

CFPB's Project Catalyst Highlights Innovation Opportunities

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On October 25, the Consumer Financial Protection Bureau (CFPB) released its "[Project Catalyst Report: Promoting Consumer-Friendly Innovation](#)." ("CFPB Report"). The CFPB Report reviews what the CFPB "has learned about a range of marketplace developments that may hold the potential for consumer benefits" impacting underserved consumers. Insurance companies may be able to address the same issues and provide similar benefits through innovation.

Consumer Saving

One issue the CFPB aims to understand is how to promote saving among consumers. In collaboration with the CFPB, American Express tested several strategies to encourage consumers to set money aside in a savings account, "including marketing via email or direct mail, with messages touting the benefits of saving, and a \$10 financial incentive for meeting a savings goal of \$150 within three months." Key findings of the program were: (i) simple methods of encouraging consumers to set aside funds were effective, (ii) offering even a small financial incentive for meeting a savings goal within a period of time increased savings by over 100 percent, and (iii) savings continued even after the program ended. These findings reflect that consumers can be encouraged to increase retirement saving. Encouragement could take the form of regular consumer engagement as well as a bonus or other incentive to consumers for incremental savings over time.

Cash Flow Management

The CFPB is also focusing on the challenge consumers face from mismatches in the timing of cash flows due to uneven or unexpected changes in their income and expenses. Several FinTech companies are "developing various tools to help address this mismatch or time lag between expenses and income." Innovations include tools to: (i) facilitate access to accrued wages earlier

than the regular payday, (ii) smooth a consumer's income by allowing the consumer to put aside earnings from above-average pay periods to supplement earnings from below-average pay periods, and (iii) deduct a portion of consumers' wages in order to apply the funds to a consumer's recurring payments. While these cash management tools focus on income from earnings, similar tools may be effective for retirement income planning by allowing retirees to match the timing of expenses due with income from their retirement products.

The CFPB Report reflects opportunities for insurance companies to develop tools and products that encourage retirement savings and help retirees take income from their retirement assets in a manner that matches their expense patterns.

Authored By



Ann Young Black

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