement, emergencies, large purchases, education for children, etc.

III. Preferred Aspects of Savings Tools

25 minutes

Next, we're going to discuss several aspects of potential ways to save money and what's most important to you personally.

- First, where do you typically hear about opportunities to save money? (**PROBE:** Online, television, bank branches, word of mouth at work)
 - What sources do you trust the most? Why?

- If we were looking to save \$50/month, what types of things would be important to you when selecting how you save your money? **(LIST ON EASEL)**
- What are the different ways you save money? **(SHOW ON EASEL. GET TALLIES FOR EACH ITEM AND DISCUSS).**

PROBES IF NEEDED:

Savings account at a bank or credit union.

Pre-paid cards.

Cash.

Stocks/mutual funds.

Employer sponsored payroll savings 401(k) or IRA.

Savings bonds.

Other

- o What are the advantages of saving money that way?
- o What are the disadvantages?

How important are each of the following to you when selecting a way to save money, be it a savings account at a bank, a pre-paid card, a Certificate of Deposit or CD, or other way to save money. Let's use a scale from 1 to 10 where a 1 means not at all important and 10 means extremely important? **(LIST ON EASEL)**

- The ability to have immediate access to your savings with little or no penalty for early withdrawal
- Amount of interest (the amount of money your money will make for you)
- Security of the amount or principle you put into your savings or investment
- That your savings are government insured
- How long you have to invest before withdrawing your funds (probe: 5 years? 1 year? 6 months or less?)
- Being able to easily save, like through a payroll deduction or deductions from your federal or state income tax return (or EITC)
- The ability to save in small increments (probe for how small the increments would need to be. \$100? \$50 \$25? \$10? Less?)
- The ability to move your money into another savings tool like a CD at a bank or credit union or similar savings account.

DISCUSS REASONS FOR RATINGS OF EACH

- Which of these did you find most important? Why?
- Which were least important? Why?
- Which of the different ways you can save money BEST fit with the things you find important (RESHOW LIST OF SAVINGS TOOLS ON EASEL.) How so?
-

IV. Awareness and Familiarity Savings Bonds

20 minutes

- How many of you have heard of a savings bond? (**Show of hands**)
- What comes to mind when you hear the words “savings bond?” Why?
- What are savings bonds for?
- If you had to describe the type of person who buys savings bonds, who would it be? Why do you say that?
- Can anyone describe how a savings bond works?
 - Where can you purchase savings bond?
 - Where or how can you cash them in?
- Based on what you know, what are some the advantages of saving money through savings bonds? What are the disadvantages?
- Based on what you know today, would you consider saving money by purchasing savings bonds? Why or why not?

Now I am going to hand you a description of savings bonds. I will read it aloud and you can follow along with me. Feel free to write on the handout. After I read it I will ask you questions about it.

Buying United States Savings Bonds is an option for saving money. When you buy a bond, you lend money to the federal government. The U.S. Treasury gives you an IOU—called a savings bond—either by mailing you a paper certificate or by placing a record in a personal electronic account that you can access anytime on the Internet. To make sure the government pays you correctly, your name, address, and social security number are recorded with this bond. While your money is on loan to the government, you earn interest. You must keep the bond for at least twelve months before you can cash it in. After that, you can cash it in anytime you want to. When you cash in your bond, you get your original money back plus the interest you earned. You cash in a paper savings bond by taking it to a bank. You cash in an electronic savings bond by accessing your Internet account and telling the government to send payment to your bank account.

- Based on this description, what are some of the things you find appealing about savings bonds as a way to save money?

- What do you think the benefits of saving money through savings bonds might be to you personally?
 - In what ways is this better than other ways to save money like a savings account at a bank? A pre-paid debit card? Cash?

 - In what ways is this not as appealing as other ways to save money?

- What if you could only access your savings bond “account” online and there were no actual paper bonds? How appealing would that be to you?
 - **[IF NOT APPEALING:]** You could print your statement out from the Internet, would that make it more appealing?

V. The New Savings Bond

30 minutes

Now I am going to show you some new ideas on a way to save money using U.S. Treasury Savings Bonds. These ideas are in the formative stage and do not currently exist. This is just to get your overall reaction to an idea.

SHOW EACH PRODUCT DESCRIPTION ON EASEL ONE AT A TIME

PROBE FOR EACH PRODUCT DESCRIPTION

- How appealing is this as a way to save money?
- How well does it fill your savings needs compared to other ways to save money? Why?
- What do you like most about it?
- What do you like least?
- How likely would you be to use this as a way to save money? Why or why not?

AFTER ALL HAVE BEEN DISCUSSED

- Which of these savings bonds products do you find most appealing? Why?
- Which did you find least appealing? Why?
- What are some reasons you might consider using one of these products to save money?
- What are some of the reasons you might NOT consider using one of these products to save money?

SHOW WAYS TO PUT MONEY IN ACCOUNT ON EASEL

- How appealing are these as ways to put money into your savings bond account?
 - Which would most encourage you to save money using savings bonds? Why?
 - Which do you find least useful? Why?

SHOW WAYS TO TAKE MONEY OUT OF ACCOUNT ON EASEL

- How appealing are these as way to take money out of your account?
 - o Which would you find most convenient?

Now let me get your reaction to a few other ideas about savings bonds.

Have you seen pre-paid cards and gift cards like Green Dot or Netspend that you can buy right off the rack at a Wal-Mart or Walgreens?

What if you could buy savings bonds like that as well? For example, there would be a card that looks like a debit card or pre-paid card that you could buy to save money on. If you bought a \$25 savings bond card you would have \$25 saved on that card. And when you want to save more money on the card, you could load additional money on the card for savings. It would work just like savings bonds work now, except instead of a paper bond you would have a Savings Bond Card.

- How appealing is this as a way to save money?
- How well does it fill your savings needs compared to other ways to save money? Why?
- What do you like most about it?
- What do you like least?
- How likely would you be to use this as a way to save money? Why or why not?

What if you could buy savings bonds right from a merchant like a Wal-Mart or similar places you might shop when you pay for your purchases. For example, say you bought \$32.50 in items and instead of getting you change back, you could put it into your savings bond account?

- How appealing is this as a way to save money?

- How well does it fill your savings needs compared to other ways to save money? Why?
- What do you like most about it?
- What do you like least?
- How likely would you be to use this as a way to save money? Why or why not?
- What if there was no physical card or paper involved but you had a Savings Bond account you could access online? How appealing would that be? Why?

VI. Conclusion

10 minutes

- Based on what you've heard tonight, what would be the most compelling reason to use savings bonds to save money? What aspects of what you have seen today fit with what we discussed earlier about saving money? (**SHOW ATTRIBUTES ON EASEL.**)
- What other things could the U.S. Department of the Treasury do to make savings bonds an attractive way to save money for you? What would work best for your needs?
- What would be the downside to using savings bonds to save for the future?

Simple Descriptions of Treasury Retail Securities Product Concepts

TreasuryDirect is available to people who want to set aside money for emergencies or other savings goals by buying securities directly from the U.S. Treasury. Treasury may soon offer new savings products, new ways to buy them, and new ways to get your money out when you need it.

Savings Certificate Account

A Treasury account that would let you save for emergencies or short-term goals. You would be able to put in and take out money when you want to. Your money would earn interest at a rate that changes occasionally.

Lottery bond

A Treasury account that would let you save for emergencies or short-term goals. You would be able to put in and take out money when you want to. Your money would not earn interest. Instead, you would have a chance to win cash prizes every month. Many of the prizes would be smaller (perhaps \$25 to \$100). A few prizes would be larger (perhaps \$1,000 to \$25,000); and one prize would be a jackpot.

Savings bond

Securities held in a Treasury account that would let you save for emergencies or short-term goals. You would be able to put in money any time. After a bond has been in the account for at least three months, you may cash out all or part of that bond any time you want to. Your money would earn interest at a rate that stays ahead of inflation. While this bond would be similar to a traditional paper savings bond, it would be an electronic bond rather than a paper bond.

Retirement bond

Securities held in a Treasury account that would let you put in money at any time. After you're 60 years old, you may take out money when you want to. Your money would earn interest at a rate that stays ahead of inflation. You wouldn't pay federal income tax on your interest earnings.

Ways to put money into your account

Treasury may offer some of the following ways to put money into your account: payroll deductions, income tax refunds, gift cards purchased at a local stores, mobile phones, bank accounts, or debit cards.

Ways to get your money out

Treasury may offer some of the following ways to get money out of your account: bank accounts, debit cards, or payment companies like PayPal.

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