“Disposable Income”:

Possibilities for Long-term Saving in Canada

by

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Abstract

This project interrogated the complex relationship between long-term saving and the contemporary lifestyles of middle-income Canadians. Its aim was to identify key drivers of the declining savings rate in Canada and to imagine design interventions that Canadian banks, among other stakeholders, could pursue in order to address such drivers head on. Research consisted of an extensive literature review to situate the decline of long-term saving behaviour within its larger societal and cultural contexts; an industry audit to examine existing design solutions within the international financial services industry aimed at encouraging saving behaviour; an overview of insights gleaned from a series of one-on-one semi-structured interviews with 30-45 year-old middle-income parents; and a forward-looking trend analysis leveraging the Verge framework for environmental scanning in order to illuminate potential future cultural and social shifts to be mindful of when it comes to product/service design. The output of this exploration was intended to be practical in nature: to provide inspiration for those with the resources to implement new products and services, and the reach to create a positive impact on the financial lives of as many Canadians as possible.

Keywords: saving, financial behaviour, Canadians, product design, service design, innovation

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1. Introduction

1.1 The Decline of Long-term Saving in Canada

It is an underlying assumption of modern capitalist societies that young and middle-aged people will endeavour to save money for their futures – to "build nest eggs" – in order to secure comfortable situations for themselves later in life. Traditionally, this "saving assumption" has been supported by the financial behaviour of average Canadians. In 1982, for example, Canadians averaged a household savings rate of 19.9% (Grant & McMahon, 2015); for every $100 earned in that year, about $20 were saved. But when we fast-forward to the present day, we are met with a country that seems to have a drastically different relationship with saving than it had in the past, as demonstrated in Figure 1 below. Today, the household savings rate in Canada sits at just 3.6% (Grant & McMahon, 2015). Meanwhile, Canadians' household debt-to-income ratio recently reached a staggering 164.6% (Quinn, 2015), representing an all-time high and a dramatic increase from roughly 110% in 2002 (Grant & McMahon, 2015).

When polled, many Canadians indicate that they are concerned about the prospects of their long-term financial security. According to a survey by Ipsos Reid in February 2015, 40% of Canadians report that "saving for retirement" is a significant source of stress in their lives (Browne, 2015). Yet, other data sets suggest that there is a disconnect between the reported worries and the *actual behaviour* of Canadians today. According to Statistics Canada (2015), for example, only 23.4% of Canadian tax filers contributed to an RRSP in 2013, despite reports that the typical Canadian household is capable of putting aside an average of $450 per month ("BMO Financial Group," 2015).

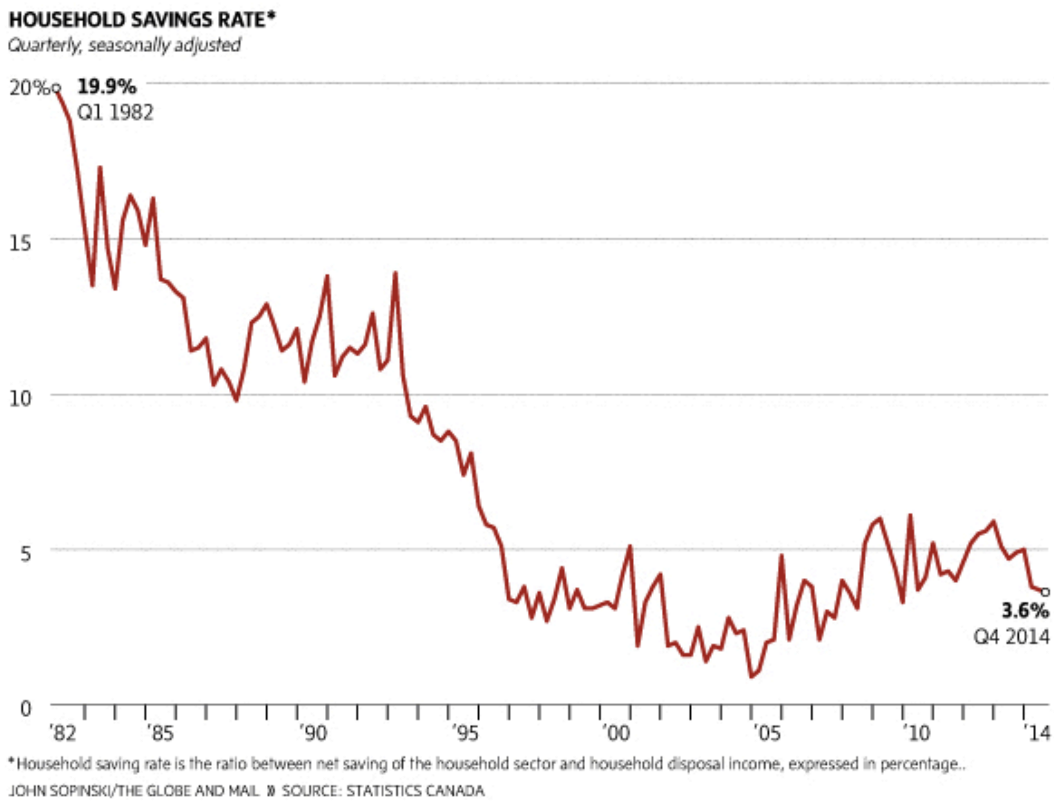

Figure 1. The Decline of the Household Savings Rate in Canada, 1982-2014. Retrieved from http://www.theglobeandmail.com/report-on-business/economy/household-saving-rate-nears-five-year-low-as-financial-risks-increase/article23274104/.

This decline in long-term saving behaviour is not only troubling for Canadians themselves, but also for the industries and institutions that rely on people to save prudently for their futures. Indeed, the aforementioned "saving assumption" is central to the design of government financial programs (Canada Pension Plan, Old Age Security, Registered Retirement Savings Plans, Tax-Free

Savings Accounts) as well as the business models of Canadian financial institutions (reliant as they are on the growing savings deposits of their customers to balance their loan books and, ultimately, fund profitable investments). We might easily imagine the pickle that a federal government would find itself in were an entire generation of Canadians to assume that it was possible to rely *solely* on government programs to fund their lives in post-work years. Or we might ponder how a typical Canadian bank would fare if it could not rely on the steady flow of savings deposits from its customers. Put simply, if the personal savings rate of Canadians continues to fall, the impact will be systemic in nature, and the implications will be far-reaching.

1.2 "Financial Lives"

The concerning state of Canadian household finances has prompted the federal government to announce plans to release a national strategy in 2015-16 to "strengthen the financial literacy[1] of Canadians" ("Canada's Economic Action Plan," 2015). Likewise, major Canadian banks continue to invest large sums of corporate social responsibility (CSR) dollars in financial literacy programs in an attempt to address this perceived gap in Canadian society. Since 2010, TD Bank alone has donated over $6 million to financial literacy programs ("TD Bank Group," 2015). Such plans and programs presume that the decline in long-term saving and the growth of personal debt in Canada are largely matters of education (or lack thereof). Yet, from an academic perspective, this presumption

[1] The Government of Canada's Task Force on Financial Literacy defines financial literacy in terms of "having the knowledge, skills, and confidence to make responsible financial decisions" (*National Strategy for Financial Literacy – Count me in, Canada*, 2015).

seems dubious. Indeed, a large body of existing research into the impact of financial literacy education suggests that such efforts have minimal positive effect on the subsequent behaviour of students[2]. Moreover, on a practical level, a focus on traditional financial literacy education seems far too simplistic. After all, financial lives do not exist within a vacuum. Rather, they are inextricably linked to virtually all other aspects of a modern existence: personal hopes, dreams, and ambitions; social lives and desires; work lives and responsibilities. To speak of a Canadian's "financial life" is to speak of his/her life in general, for one's relationship with money helps to shape, and is shaped by, these different lenses and factors.

Thus, the decline of long-term saving in Canada is a multifaceted, complex problem. To attempt to address it or alter it, one must respect its complexity and approach it accordingly. To that end, there remains a need for a more thorough examination of the cultural, psychological, sociological, and economic factors driving Canadians' financial behaviours today. Likewise, design

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[2] The strengths and weaknesses of financial literacy education is a hotly debated topic amongst academic economists and psychologists, but today the practical impact of such education is largely downplayed. According to economist Jason West (2012), "no financial literacy study has yet clearly linked economic well-being with sustained changes in financial behavior" (p. 524). Lauren Willis (2011) suggests that there exists a financial education *fallacy* within academic and public policy quarters, arguing that "objective observers generally admit that research to date does not demonstrate a causal chain from financial education to higher financial literacy, to better financial behaviour, to improved financial outcomes" (p. 429). In their longitudinal study of the impact of a personal financial management course on American high school students, Lewis Mandell and Linda Schmid Klein (2009) reported that "a comparison of those who did and did not take the course does not demonstrate a meaningful positive impact for those taking the financial education course" (p. 21). Currently, the leading explanation for the ineffectiveness of financial literacy programs comes from the field of behavioural economics, which critiques the assumption that *information* drives effective decision-making. Indeed, according to De Meza et. al (2008) and Garcia (2013), multiple studies demonstrate that "the financial behavior of individuals depends more on their psychological traits than on the information and skills they possess or on how they decide to use them" (Garcia, 2013, p. 304).

interventions must operate at, and be informed by, the intersection of these various lenses on the problem if they are to have a reasonable chance of making a positive impact on current behaviour.

1.3 Purpose, Scope, and Limitations

The aim of this project is to interrogate the complex relationship between middle-income Canadians, long-term saving, and contemporary life. Drawing on insights from the fields of consumer and cultural studies, behavioural economics, and psychology, my goal is to situate the current long-term saving problem within its larger societal and cultural contexts. Along the way, a number of key avenues of inquiry will be examined. *What are the drivers of the decline in long-term saving today? How has runaway spending and debt accumulation taken such a strong hold in Canadian culture? How might one re-imagine the experience of long-term saving for the better?* The output of this exploration is intended to be practical in nature. Ultimately, my hope is to provide inspiration for those with the resources to implement new products and services, and the reach to create a positive impact on the financial lives of as many Canadians as possible. This goal is the driving force behind the research question at the core of this project:

By 2025, what product and service design opportunities might exist for the financial services industry (in addition to other relevant stakeholders) to encourage long-term saving behaviour amongst middle-income Canadians?

The structure of this paper mirrors my attempt to grapple with this research question and move from a state of ambiguity to a state of insight and clarity. It begins in Chapter 2 with an overview of an extensive literature review that was conducted to explore the contexts surrounding Canadians' financial lives today. From this review, a number of conclusions are posited about the key drivers behind the decline of long-term saving in Canada. With these drivers in mind, a subsequent analysis of current design and innovation activities within the international financial services industry is documented in Chapter 3, in order to provide insight into the degree to which current activities interact with the actual drivers of declining saving behaviour, as well as to highlight potential areas of opportunity that seem to be missing thus far.

Chapter 4 outlines my approach to moving from current state knowledge to future state inspiration. Here, a detailed overview of my project design is provided, beginning with a description of a more refined target audience, and then moving into a description of the research methods employed to facilitate the development of a range of design solution suggestions and their related implications.

Chapters 5 – 7 present the fruits of this project design, along with associated data analysis and summarized findings. Chapter 8 closes the paper with conclusions and opportunities for additional research, leading into a detailed Bibliography and suggestions for further reading.

A potential limitation of a research project of this nature is that its scope is intentionally broad. It is focused on middle-income Canadians from a financial perspective – meaning those whose household income falls near the median range on a national level.[3] It is focused in this way because the decline of long-term saving in Canada is a national issue affecting the mass majority of Canadians. While there are no doubt unique issues and obstacles affecting the saving capabilities of those who are not "typical" from a financial perspective – whether those with very low household incomes or even those with very high household incomes – there is nevertheless a need for a generalized approach to encourage healthier saving behaviour in Canada, from which more nuanced and specialized approaches might emerge based on the unique attributes of those in different economic situations. My hope is that this research project will help to inform such future explorations as well.

Likewise, the intentionally generalized nature of this project means that differences in attitudes and beliefs toward money amongst Canadians of different ethnic backgrounds is only lightly explored (for example, as part of various one-on-one interviews detailed in Chapter 5). As before, my hope is that the general principles and insights gleaned from this research can be a starting point for additional exploration along these lines.

A final limitation of this research is its broad definition of "long-term saving", a term used here to describe regular contributions to financial vehicles that are meant to accommodate future financial security – including traditional savings accounts, TFSAs, RRSP accounts, RESP accounts, and so on. In order to manage the project's scope, distinctions between "saving" and "investing" were

[3] According to Statistics Canada (2015), the median total income (after tax) for all census families in 2013 (including couple families, without or without children, and lone-parent families) was $76,550. This project focused on households with a total income that falls within 20% of the median total income, which represents $61,240 on the low end and $91,860 on the high end.

not explored in depth, recognizing that both long-term saving and long-term investing behaviour support an individual's future financial security and are collectively captured in Statistics Canada's measurement of Canadians' household saving rate[4].

[4] According to Statistics Canada (2015), the household saving rate in Canada is a measure of the net saving of the household sector divided by household disposable income.

1. Literature Review

2.1 Problem Contexts

Why are Canadians saving so little these days? And why are we spending so excessively? To begin to answer these questions, we must consider the contexts in which the very concept of long-term saving is situated today. Thus, the starting point for this project was an extensive literature review and analysis of existing research on contemporary lifestyles and financial behaviours in Canada as well as North America more broadly, recognizing that an individual's "financial life" exists at the intersection of these different contexts.

The aim of any good literature review is to attempt to surround the problem with insights from different fields of study. In this case, the inquiry explored a number of broadly relevant domains, including cultural and sociological studies, consumer psychology and behaviour, and the study of macroeconomic and sociopolitical factors impacting Canadians' relationship with money today.

What follows is an overview of the key insights gleaned from each of these fields of research as they relate to the decline of long-term saving in Canada. Toward the end of the chapter, a shortlist of "key drivers" is identified that summarizes my understanding of the primary forces driving prevalent financial behaviours today. These key drivers carry through the remainder of the paper, acting as critical evaluation filters for potential design interventions.

2.2 Time and Money

Since the mid-1980s, when Canada's household saving rate peaked at roughly 20%, a typical Canadian's experience of everyday life has changed in some fundamental ways. In 1982, Canadians did not use the Internet. We did not have instant access to the world's information at our fingertips. We did not own smartphones. We did not enjoy the ability to instantly communicate with others via e-mail, text messaging, video chat, or social networks like Facebook, Twitter, Instagram, Pinterest, and so on. And importantly, our experience of and relationship with other facets of our lives – such as our money – was not influenced or shaped by an unmitigated celebration of *the immediate moment* that modern inventions, like the ones mentioned above, tend to promote.

The emergence of the Internet as an organizing structure of everyday experience has dramatically altered the nature of our relationships with time – and this shifting relationship may be impacting our willingness and ability to prepare financially for the future. As media theorist Douglas Rushkoff observes in *Present Shock* (2013), "our society has reoriented itself to the present moment….[toward] a diminishment of anything that isn't happening right now – and the onslaught of everything that supposedly is" (p. 2). Always-on work culture and real-time social networking – both of which are facilitated by the ubiquity of broadband Internet connections and smartphones – are probably the most obvious examples of now-commonplace behaviours that support Rushkoff's observation. In 2014, for example, nearly 56% of Canadians used a smartphone, including more than 80% of those aged 18-34 ("eMarketer," 2015). At the same time, 82% of Canadians used an online social network in 2013, placing Canada at the top of the global list when it comes to social media network penetration ("Canadian's Internet Business," 2014).

Rushkoff argues that while the convenience and productivity benefits of digital communication technologies are worth celebrating, there are also side effects that come with such benefits. One such side effect, he suggests, is a decline in our culture's "narrativity" (p. 13) – that is, in our individual and collective propensity to experience events, and our own lives, as *stories* with a linear structure (a past, present, and future). For Rushkoff, a relentless focus on what is happening *right now* disrupts our sense of the "traditional, linear arc" (p. 18) that has been a pillar of western storytelling cultures since "the invention of text and scrolls" (p. 18) in ancient Greece. As a consequence of this reorientation, our awareness of the present has become heightened at the same time that our sense of its connection to the past and the future has become blurred or altogether ignored as unimportant. Ultimately, Rushkoff suggests that when we are no longer reliant on narrativity to make sense of our lives, we lose our abilities to even *think* about the future, let alone plan for it.

Rushkoff is not alone in critiquing the potential side effects of modern technology on our relationships with time and our experiences and expectations of everyday life. In *The Shallows: What the Internet is Doing to our Brains* (2010), technology theorist Nicholas Carr analyzes the impact of Internet culture on human experience from a neuroscientific perspective. Noting the relatively recent discovery of "brain plasticity" – the fact that "virtually all of our neural circuits…whether they're involved in feeling, seeing, hearing, moving, thinking, learning, perceiving, or remembering…are subject to [physiological] change" (p.

28) – Carr argues that our experience of the Web and digital technologies more generally have shaped, and are continuing to shape, our *cognitive ability* to make sense of other aspects of our lives. In particular, he argues that the rapid, fleeting, and instant nature of digital experiences has diminished our desire and ability to engage with deep content that requires longer-term focus (hence the name of his book, *The Shallows*). Carr's argument is supported by the wholesale evolution of media that seemingly aims to adapt to the short-term expectations of modern audiences:

> "Many producers are chopping up their products to fit the shorter attentions spans of online consumers….Snippets of TV shows and movies are distributed through YouTube, Hulu, and other video services. Excerpts of radio programs are offered as podcasts or streams. Individual magazine and newspaper articles circulate in isolation. Pages of books are displayed through Amazon.com and Google Book Search. Music albums are split apart, their songs sold through iTunes or streamed through Spotify. Even the songs themselves are broken into pieces, with their riffs and hooks packaged as ringtones for cell phones or embedded in video games….As the economist Tyler Cowen says, 'When access [to information] is easy, we tend to favor the short, the sweet, and the bitty.'" (p. 94)

Like Rushkoff, Carr reaches a stark conclusion: as our experience of contemporary life becomes more focused on *immediacy* as a result of digital technologies that promote short and instant interactions, it becomes more difficult and less desirable for us to consider, or have patience for, that which requires an extended period of time and/or attention. This insight helps to explain a major cultural phenomenon that has captured mainstream attention in recent years: "FoMO", or "Fear of Missing Out". Now considered a legitimate psychological affliction, FoMO is characterized "'by the desire to stay continually connected with what others are doing'" (Rosen, 2015), and describes the anxiety that results from an obsessive orientation toward the present moment.

These works are significant for our study, because they illuminate what may be a sociocultural factor in the decline of long-term saving in Canada. If "saving for the future" is situated within a world that is increasingly oriented toward the immediate present, then it is conceivable that the idea of long-term saving may seem odd and even *unnatural* in a contemporary context. Indeed, it could be argued that the idea of long-term saving – and with it the experience of delayed gratification – lacks what Kim Vincente (2004) might call "psychological fit" (p. 54) with Canadians today.

Of course, if the idea of long-term saving lacks a strong "fit" with contemporary lifestyles, then its opposite – short-term spending – must necessarily represent a good fit. This argument is certainly supported by Canadians' recent financial behaviours. From the rise of credit card usage[5] through to the growing popularity of novel lending products like home equity lines of credit (HELOCs)[6], Canadians seem to continue to endorse the belief that borrowing money is a good thing, and that its primary purpose is to support the realization of short-term material or experiential goals.

Thus, designers must realize that the concept of long-term saving today exists within a sociocultural system that implicitly positions money as *disposable*. Aided by technological forces that promote an unmitigated focus on the present at the expense of the future, Canadians' conception of what money is good for

[5] According to the Canadian Bankers Association (2015), 89% of Canadian adults own at least one credit card today.
[6] According to the Canadian Association of Accredited Mortgage Professionals (2014), 27% of people with mortgages in Canada in 2014 also had a home equity line of credit.

(both functionally and emotionally) may be increasingly influenced by a preoccupation with short-term reward versus long-term security. In order to resonate with Canadians and encourage positive behaviour change, design interventions will likely need to create a better fit between the prospect of saving and contemporary culture. This issue is further explored in the sections below.

2.3 Psychology and Financial Decision-Making

In addition to digital technologies and Internet culture at large, there are additional forces influencing our society's short-term orientation today. In fact, according to research from the field of behavioural economics, a psychological bias toward the short-term is actually hard-wired into our human brains.

At the root of the aforementioned "saving assumption" is a belief that humans behave rationally and can be counted on to maximize their own best interests – even if those interests occupy a time and place that is years or even decades into the future. According to standard economic models, individuals should discount future costs and future benefits exponentially (as cited in Benton, Meier, & Sprenger, 2007), meaning that they ought to always make decisions that accurately reflect their long-term self-interest, "independent of whether they are making the calculation today or planning how they would like to make the calculation ten years from now" (Benton, Meier, & Sprenger, 2007, p. 4). However, behavioural economics research, which focuses intensively on the psychology of decision-making, consistently demonstrates that *actual* human behaviour contradicts this "rational agent" model (Thaler, 2015, p. 23). Rather than discounting future costs and benefits exponentially, humans actually view “present or immediate costs/benefits [as] unduly salient or vivid in comparison to future costs/benefits” (de Meza, Irlenbusch, & Reyniers, 2008, p. 22). Technically referred to as *temporal discounting*, the insight here is rather intuitive: when presented with a decision that offers immediate benefits but future costs, we tend to irrationally overvalue the benefits and downplay the costs. Likewise, when presented with a decision that comes with immediate pains or costs but carries future benefits, we tend to irrationally undervalue the future benefits and overvalue the immediate costs. Behavioural economists classify temporal discounting as a critical “self-control problem” (Benton, Meier, & Sprenger, 2007, p. 7) that impairs our ability to make sound decisions.

Our society’s tendency to spend money (especially via credit card or line of credit) is driven by temporal discounting: we overvalue the benefits of purchasing something right now while undervaluing the pain of having to pay the bill later on (Dunn and Norton, 2013). Similarly, temporal discounting can drive a reluctance to save for the long-term, especially if the decision-maker only understands the prospect of long-term saving in terms of *future benefits*. Indeed, according to a study that leveraged functional magnetic resonance imaging (fMRI) to assess the brain activity of individuals who were presented temporally distinct rewards, “the relative value of [rewards] are discounted according to their expected delays until delivery” (McClure, Laibson, Lowenstein, & Cohen, 2004, p. 503). Quite literally, we do not feel excitement or pleasure from the prospect of distant rewards the way we do from immediate or near-term rewards. This insight has implications for not only the design of long-term saving products and experiences, but also the communication of their benefits.

Further research suggests that a host of cognitive biases help to reinforce temporal discounting and, in turn, undermine our feelings of desire or responsibility to save money for the future. For example, according to leading behavioural economist Richard Thaler (2015), numerous studies demonstrate that human judgment is often seriously afflicted by *loss aversion* – our tendency to value the avoidance of a loss about twice as highly as we value the prospect of an equivalent gain. Loss aversion is often present whenever humans "misbehave" (Thaler, 2015, p. 11) according to standard economic theory – such as when stock market bubbles burst and individuals scramble to lock in losses (selling low) rather than to buy equities or funds that are now undervalued (buying low). It is the prospect of having to endure further losses that prompts such behaviour and causes individuals to completely ignore major opportunities to achieve safe gains. Loss aversion is particularly important for us to consider in a cultural context that places high value on material goods (which will be discussed further in the next section). In such a context, the prospect of saving may appear like a *loss* if individuals have been otherwise primed to focus on the material goods that they could purchase with the money being saved.

Another cognitive bias that supports temporal discounting and affects long-term saving behaviour is known as *overconfidence*, or *the optimism bias* (Kahneman, 2011). As its name suggests, the optimism bias causes individuals to significantly overestimate the likelihood that the future will turn out positively and downplay the likelihood that they will experience negative events. This bias is present, for example, in studies that demonstrate the propensity of newly married couples to cite their likelihood of divorce in the future as *zero percent*, despite their knowledge of the fact that about 50% of all marriages end in divorce (Thaler & Sustein, 2008).

Overconfidence in our long-term prospects stems from the cognitive difficulty we have in imagining the *details* of our futures. In *Stumbling on Happiness* (2006), Harvard psychology professor Daniel Gilbert describes the way in which we "imagine the near and far futures with…different textures" (p. 118). According to Gilbert, "seeing in time is like seeing in space….when we remember or imagine a temporally distant event, our brains seem to overlook the fact that details vanish with temporal distance" (p. 116). From a financial perspective, this insight helps to explain why Canadians cited "saving for retirement" as their top financial priority for 2014 ("Advisor.ca," 2014) but ended the year with lower savings and higher debt than they started with. Canadians could envision *what* they wanted to do (save more money), but not *how* that goal was going to be achieved (spending less or being more disciplined financially). As a result of overconfidence, we tend to misjudge our abilities to save money and to underestimate the amount we will need to save in order to live the future lives that we envision for ourselves ("Financial Consumer Agency of Canada," 2015).

Thus, designers looking to address the long-term saving issue in Canada must find ways to help Canadians overcome psychological biases such as temporal discounting, loss aversion, and overconfidence. But they must also grapple with the unfortunate fact that nearly all of these biases have a natural tendency to support spending behaviour versus saving behaviour. A more detailed look at the impulse to spend and our spending culture in general is the focus of our next two sections.

2.4 Status Anxiety and "Spending Power"

As the convergence of digital technologies and psychological biases influence Canadians to become more focused on the here and now, they also heighten our collective image consciousness. Consider, for example, the degree to which social networking behaviour has shifted toward visual culture in recent years. In 2014, three of the top four fastest growing social messaging applications in the world offered image-based experiences, including Snapchat (#1), Pinterest (#3), and Instagram (#4) (Mander, 2015).

Culturally, these applications are important insofar as their primary source of differentiation versus other social networking options – that is, a focus on imagery over words – provides us with a glimpse into the psyches and desires of modern humans. Indeed, the success of these applications suggests that we do not, after all, simply want to *converse* with one another; rather, we want to *see* one another. We want to see what one another has, where one another is, what one another is doing, and who one another is with. In a short-term world that views the present as a primary source of cultural relevance and value, the growing popularity of these applications makes perfect sense. When we feel compelled to tell the world real-time stories about ourselves, we intuitively acknowledge the old adage that "a picture says a thousand words".

But alongside this rise in visual culture comes an increase in the pressure we feel to present an image that is *worthy* of being noticed and deemed valuable by others. Our money is intrinsically connected to this increased pressure, because money is one of the primary means through which we lay claim to material possessions and social signals that help us fit in and/or stand out.

Conspicuous consumption[7] is the term commonly used to describe image-oriented purchasing behaviour that helps us “position” ourselves within a larger society. Ultimately, the goal of conspicuous consumption is to quite literally purchase social power and prestige. For our purposes, it seems prudent to try to understand why people feel the desire to exhibit this kind of behaviour in the first place, and then to analyze whether that desire is being heightened by the realities of contemporary life.

Human desires exist only insofar as we intuit that we *lack* something now or may be threatened with the lack of something in the future (Burton, 2014). From a psychological perspective, there is therefore a strong relationship between *desire* and *anxiety.* Conspicuous consumption, focused as it is on the purchase of signals of social power, is necessarily motivated by a belief that one either lacks social power now or is in danger of lacking it in the future.

Philosopher and cultural critic Alain de Botton (2004) calls this phenomenon “status anxiety”. For de Botton, “status” is often mistakenly understood in material terms alone, as if one who has material possessions by definition has status, just as one who lacks materials possessions necessarily lacks status (p. 7). De Botton rejects the presumed relationship between status and physical comfort, noting that there have existed countless cultural heroes

[7] The term was coined in the 19th century by sociologist and economist Thorstein Veblen in his book, *The Theory of the Leisure Class: An Economic Study in the Evolution of Institutions* (1899).

(including soldiers and explorers) who have “willingly tolerated privations far exceeding those suffered by the poorest members of their societies, so long as they were sustained throughout their hardships by an awareness of the esteem in which they were held by others” (p. 7).

To be noticed and held in high regard *by others* is, for de Botton, the true mark of status. Consequently, status anxiety is “a worry…that we are in danger of failing to conform to the ideals of success laid down by our society and that we may as a result be stripped of dignity and respect” (pp. vii – viii). Driven by status anxiety, conspicuous consumption is therefore motivated not just by the desire to accumulate and show off material goods, but by the desire to increase our relative importance, value, and “noticeability” in the eyes of others. As de Botton puts it, “our sense of identity is held captive by the judgments of those we live among” (p. 8).

Conspicuous consumption (as well as the status and social relevance it attempts to purchase) is fundamentally connected to our relationships with and position amongst others, particularly those whom sociologists and economists commonly refer to as our “reference group” (Solomon, 2004). As renowned sociologist Juliet Schor observes in *The Overspent American* (1998), the consumption process is fundamentally comparative: “Desire is structured by what we see around us. Even as we differentiate ourselves through fashion or culture, we are located within, and look for validation to, a particular social space” (p. 74). Schor argues that reference groups have traditionally been “[those] people whose spending patterns we know and care most about….the people against whom we judge our own materials lifestyles, and with whom we try to keep up”

(p. 74). This is what is meant by the idiom “keeping up with the Joneses”, where the “Joneses” are meant to represent the archetypal reference point for each of us individually. De Botton agrees with Schor’s analysis, noting that “we see ourselves as fortunate only when we have as much, or more than, those we have grown up with, work alongside, have as friends or identify with in the public realm” (de Botton, 2004, p. 26).

The notion of “keeping up with the Joneses”, and the conspicuous consumption that supports such an effort, is not a new phenomenon today, but the backdrop against which it takes place certainly is. Digital technologies and contemporary media now enable us to observe a much larger and more varied collection of “reference points” against which we can compare ourselves. In a typical Instagram, Facebook, or LinkedIn news feed, for example, we encounter not just the “status updates” (note the terminology) of our immediate network, but also those of people with whom we do not have a direct relationship and may not even know (i.e. people we have decided to “follow” or “like”, or that have been followed/liked by others within our immediate network). When it becomes naturally engrained in our everyday lives to witness the real-time status updates of such a broad and diverse collection of individuals, our reference groups have a natural tendency to broaden.

Furthermore, consider that the world’s biggest celebrities and cultural influencers use social networking sites like Instagram[8], and that all of us are not only free but also *encouraged* to follow and interact with these people on a daily basis. Likewise, consider the rise of reality television shows like *Keeping Up With*

[8] For example, at the time of writing, Justin Bieber had over 32 million followers on Instagram alone.

the Kardashians (note the show's name), in which viewers follow the day-to-day lifestyles of an extremely wealthy and privileged American family. Such media references create a sense of mass familiarity with the living arrangements and material possessions of those whose purchasing power far exceeds that of the typical follower or viewer. In both instances, the desired outcome on the part of the celebrities in question (as well as, no doubt, their business managers and corporate sponsors) is to create a feeling among the masses that such celebrities are actually more approachable and relatable than their inflated bank accounts would suggest – in short, to create a feeling that *these people are like you*. From a public relations perspective, the more relatable a celebrity can be made to seem, the greater the potential that his/her activities can be capitalized on financially (whether the activity is the release of a new album, a new movie, a new television show, a new clothing line, a new perfume, and so on).

The problematic side effect of this growing feeling of closeness with an ever-expanding group of individuals (many of whom we never have nor will ever meet) is that we begin to unconsciously assimilate them into our reference groups. As such, we begin to measure ourselves against the lives of those who do not represent a realistic reference point for us financially; and as our awareness of and affinity toward these new reference points grows, so too do our feelings of pressure to keep up with them – even when doing so is irrational and financially debilitating. As Schor puts it,

> "As new reference groups form, they are less likely to comprise people who all earn approximately the same amount of money. And therein lies the problem. When a person who earns $75,000 a year compares herself to someone earning $90,000, the comparison is sustainable. It creates some tension, even a striving to do a bit better, to be more successful in a career. But when a reference group includes people who pull down six or

> even seven-figure incomes, that's trouble….[because] those at the lower economic end of the reference group find themselves in an untenable situation" (p. 4).

Schor coined the term "upscaling" to describe the manner in which "our culture of spending has changed and intensified" (p. 3) as a byproduct of broadening reference groups.

The rise and fall of American handbag brand Coach offers a nice illustration of upscaling in practice. Established in 1941 in New York City, Coach emerged in the early 2000s as a major luxury fashion brand when it began to be "spotted on red carpets, in Jennifer Lopez music videos and on the stylish women of *Sex and the City*" (Tan, 2003). Selling purses typically priced in the range of $140 - $400, Coach became known as "the working woman's Louis Vuitton, the brand they (realistically) [could] aspire to save up for and own" (Tan, 2003). Sales in 2003 reached $953 million, representing a 32 per cent increase from the year earlier (Tan, 2003), and grew to over $5.1 billion by 2013 (Forbes, 2014) as Coach established itself as *the* brand that a self-respecting – and status anxious – "working woman" simply had to carry in order to keep up with her reference group (which itself had now broadened to include celebrities and other high-net-worth cultural influencers).

More recently, however, Coach has seen a decline in sales and brand image. In 2014, the company announced plans to close up to 70 stores in North America after quarterly revenues from North American operations declined by 18% (Forbes, 2014). Importantly, these declines came on the heels of a "factory outlet" strategy intended to "pull non-luxury buyers into its market space…[that] ended up alienating its core audience, [who] in turn…migrated to [higher priced] competitors like Michael Kors and Kate Spade" (Forbes, 2014). Put simply, Coach damaged its aspirational image with a customer base that was highly conscious of the "status utility" of the brand name itself, prompting those customers to move upscale to brands that offered a more reliable social signal. Of course, despite their recent struggles, Coach nevertheless remains known as the brand that normalized the idea that expensive, luxury handbags ought to be a "standard of living" among middle-class North Americans.

The intensification of upscaling, resulting from a heightened cultural focus on real-time status projections and image consciousness, helps to explain the rise of consumer spending and debt accumulation in Canada. It suggests that Canadians have not become more materialistic per se, but rather have become more inclined to spend aggressively and irresponsibly in order to appease their underlying status anxiety and maintain an image that achieves conformity with an increasingly upscale social standard.

This conclusion is supported, in fact, by recent research into the relationship between saving and feelings of *power* by Stanford graduate student Emily Garbinsky in collaboration with professors Jennifer Aaker and Anne-Kathrin Klesse (2014). Across five different studies, the researchers demonstrated that when individuals feel powerful, they are more likely than are those who feel powerless to save money for their futures, because doing so is perceived to help powerful-feeling individuals "have control over resources" and "maintain their current state" (p. 23). When individuals feel powerless, on the other hand, they are less likely to save for the future and more likely to spend on a high-status product in order to try to raise their relative power with others. Put simply, when individuals feel confident and powerful, they are actually *more* inclined to save for the future, not less. The fact that Canadians continue to overspend and undersave suggests that very few of us feel powerful these days.

Ultimately, upscaling drives us to justify irresponsible spending and saving behaviours. As Juliet Schor (1998) puts it, “we find ourselves skimping on invisibles [such as retirement savings] as the visible commodities somehow become indispensable” (p. 108). Herein lies what seems to be another key drawback of long-term saving from a sociological perspective. Not only does saving currently require delayed gratification on the part of the saver, but it lacks the ability to afford an individual with an opportunity to promote his/her status as readily as spending does – and therefore does little to mitigate against growing status anxiety. Saving today remains largely a private endeavour, while spending has grown increasingly public in conjunction with the rise of our society’s image consciousness. As we will see in the next section, this public versus private dichotomy between spending and saving comes with significant implications for the *social image* of long-term saving, as well as its relative attractiveness vis-à-vis spending in general.

2.5 Spending, Saving, and Signals

Indeed, there is more to the “image problem” surrounding long-term saving than its relative invisibility compared to spending. Further research suggests that the *very image* of what it means to be “a saver” may be growing less and less socially attractive today as well.

This insight stems from emerging psychological research into the modern consumption behaviours of humans. Indeed, while sociologists tend to explain conspicuous consumption in terms of status-seeking, other students of human behaviour – such as evolutionary psychologists – delve deeper to suggest that it is a natural byproduct of our species' biological instincts converging with a capitalist social system. In *Spent: Sex, Evolution, and Consumer Behavior* (2009), evolutionary psychologist Geoffrey Miller examines modern consumerist culture in light of our species' biological imperative to survive and procreate. Miller argues that, like all animals, humans are hard-wired to "convey self-promoting information" to potential mates and rivals in order to indicate their overall "fitness" for reproduction and survival (p. 90). Just as peacocks show off their patterned tails in ritualistic mating dances, all other animals, including humans, have developed their own strategies for getting noticed and increasing their chances of procreating. The modern study of these signs as part of animal and human communication, behaviour, and sexual selection is known as *costly signaling theory* (p. 91).

The basic premise of costly signaling theory is that animals have developed strong abilities to gauge the authenticity of signals or "fitness indicators" presented by others within their species. According to Miller, "[fitness] indicators attract attention if they are costly, hard to produce, and hard to fake. They are ignored if they are too cheap, simple, and easy to counterfeit" (p. 91). When a peacock prances around in the middle of a forest with its tail in the air, this fitness indicator is considered reliable to peahens because of the costly nature of the behaviour: the peacock must not be hungry or diseased if it has the energy to do its dance, because otherwise such an act would be too costly for its overall health; likewise, it must not be weak if it feels it can afford to let its guard down and perform without fear of being attacked by prey. For peahens and humans alike, this sort of analysis of fitness indicators happens at the unconscious level. It is instinctive for us to assess the reliability of the signals that others send to us, because the stakes of misreading such signals when it comes to our survival are so high.

Costly signaling theory seems inherently connected to the upscaling phenomenon observed by Juliet Schor and discussed in the previous section. As contemporary reference groups broaden and move upscale, our pressure to consume increasingly expensive products and services is driven not just by the fact that such products/services are the new “standard”, but also by the implicit understanding that such upscale purchases can more reliably signal attractive personality traits about ourselves to others. It follows, then, that if we can endeavour to understand modern consumption behaviour through the lens of costly signaling theory, we can “understand in much deeper ways how people flaunt and fake their biological fitness – their prospects for survival and reproduction – to one another” (p. 12).

Of course, this begs the question: *what are the socially attractive traits that most people feel compelled to try to flaunt these days?* To begin to answer this question, evolutionary psychologists turn to the emerging field of *individual differences research* – the study of “the ways that peoples’ minds [and personalities] are different from one another’s” (Miller p. 28). According to Miller, individual differences research

> "has identified six major dimensions of variation that predict human behavior and that are salient to us. These are the key individual differences that distinguish human minds. These are the mental traits that can be measured with good reliability and validity, that are genetically heritable and stable across the life span, that predict behavior across diverse settings and domains (school, work, leisure, consumption, and family life), and that seem to be universal across cultures and even across many animal species" (p. 144).

These six major dimensions or traits include: *General Intelligence* (cognitive ability); *Openness* (curiosity, social tolerance, and broad-mindedness); *Conscientiousness* (self-control, reliability, and consistency); *Agreeableness* (warmth, kindness, and peacefulness); *Stability* (adaptability, equanimity, and maturity); and *Extraversion* (expressiveness, assertiveness, and social confidence) (Miller, pp. 144-152).

With the central six traits of individual differences in mind, evolutionary psychologists suggest that we can not only get a more nuanced understanding of the aims of modern conspicuous consumption, but also develop a stronger appreciation of the importance of branding when it comes to consumer decision-making today. After all, branding operates at the level of social trait display. This is why marketers and advertisers obsess over definitions of a brand's "personality": intuitively, they understand that consumers really purchase the ability to assimilate a brand's personality traits into *their own* images and personalities, not just to receive the functional benefits of the product itself.

Indeed, it is worth noting that the world's most iconic and successful brands today – including Nike, Red Bull, Virgin, Dove, and Apple – have all made an art of consistently reinforcing their association (and dissociation) with many of the central traits identified by individual differences research. For example, when

Red Bull chose to organize and live-stream its Red Bull Stratos event in 2012, in which a man set world records by sky diving from the earth's stratosphere[9], it did so in order to reinforce an underlying "personality" narrative that it has been developing for its brand since its emergence in popular culture. Red Bull is the brand of choice for adventurous people who believe in breaking rules, pushing boundaries, and embracing extreme challenges. In the parlance of individual differences research, *Red Bull is a celebratory signal of high openness and extraversion but low conscientiousness and stability.*

If, as is suggested above, brands act as primary "fitness indicators" for humans in modern culture, then we can understand the personality traits deemed most desirable in our society today by analyzing the marketing strategies used by brands that are socially celebrated and highly regarded. In doing so, we notice what seems to be a significant preference today for traits such as openness and extraversion instead of conscientiousness and stability – especially for younger adult audiences. Consider, for example, the degree to which spontaneous living is celebrated in popular culture today. Figure 2 illustrates a sample of recent advertisements by several premium global brands, including Diesel clothing, Corona beer, and MINI cars. Each of these marketing strategies reflects a spirited desire for instant gratification and spontaneity, as well as an overt repudiation of thoughtful planning and preparation. (Note that the "YOLO" headline in the MINI ad is shorthand for the phrase, "You Only Live Once".)

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[9] On October 14, 2012, skydiver Felix Baumgartner descended from a helium balloon that had risen approximately 39 kilometers into the stratosphere above earth. Red Bull organized and sponsored the record-breaking event and streamed it on YouTube, where it was viewed live by over 8-million people ("Red Bull Stratos," 2015).

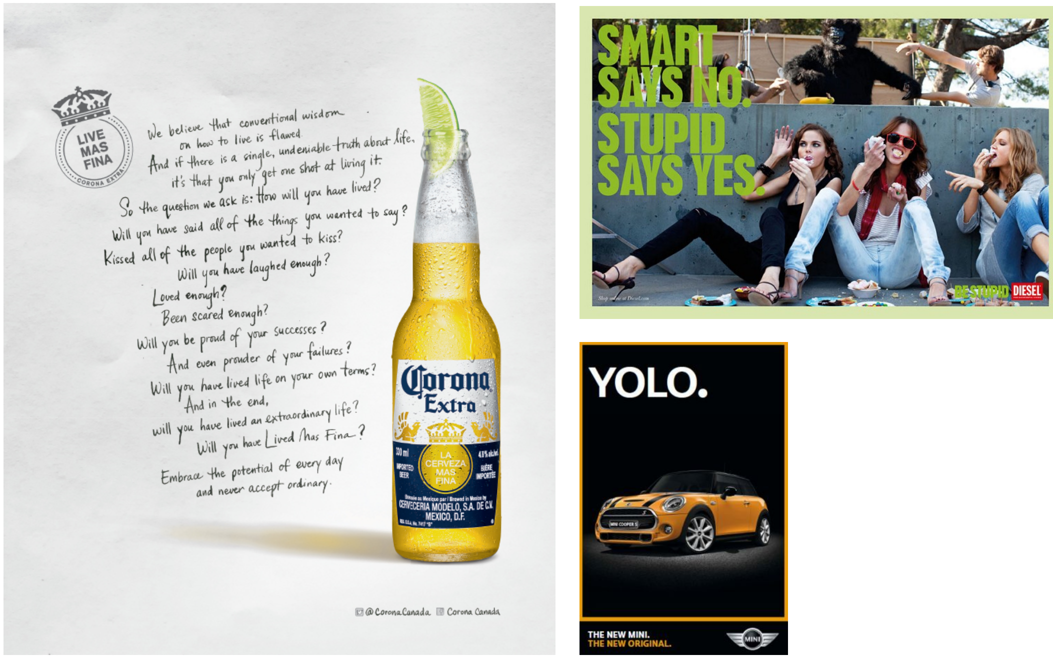

Figure 2. Celebrations of instant gratification and spontaneity in modern advertising. Corona advertisement retrieved from https://cassies.ca/entry/viewcase/12124. MINI advertisement retrieved from http://www.campaignbrief.com/2014/05/mini-australia-launches-the-ne.html. Diesel advertisement retrieved from http://www.topdesignmag.com/amazing-“be-stupid”-advertising-campaign-by-diesel/.

These popular brand messages are important for our study, because they indicate a preference for personality traits that fly in the face of those typically associated with long-term saving itself. Indeed, the celebrated traits in each of the brand messages listed above – namely, openness and extraversion – are much more consistent with our culture’s common depiction of Spenders than they are with its depiction of Savers. Culturally, we tend to depict Spenders as those with high openness and extraversion but with low conscientiousness and stability. Rebecca Bloomwood, the protagonist of Sophie Kinsella’s popular *Confessions of a Shopaholic* novels, comes to mind as an archetypal Spender. Savers, on the other hand, tend to be depicted as those individuals with low openness and extraversion but high conscientiousness and stability. Frederik de Groot, the dutch actor who played the spokesman for ING Direct (now Tangerine Bank) in Canada from 1997 – 2011 and was the voice of the brand's "Save your money" slogan during that time, comes to mind as an archetypal Saver. Figure 3 illustrates these perceived differences between Spenders and Savers based on depictions in pop culture.

In a modern, image-conscious society, the insights we can glean from evolutionary psychology and individual differences research suggest that the practice of saving needs an image makeover. This is not to say that designers should try to dissociate the image of saving from its most natural personality traits (conscientiousness and reliability), but rather that there could be merit in attempting to re-frame these traits in a culture that seems to downplay their social attractiveness overall.

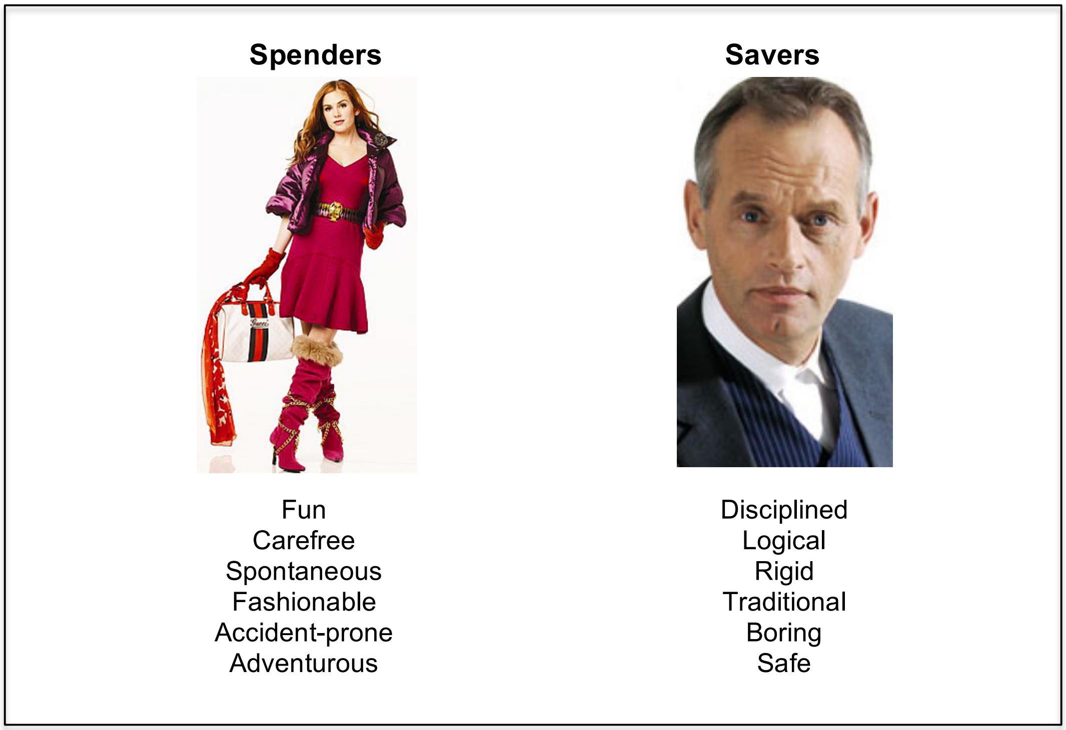

Figure 3. Pop Culture Depictions of Spenders and Savers. “Spender” image retrieved from http://forum.ellegirl.ru/index.php?showtopic=31881. “Saver” image retrieved from http://mutually-inclusive.typepad.com/weblog/2005/02/ing_directs_ad_.html.

2.6 Searching for a Recovery

Finally, part of the context surrounding the decline of long-term saving in Canada is economic and sociopolitical in nature. Nearly seven years after the recession of 2007-2009, Canada remains mired in a low growth and high unemployment environment[10]. As a result, benchmark interest rates today remain extremely low by historical Canadian standards, and have in fact recently hit fresh lows as a result of the Bank of Canada’s decision to further cut rates in order to mitigate against the negative economic impact of falling crude oil prices (Mackrael, 2015).

[10] At the time of writing, Canada’s unemployment sits at 7.1% (Younglai, 2015).

The potential impact of this low-rate environment on saving behaviour is difficult to overstate. Indeed, the ultimate goal of a low interest rate policy is to influence Canadians to spend their money and, in turn, to support business activity and maintain demand for jobs. Policy makers presume that if interest rates are low, Canadians will feel comfortable taking on debt and purchasing things that they would not otherwise be able to afford. Further, they presume that Canadians will feel encouraged to spend freely, because saving money will look comparatively unattractive. Put simply, the current economic policy environment in Canada is one that intentionally aims to punish savers and encourage spenders.

Canadians' record household debt to income ratio today is proof of the effectiveness of this coordinated policy effort. Notably, much of Canadians' recent debt accumulation is tied to residential real estate. Of the $1.8-trillion that Canadians owed as of March 2015, $1.29-trillion was made up of mortgage debt – a number that has increased dramatically from $456.3-billion in 1999 (Webb and Grant, 2015). Because of the low cost of borrowing, Canadians have themselves fueled a massive rise in housing prices, such that the Bank of Canada now estimates that the country's housing market is overvalued by between 10% and 30% (Webb and Grant, 2015). Of course, along with rising housing prices comes a "wealth effect" that increases consumer confidence and prompts further short-term spending behaviour at the expense of long-term saving.

Yet, at the same time that more and more Canadians' devote substantial portions of their incomes to mortgage payments, there remain additional financial challenges on middle class families today that directly impact their ability and willingness to save for the long-term. For example, consider the financial stresses on many young parents today as they grapple with substantial monthly childcare costs.[11] Likewise, consider that university tuition fees in Canada have tripled over the past 20 years and are expected to continue to increase steadily over the next decade (Babbage, 2014), placing increased pressure on household savings and creating a growing debt burden for students post-graduation. Lastly, consider that the rise in tuition and overall living costs for young people has altered traditional life stage transition patterns that existed for previous generations. Today, two-thirds of Canadian parents say “they’re feeling the financial impact of supporting their adult children”[12] (Kestler-D’Amours, 2015), while almost half admit that “their adult kids [are] hampering their ability to save for themselves” (Kestler-D’Amours, 2015). Naturally, challenges such as these make it easy to put off long-term saving in order to combat the financial stresses of the here and now.

Unfortunately, many of these economic and sociopolitical drivers are incapable of being directly affected by design interventions in the private sphere. Nevertheless, it is important for our purposes that we remain mindful of these factors as elements of the environmental context surrounding financial behaviours in Canada today.

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[11] According to a 2014 study by the Canadian Centre for Policy Alternatives, the median monthly cost for infant childcare is $1676 in Toronto, $1394 in St. John’s, $1215 in Vancouver, $1050 in Calgary, and upwards of $1000 in many other major Canadians cities. Parents in Quebec have the lowest childcare costs as a result of the subsidies provided to parents in that province (Macdonald & Friendly, 2014).

[12] According to Statistics Canada (2011), 42.3 per cent of adults aged 20-29 lived at home in 2011, compared to 32.1 per cent in 1991 and 26.9 per cent in 1981.

2.7 Summary of Key Drivers of Declining Long-term Savings in Canada

As the literature review suggests, a number of connected contexts surround the decline of long-term saving in Canada. In an effort to synthesize the data from this review and identify key drivers to focus on as filters for potential design interventions, an affinity diagram was created (see Figure 4 below). Affinity diagrams help to visualize connections between seemingly disconnected pieces of information, and in this case helped to illuminate the key tension points within the problem context at large.

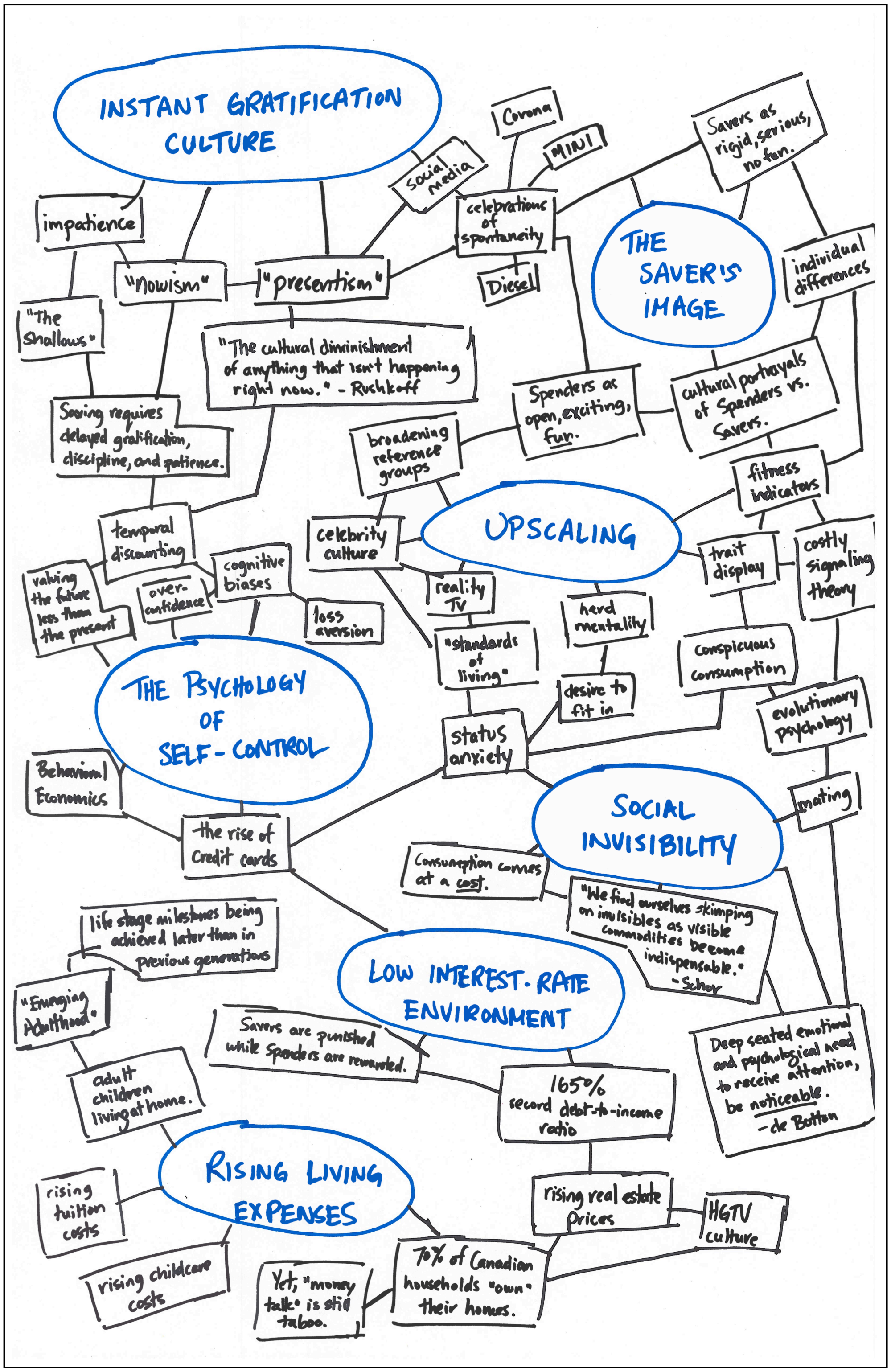


Figure 4. Affinity Diagram identifying key macro drivers of declining savings in Canada.

From this analysis, there appear to be seven interconnected macro drivers of the decline of long-term saving in Canada. Of the seven drivers, five operate at the sociocultural and psychological level, while two operate at the economic and political level. All seven drivers are summarized in Figure 5 below, in which the sociocultural and psychological drivers are depicted in blue and the economic and sociopolitical drivers are depicted in grey.

The distinction between these key drivers is important for the purposes of this project, which is aimed at developing high potential product, service, or experience design opportunities to drive behaviour change among Canadians. While the macro economic and sociopolitical drivers of the decline of long-term saving are certainly important to be mindful of, they are also difficult to affect directly; for example, it would be difficult to expect a design intervention to help drive a change in policy regarding interest rates in Canada, or to fundamentally alter the reality of rising tuition costs. For this reason, the five key drivers depicted in blue, which operate at the sociocultural and psychological level, were identified to be the primary filters and springboards for design inspiration for the remainder of the project.

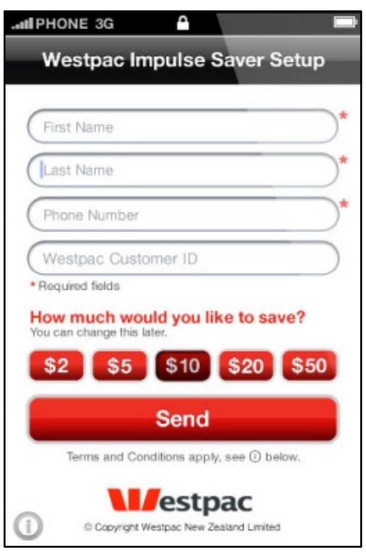
DRIVER	DESCRIPTION
Instant Gratification Culture	**Long-term saving lacks “fit” with a contemporary culture oriented toward instant gratification and real-time *everything*.**
The Psychology of Self Control	**Long-term saving requires self-control, but we are hard-wired with cognitive biases (temporal discounting, loss aversion, and overconfidence) that make it difficult for us to plan and behave prudently.**
Upscaling	**The pressure to consume is being magnified as media and technology broaden our reference groups and prompt us to compare ourselves to those whose wealth far exceeds our own.**
Social Invisibility	**In an image conscious society, the act of saving remains largely private and invisible to others, and does not give people an opportunity to publicly promote their status and personality.**
The Saver’s Image	**Mainstream media celebrations of personality traits like openness and extraversion, at the expense of traits like conscientiousness and stability, paint Savers in a socially unattractive light.**
Low Interest-Rate Environment	**Today, Canada remains in a low interest rate environment that encourages spending while punishing saving, contributing to a major rise in the debt carried by typical Canadian households.**
Rising Living Expenses	**From rising child care and tuition costs through to the growing rate of adult children requiring financial support from parents, household finances are being stretched in new and unexpected ways.**

Figure 5. Seven macro drivers of the decline of long-term saving in Canada.

3. Industry Audit

Before exploring design interventions, I determined that it would be helpful to first examine, analyze, and ultimately learn from any work already done to date within the financial services category to try to promote saving behaviour. What follows is a summary of the most distinct and compelling products, services, and tools that have been developed in recent times in North America and internationally to attempt to encourage such behaviour. For each example, a short description of the initiative is provided, as well as a pros-cons analysis of the degree to which the idea addresses the five macro drivers of declining savings rates identified in the previous chapter.

3.1 Westpac *Impulse Saver* Application



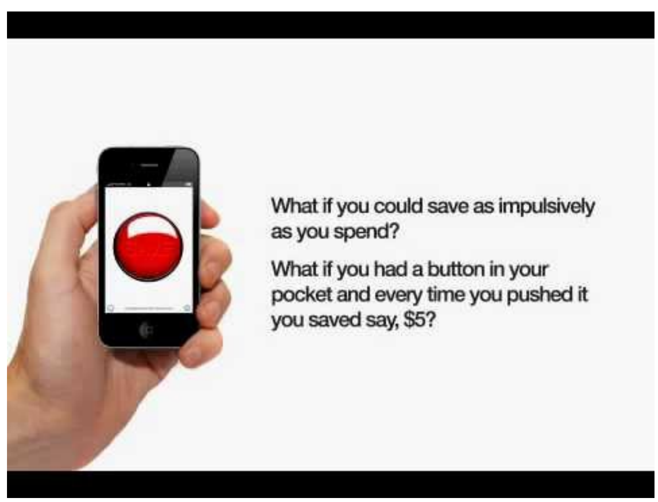


Figure 6. Westpac *Impulse Saver* application. Images retrieved from http://www.westpac.co.nz/branch-mobile-online/apps-and-innovation/apps/impulse-saver-for-iphone-app/.

Impulse Saver is a mobile application that enables and encourages customers of Westpac Bank in New Zealand to save "impulsively". To use the app, customers pre-select a saving amount that they would like to transfer from their chequing accounts to their savings accounts. Afterwards, when customers open the *Impulse Saver* app, they are met with a large, red "Save" button. When pressed, the customer's money is transferred from their chequing account to their savings account per his/her pre-selected instructions. The application is promoted as an antidote to impulse spending, and aims to make the process of saving feel comparatively spontaneous.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	**CONS**
• Provides a real-time, in-the-moment saving experience that is designed to deliver a sense of instant gratification. • Provides a direct alternative to unconscious spending and could prompt reflection amidst the lure of upscaling. • By borrowing language from the world of spending (i.e. "impulse"), the application makes the process of saving (as well as the image of being a "saver") seem more positive and enjoyable.	• Positions saving as a *reactive* exercise and does not facilitate proactive planning skills – which are critical in order to overcome inherent self-control issues. • A private experience that lacks a mechanism for social sharing and public trait display.

3.2 Tangerine *Small Sacrifices* Application

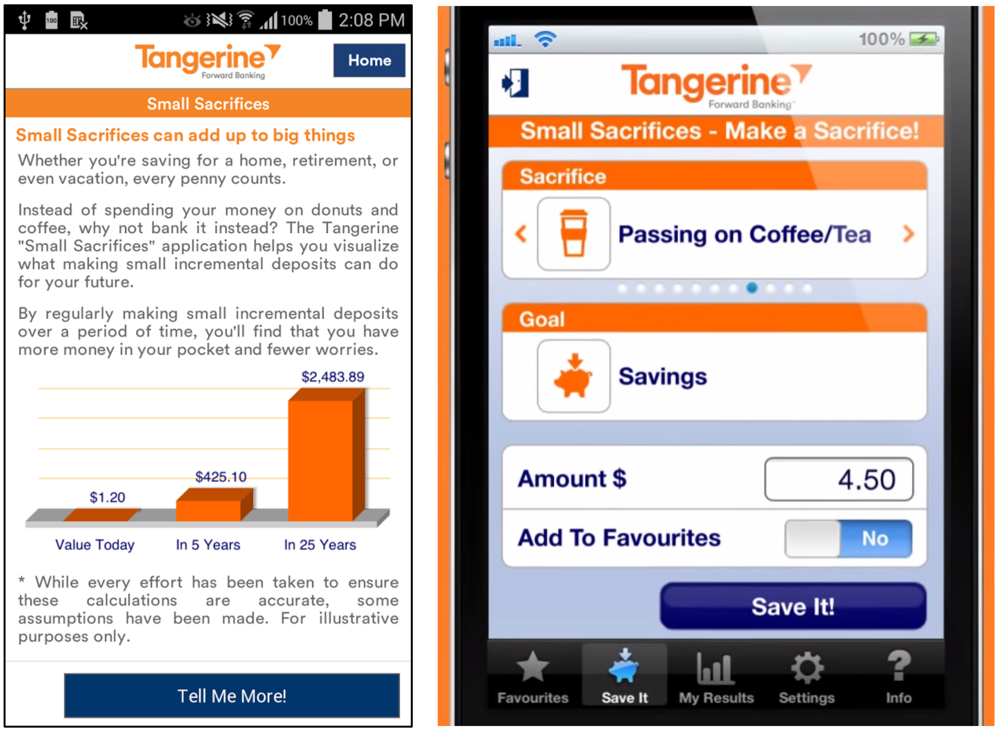


Figure 7. Tangerine *Small Sacrifices* application. Images retrieved from https://play.google.com/store/apps/ details?id=ca.tangerine.clients.phone.

Small Sacrifices is a mobile application that encourages Tangerine Bank customers to proactively “sacrifice” small, everyday purchases and save the money instead. To use the application, customers simply choose to have money that would have otherwise been spent on small luxuries automatically transferred into their savings accounts. The application allows users to save common “sacrifices” for repeat use, and also allows them to track their progress toward self-determined savings goals.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	CONS
• Provides a real-time, in-the-moment saving experience that is able to deliver a sense of instant gratification (i.e. the saving happens instantaneously). • Prompts more thoughtful and conscious reflection of everyday spending and consumption habits, which could combat elements of modern "upscaling" (e.g. "Why do I really need that expensive Starbucks coffee, anyway?").	• "Sacrifice" language primes *loss aversion* and reinforces the idea that saving is a losing experience. • Reinforces the stereotypical cultural image of a Saver – someone who constantly compromises and whose sense of responsibility trumps his/her ability to actually *enjoy* life. • A private experience that lacks a mechanism for social sharing and public trait display.

3.3 Wachovia *Way2Save* Program

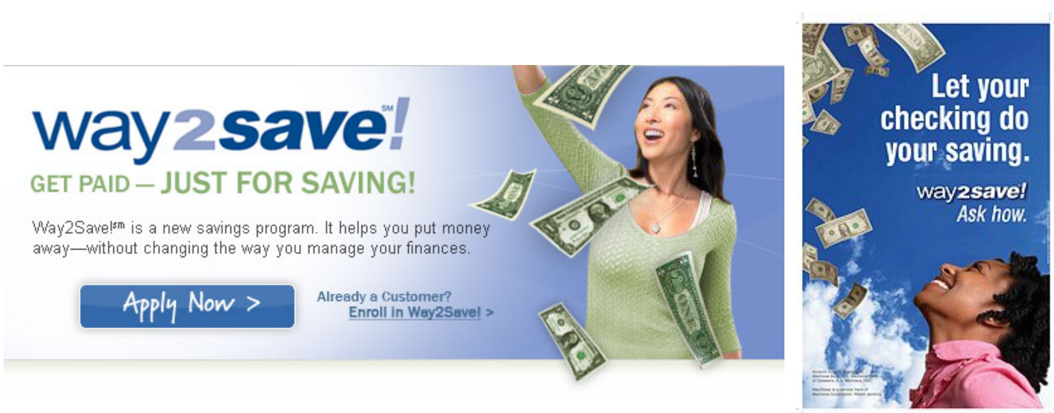


Figure 8. Wachovia *Way2Save* program. Images retrieved from http://finovate.com/category/wachovia/.

Way2Save is a comprehensive savings program introduced by Wachovia Bank (since acquired by Wells Fargo) in the U.S.A. that aims to leverage customers' spending habits to encourage saving. When Wachovia chequing account customers sign up for a *Way2Save* savings account, they opt in to letting

Wachovia automatically transfer $1 from their chequing accounts to their savings accounts after every purchase made with their debit cards. Customers are also encouraged to set up automatic savings plans (ASPs) of up to $100 per month to be transferred from their chequing accounts to their savings accounts. In return for signing up, Wachovia agrees to pay customers 5% interest on their deposits in the first year, with an additional 5% bonus paid on the full balance after 12 months. In subsequent years, the interest rate drops to 2%, as does the annual bonus.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	**CONS**
• Makes saving simpler by removing the sense of a "personal task" from the experience, thereby mitigating against self-control issues. • Promotes an attractive "best of both worlds" mentality for the consumer, who is promised saving *as a result of* spending. • The notion of "micro saving" helps to mitigate against feelings of *loss aversion.* • The notion of "annual bonuses" contributes to a feeling that saving is rewarding, and provides moments of near-term gratification within a longer-term endeavour.	• Takes for granted that spending will be done via debit card (i.e. available cash-in-hand), when increasingly consumption is being driven by credit card usage. • Goes so far to remove a sense of responsibility from the individual that it is unlikely to sustain long-term behaviour change or habit formation. • A private experience that lacks a mechanism for social sharing and public trait display.

3.4 TD *Simply Save* Program

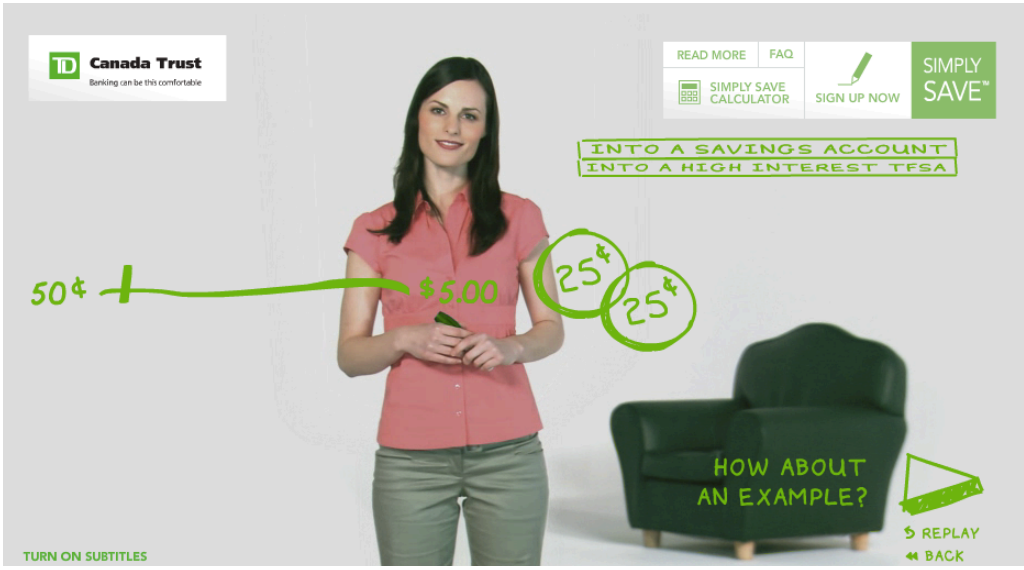


Figure 9. TD *Simply Save* program. Image retrieved from http://www.tdsimplysave.ca.

Similar to Wachovia's *Way2Save* program described above, TD's *Simply Save* program allows customers to automatically transfer small amounts from their chequing to their savings accounts when routine transactions are made. Customers have the ability to select the amount of money to be transferred (from $.50 to $5.00) and the type of transactions to include (from debit purchases to ABM withdrawals). As with the Wachovia program, TD's *Simply Save* program is designed to transfer funds only when they are available in the customer's account, so there is no downside risk of falling into overdraft as a result of participating in the program.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	CONS
• Largely similar to the Wachovia *Way2Save* program described above – though without the "annual bonus" benefit.	• Largely similar to the Wachovia *Way2Save* program described above.

3.5 Scotiabank *Bank the Rest* / Bank of America *Keep the Change*

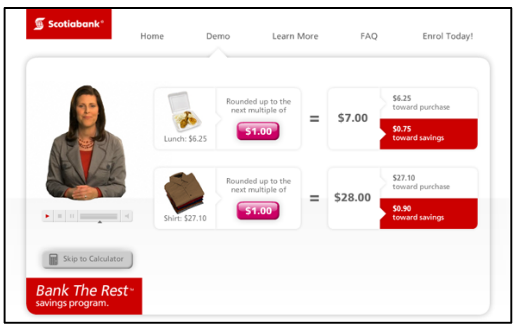


Figure 10. Scotiabank *Bank the Rest* program and Bank of America *Keep the Change* program. Images retrieved from http://www.scotiabank.com/BankTheRest/ and https://www.bankofamerica.com/deposits/manage/keep-the-change.go.

The *Bank the Rest* program from Scotiabank and the *Keep the Change* program from Bank of America are virtually identical. As with some of the programs described above, these ones provide a mechanism for automatic transfers from customers' chequing to savings accounts based on their spending transactions. In this case, customers opt in to rounding their debit spending transactions up to the nearest dollar amount and having the difference automatically transferred into savings. With Scotiabank's program, customers can choose to round up to $1 or $5 increments. As with the programs described above, customers do not have to worry about overdraft risks, as a transfer from a chequing account to a savings account only takes place if the funds are available in the account.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	**CONS**
• Similar to Wachovia's *Way2Save* and TD's *Simply Save* programs, but with even more flexibility in terms of actual amounts being saved, which further alleviates *loss aversion.* • Effectively named programs that depict the act of saving as a simple and rewarding experience (as opposed to a nuisance or task).	• Similar to Wachovia's *Way2Save* and TD's *Simply Save* programs, but with an even greater focus on "micro saving" that does not amount to much material benefit if debit transactions are infrequent.

3.6 Alfa-Bank *Activity* Account

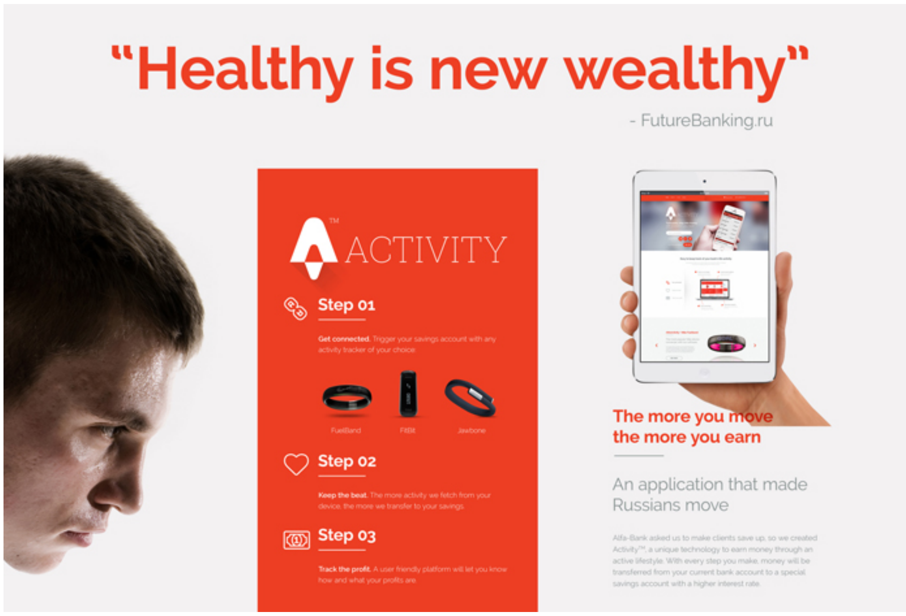


Figure 11. Alfa-Bank *Activity* account. Image retrieved from http://www.psfk.com/2014/05/russian-bank-higher-interest-rates-fitness-tracking.html

Activity from Alfa-Bank in Russia takes the automatic saving concept inherent in some of the programs described above, and adds a twist. With *Activity*, Alfa-Bank customers are invited to sync their savings account with their wearable fitness trackers (such as Fitbit or JawBone UP) through a mobile application. Once their savings account is linked to their wearable device, customers are invited to put a monetary value on their *physical movement* (anywhere from $0.01 to $0.50 per step). Customers then provide Alfa-Bank with permission to automatically transfer the cash value of their physical exercise each day into a special savings account, where it earns an interest rate that is significantly higher than any other offered by competitors in the marketplace. Finally, customers are invited to track their profits using the mobile app or the bank's desktop website.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	CONS
• Appeals to a desire for instant gratification by equating the immediacy of physical movement with financial progress and reward. • The automatic nature of the saving program helps to mitigate against self-control issues, and the exclusive interest rate offer keeps the user's focus on reward versus loss. • Leverages the status of an activity that is tangible and observable by others in the social sphere. • Exclusive interest rate and association with fitness work together to create a different image projection around saving behaviour – which, in turn, enables the user to promote attractive personality traits to others. • Gamifies the saving experience and creates a new activity (beyond consumption of material goods) to measure amongst reference groups.	• None.

3.7 Prize-Linked Savings Account: *Save to Win*

Figure 12. Save to Win savings lottery. Images retrieved from http://www.savetowin.org.

Save to Win is a raffle-style savings lottery created by a collection of American credit unions. For every $25 that customers place into a *Save to Win* one-year savings certificate[13] with their participating credit union, they earn an entry into a monthly lottery, up to a maximum of 10 entries per month, in addition to the regular interest earned on their saving deposits. Participating customers are also entered into an annual grand prize draw.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	**CONS**
• Fundamentally re-positions the benefit of saving, focusing on the thrill of winning and instant gratification. • Aids with self-control issues like *loss aversion*, because each savings deposit becomes psychologically framed as a chance to win a prize as opposed to a loss of potential spending money. • Provides some opportunity for social visibility and status recognition, as winners are showcased and celebrated publicly. • Offers the potential to perpetuate a different (and *perhaps* more attractive) image of Savers culturally, by balancing notions of conscientiousness and reliability with extraversion and thrill seeking.	• Does not directly discourage customers from engaging in *upscaling* behaviour (though this drawback pales in comparison to the potential benefits of the program).

[13] A savings certificate is similar to a Guaranteed Investment Certificate, or G.I.C., in Canada, but also offers customers the ability to continue to contribute deposits to the certificate over the course of the term.

3.8 Prize-Linked Savings Reward Program: *SaveUp*

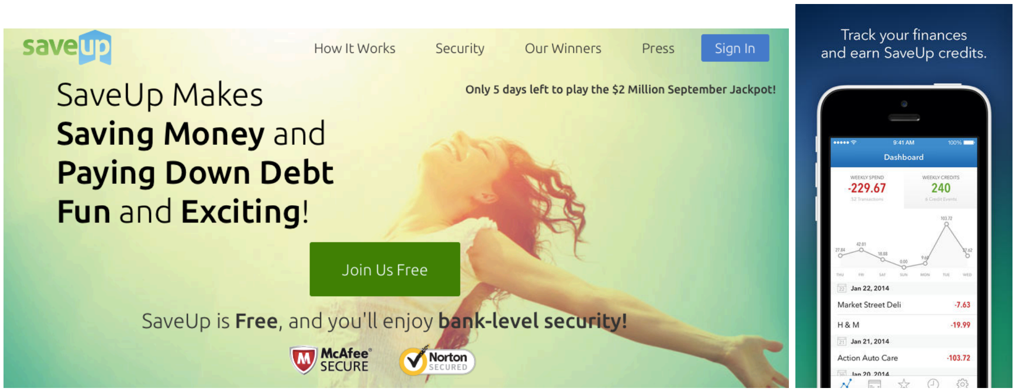


Figure 13. SaveUp savings reward program. Images retrieved from https://www.saveup.com.

SaveUp is a points-based financial program that turns saving and debt reduction into a rewarding game. The program works by linking a customer's external financial accounts to a *SaveUp* account (which is free to open). Users earn reward points from *SaveUp* for positive financial behaviours, such as depositing money into their savings account(s) or paying down debt on their credit card(s), student loan(s), or mortgage(s). Users can redeem their reward points for small prizes like gift cards or magazine subscriptions, or they can use the points as tokens to play instant-win games and lotteries that offer the chance to win large prizes such as vacation packages or cars.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	CONS
• Similar to the *Save to Win* program, but with the added benefit of encouraging debt reduction in addition to savings growth.	• Similar to the *Save to Win* program described above.

3.9 *SmartyPig*

Figure 14. *SmartyPig*. Images retrieved from https://www.smartypig.com.

SmartyPig is a savings account and savings program rolled into one. A *SmartyPig* account is free to open and link with an existing chequing account at an external financial institution. The account itself pays a competitive interest rate on savings deposits, but the real benefit of *SmartyPig* is its ability to help users establish and achieve savings goals. Once goals are established (a user can set up as many goals as he/she wishes), *SmartyPig* encourages and tracks progress against those goals, and provides opportunities for users to link their goals with their Facebook accounts or with a widget on their personal blogs. As a result, a user's progress toward, and ultimate completion of, savings goals becomes the source of social sharing and public display[14]. The real monetary reward associated with *SmartyPig* comes into play once users achieve a savings goal. At that moment, *SmartyPig* offers the option to transfer their money back to their external account, or to accept “Cash Boost Savings” from *SmartyPig* of up to 11 per cent on their deposits if they choose to exchange their cash for a gift card to a major retailer (such as Macy’s, Amazon, or Best Buy).

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	**CONS**
• Focus on goal-setting and progress-tracking helps to appease desire for instant gratification and encourages responsible spending. • The promise of “Cash Boost Savings” positions the program in terms of an exclusive financial reward, mitigating against potential *loss aversion.* • Gives users a simple vehicle through which to publicly promote savings goals and make the act of saving more socially visible. • The playful and entertaining nature of the program has the potential to positively impact the image of Savers (and saving more generally) on a cultural level.	• Primary benefit is geared toward near-to-mid term spending goals at retailers, as opposed to saving for the sake of building a “nest egg” and achieving long-term financial independence and security.

[14] *SmartyPig* users are encouraged, but not forced, to link their savings goals to their social media accounts.

3.10 *Digit* Personal Financial Management

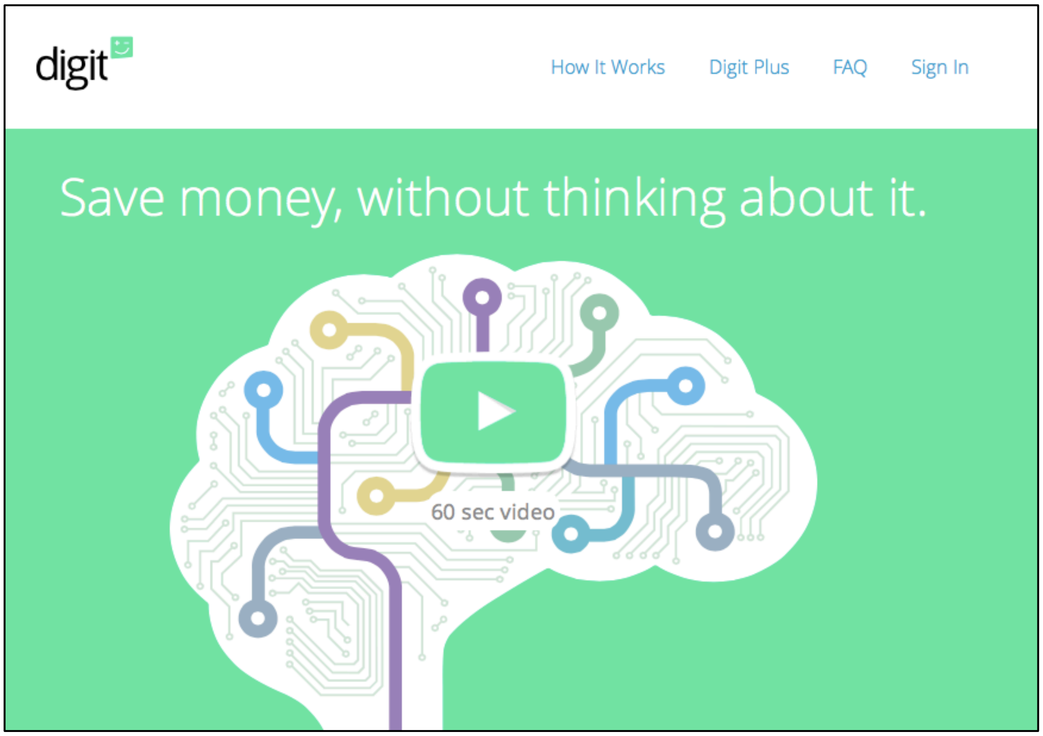


Figure 15. Digit personal financial management service. Image retrieved from https://digit.co.

Digit is a personal financial management service in the U.S.A. that is designed to make the process of saving as effortless and unconscious for individuals as possible. *Digit* links with a user's external chequing account and creates a custodial savings account for the user at one of its two partner banks (Wells Fargo and BofI Federal Bank). Once set up, *Digit* acts as a digital savings account for the user. The service monitors each user's chequing account and uses contextual analytics to determine optimal amounts of money to be transferred from chequing accounts to savings accounts every two or three days. *Digit*'s promise is to only transfer amounts that will not be noticed by users. Further, *Digit* provides users with regular updates on their amount saved via text messages. *Digit* does not charge for its service, and users are able to access their money and transfer back to their chequing accounts at their primary financial institutions at any time.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	CONS
• Frequency of updates via text message helps affirm a sense of real-time action and progress for the user. • Fundamentally designed to help users with self-control problems and to turn saving into an entirely unconscious act.	• Does not aim to promote any sort of habit in the user, which could make it easy for users to fall off track if/when financial surprises arise. • Does little for the social image of saving nor for its propensity to compete with spending as a public display of personality and image.

3.11 *Moven* Mobile Banking

Figure 16. Moven mobile banking. Images retrieved from http://thefinanser.co.uk/fsclub/2015/05/brett-kings-moven-40-wins-best-in-show-at-finovate.html.

Moven is first and foremost a debit account that comes complete with a debit card for its customers in the U.S.A. But *Moven* differentiates itself through its mobile banking experience and a purposeful design imperative to enhance the financial wellbeing of its customers. To that end, certain features of the *Moven* experience stand out from a saving perspective. Firstly, its “Spending Tracker” learns from a user’s past experience in order to provide real-time visual updates as to where he/she stands financially at any given moment within a month. The aim of this feature is to eliminate the need for conscious budgeting, since the app provides a short-hand description of whether the user is ahead, behind, or right on track with monthly spending. Secondly, *Moven*’s “Lock Away Savings” prompt notifies users when their spending behaviour is far enough behind their monthly average that they could comfortably lock in savings without sacrificing their comfort for the rest of the month. Ultimately, the app provides real-time, contextual advice and nudges for users based on behavioural learning and contextual analysis.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	CONS
• Real-time notifications provide useful updates and create a sense of momentum and energy for the user – ultimately making financial management interesting and even enjoyable. • "Spending Tracker" feature provides a useful heuristic to help users avoid overspending and feel inspired to be in a position to save. • "Lock Away Savings" feature gamifies the saving experience and turns the moment of saving into an experience of personal pride versus loss.	• Lacks a social element that turns smart financial management into a public badge of pride and social significance.

3.12 *Interac* 21 Day Credit-Free Challenge

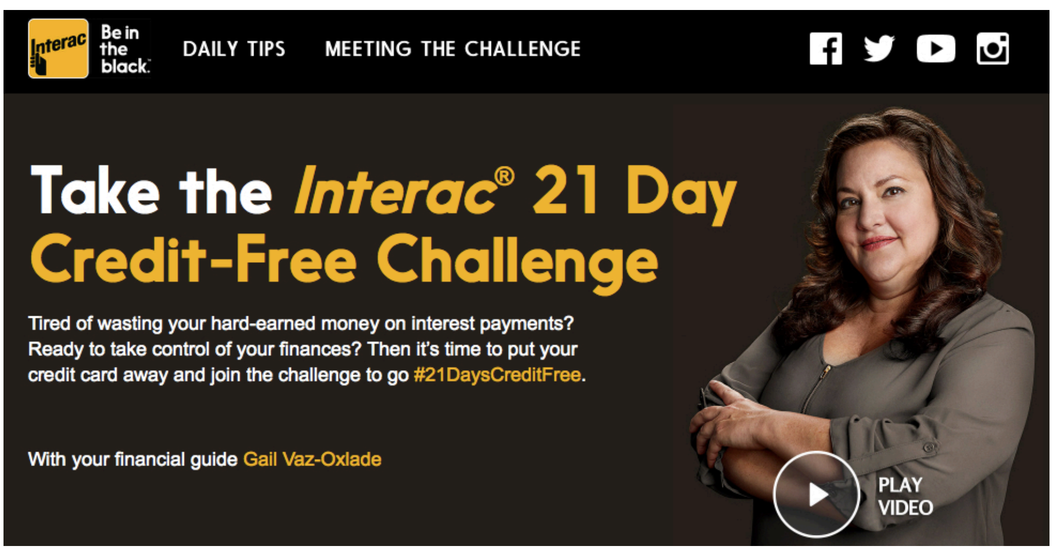


Figure 17. Interac 21 Day Credit-Free Challenge. Image retrieved from https://www.21days creditfree.ca.

Interac's 21 Day Credit-Free Challenge is a guidance-based program designed to encourage Canadians to decrease their dependence on credit cards. The challenge is part of *Interac*'s larger "Be in the Black" campaign, which aims to generate a sense of cultural pride in using a debit card over a credit card for payments, and to celebrate the concept of staying out of debt. Participants in the 21 Day Credit-Free Challenge receive daily video tips and ideas on how to take greater control over their everyday spending, and are encouraged to share their progress with others in their social networks.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	**CONS**
• Directly calls attention to *upscaling* and overspending while educating Canadians on strategies to enhance their financial self-control and develop healthier spending habits. • Increases the social visibility of the concept of developing a more conscious relationship with money and spending. • "Challenge" concept creates an overt sense of pride in the accomplishment of living a "credit free" life, helping to support a more socially attractive image around Savers in general.	• Lacks a stable link to participants' financial lives after the challenge is complete, and as a result, is more of a starting point for a solution to overspending than a complete solution in and of itself.

3.13 BMO Savings Builder Account

Figure 18. BMO Savings Builder account. Image retrieved from https://www.bmo.com/main/personal/bank-accounts/savings-builder/overview

The BMO Savings Builder Account carries a relatively inferior standard interest rate of 0.30%, but rewards customers with an additional 1.00% “bonus” interest rate for every month that they save an additional $200. BMO touts the account as the only such account in Canada that is specifically designed to reward customers for regular saving behaviour.

Pros & Cons (Relationship with Five Macro Drivers of Declining Savings):

PROS	CONS
• Rewards regular saving behaviour and encourages an "automatic contribution" mentality in order to combat self-control issues. • Actively speaks to the concept of "reward" in connection with saving, thereby increasing a sense of gratification and even excitement.	• Does not increase the social visibility of saving behaviour or address the image surrounding Saver's overall. • "Bonus" interest rate is fixed and does not provide an overly compelling reason to stay with the program over the long term.

3.14 Summary

Some common themes emerge from this overview of existing saving-oriented innovations within the financial services industry. To begin with, we see in nearly every example a clear understanding of the importance of *instant gratification* when it comes to encouraging saving experiences today. Leveraging the rise of gamification as a primary source of inspiration, many of the examples demonstrate that there is clear potential to further re-design saving experiences to be fun and enjoyable in the immediate or short term, as well as beneficial over the long term.

Secondly, we see in these examples a focus on *simplification* as designers aim to make the process of saving less onerous and more comprehensible. Leveraging data visualization as well as behavioural and contextual data analysis methods, many of the examples demonstrate potential to combat the psychological biases and self-control issues that prevent people from actively pursuing their own financial wellbeing.

Thirdly, the industry examples demonstrate the merits of positioning the act of saving *in relation to*, or *in combination with*, other activities in our lives. Whether it is our desire to stay physically active and healthy, or our desire to experience the thrill of gambling, many of the innovations above reinforce that there are various moments in everyday life that have potential to be unexpectedly turned into *saving moments*.

Lastly, the examples highlight the importance of interrogating the specific relationship between saving and spending, recognizing that each spending and saving decision presents us with an opportunity cost in terms of progress toward short or long-term goals, respectively. Design interventions that aim to visualize and contextualize the interplay between spending and saving goals have the opportunity to promote more thoughtful consideration of financial decisions and a healthier mental balance between these two vital elements of our financial lives.

Of course, it goes without saying that the positive impact of new products and services that leverage these design principles depends largely on the degree to which their sponsors are genuinely committed to encouraging healthier financial behaviour amongst customers. This is an important point for big Canadian banks to consider in particular, given that the industry's growth in recent years has stemmed largely from credit-based lines of business that encourage debt accumulation and overspending, such as credit cards. Indeed, such a focus on credit card business among the big Canadians banks flies in the face of simultaneous efforts made by some of those same banks (such as Scotiabank, BMO, and TD) to promote saving, because increased credit card usage tends to encourage debt accumulation, which in turns discourages or prevents an individual's ability to save money. This negative behavioural loop is pictured below in Figure 19.

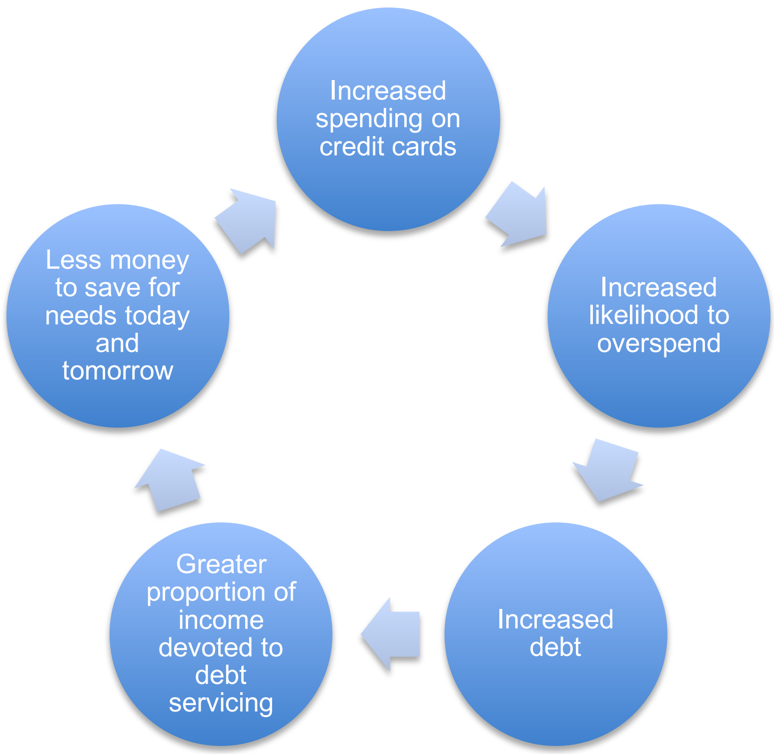


Figure 19. The negative behavioural loop created by increased credit card usage.

On the contrary, increased spending via debit cards or cash (that is to say, non credit-based spending) tends to support and inadvertently encourage saving behaviour quite naturally, as reflected in the positive behavioural loop pictured below in Figure 20. The implication here is not that banks should stop issuing credit cards, but rather that a more balanced promotional effort around credit and debit products is required if saving initiatives are to amount to anything more than "nice ideas". While banks could sacrifice some short-term profits as a result of a de-prioritization of their credit card businesses, I would argue that they would have much greater potential to develop deep and lasting relationships with clients through a savings lens, and that sustainable long-term profitability may actually depend on a paradigm shift of this nature. This idea will be expanded on further in the design solutions discussed in Chapter 7.

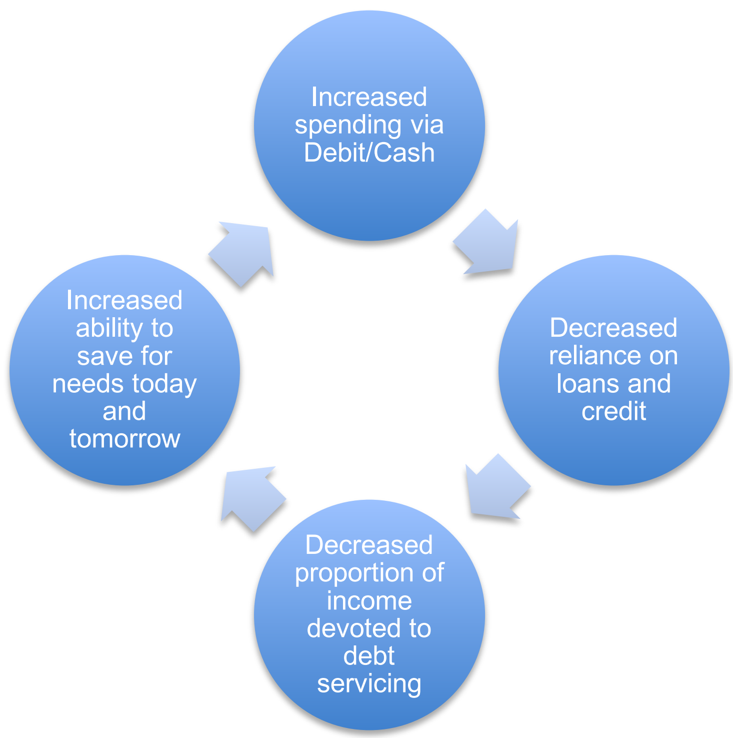


Figure 20. The positive behavioural loop created by increased debit or cash usage.

4. Project Design

4.1 Target Audience Refinement

While the key drivers of declining long-term saving in Canada discussed in Chapter 2 are macro in nature (i.e. they impact virtually all middle-income Canadians regardless of age), certain segments of middle-income Canadians must naturally relate to the drivers in different ways depending on the life stage context in which they find themselves. For example, the life stage context of a college or university student is different from that of a retiree; and while design interventions catered to either audience must interrogate the key macro drivers of declining savings in some way or another, the nuances of an intervention catered to the needs of the former would likely differ from one catered to the needs of the latter. Thus, before moving into forward-looking solution design, I determined that further focus was necessary in terms of target audience definition in order to set the stage for a fruitful process.

Amongst the numerous compelling middle-income target audiences to consider for this project, one stood out as particularly interesting: young parents aged 30 to 45[15]. Indeed, a figurative financial tug-of-war faces individuals and couples in this life stage, because they are in the midst of major life-changes and financial commitments *right now* and yet also have important financial goals in the not-too-distant future that need to be saved for.

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[15] As of 2011, the average first-time mother in Canada was 29 years old (Heath, 2012). Likewise, 52% of all Canadian births in 2011 were to women aged 30 and older (Cohn, 2013).

Indeed, on the one hand, the need and desire to spend during this life stage is significant. As discussed in previous chapters, the expenses associated with raising children have skyrocketed in recent years; it is now estimated to cost $256,947 on average to raise a child to age 18 in Canada (Brown, 2015). With the arrival of children comes the need and desire for more living space; hence, the average first-time homebuyer in Canada is 29 years old and purchases real estate despite lacking the minimum 20% down payment required to avoid mortgage insurance ("Homeownership.ca," 2015). Marriage often accompanies children and home purchases. As of 2011, the average age of marriage in Canada was 31 years old for men and 29 years old for women (Lunau, 2011); and as of 2014, the average cost of a wedding in Canada was $31,685 (O'Brien, 2014). When we add to these costs the typical expenses of growing families – from automobile purchases to extracurricular activities to entertainment and vacation costs – it is perhaps unsurprising that a recent Bank of Canada study "showed the largest increase in debt by age group accruing to the 31-45 age cohort – the generation most often raising minor children" (Heath, 2012).

Yet, on the other hand, parents in this age cohort also have a pressing need to save for the future. For example, recent research indicates that "Canadian parents, on average, are willing to pay for two-thirds of their child's total [post-secondary] education costs, with 21% saying they're prepared to foot the entire bill (Leong, 2014). Given that the cost of a four-year university education in Canada is estimated to cost upwards of $80,000 per student (Habib, 2013), this savings goal is significant and takes time to build toward. If regular saving is not practiced, parents can easily find themselves having to borrow in order to pay for their childrens' education costs down the road[16], which in turn can disrupt their own retirement savings goals (Leong, 2014). Such an outcome is especially problematic for middle-income parents who are not part of a workplace pension plan[17] and therefore must rely on their own savings to fund their retirement, for which the CPP, GIS, and OAS combination are not considered sufficient (Carrick, 2013).

Evidently, middle-income parents aged 30 – 45 who are not part of a workplace pension are a target audience for whom long-term saving is likely to be both *extremely challenging* and *extremely important*. For these reasons, this target audience was selected as a particularly inspiring one to study further and focus on for the solution design portion of this project.

4.2. Methods and Approach

In order to answer the question at the root of this project, two additional research methods were employed to set the stage for potential solution design and development.

The first method employed was a series of one-on-one semi-structured interviews with members of the target audience (30-45 year old middle-income parents who do not have a workplace pension). The objective of these semi-structured interviews was to gain a more nuanced understanding of the target audience's savings goals, as well as to probe on the realities of their day-to-day financial challenges and the nature of their relationships with the macro drivers of

[16] According to a CIBC poll in 2013, 33% of Canadians parents admitted to having gone into debt to support their childrens' post-secondary education costs (Leong, 2014).
[17] Recent data indicates that 60% of Canadians workers are not part of a workplace pension plan (Carrick, 2013).

declining savings in Canada. A total of 12 phone interviews were conducted with members of the target audience, of which seven were men and five were women. An additional 15 individuals were "screened out" of the study after completing the initial profiling questionnaire, either because their household income did not meet the "middle-income" range set out in the research parameters (seven individuals) or because they were part of a workplace pension plan (nine individuals). The interviews ran between 30 and 45 minutes in duration, and the data collected from the interviews was analyzed using a thematic clustering method to find connections in participant responses and illuminate insights and priorities for potential solution design. The output of this exercise is described in detail in Chapter 5.

The second method employed was an environmental scan for emerging signals of change that could impact the nature of the target audience's financial lives between now and 2025. The objective of this exercise was to apply a foresight lens to the macro drivers of declining long-term savings identified in Chapter 2, and to ensure that ultimate design interventions were informed by a combination of current and future context understanding. Signals were gathered leveraging the Verge framework[18] for environmental scanning as a guide, and

[18] The Verge framework for environmental scanning is an alternative to the traditional STEEPV framework often used in foresight projects. The framework was developed in 2004 by Richard Lum and Michele Bowman out of a desire "to have a fresh set of lenses through which to perceive and understand change" ("Vision Foresight Strategy," 2014). I selected the Verge framework because it focuses heavily on shifts in *human behavior* (as opposed to STEEPV which often seems a step removed from human behavior itself), and therefore seemed highly conducive to the project at hand. Verge calls for scanning into six high-level domains of human experience (Define, Relate, Connect, Create, Consume, and Destroy), and aims to provide practitioners with a broad lens through which to filter and categorize information.

were subsequently synthesized into a list of notable trends, which are outlined and discussed in Chapter 6.

The insights gleaned from these additional research methods, in tandem with the current-state understanding detailed in Chapters 2 and 3, provided the inspiration for brainstorming that led to the development and prioritization of design interventions to answer this project’s primary research question. These ideas and their potential impacts on the target audience are outlined in Chapter 7.

5. Insights from One-on-One Interviews

As mentioned in the previous chapter, a thematic clustering method was employed to organize and make sense of data collected from interviews. In this instance, thematic clustering involved itemization of topics and discussion points that I perceived to be particularly significant and meaningful during my conversations with members of the target audience. Using individual Post-It notes to capture individual elements of conversation (for example, an emotional descriptor used by an interviewee when speaking about his/her relationship with saving today), I created a board full of "elements" that represented the key points of discussion from the interviews as a whole.

Once this board was created, I looked for commonalities between conversation elements and clustered similar elements together. Clusters were then given categorical "themes" based on the overarching meaning or message that I was able to extract from the conversation elements themselves. This process is visualized in Figures 21 and 22 below.

Ultimately, three overarching thematic areas emerged from my discussions with members of the target audience. These thematic areas provide insight into the *saving motivators* and *saving stressors* impacting the target audience, as well as *current and potential savings moments* within their everyday lives. A detailed overview of the insights at the core of each of these themes is provided below.

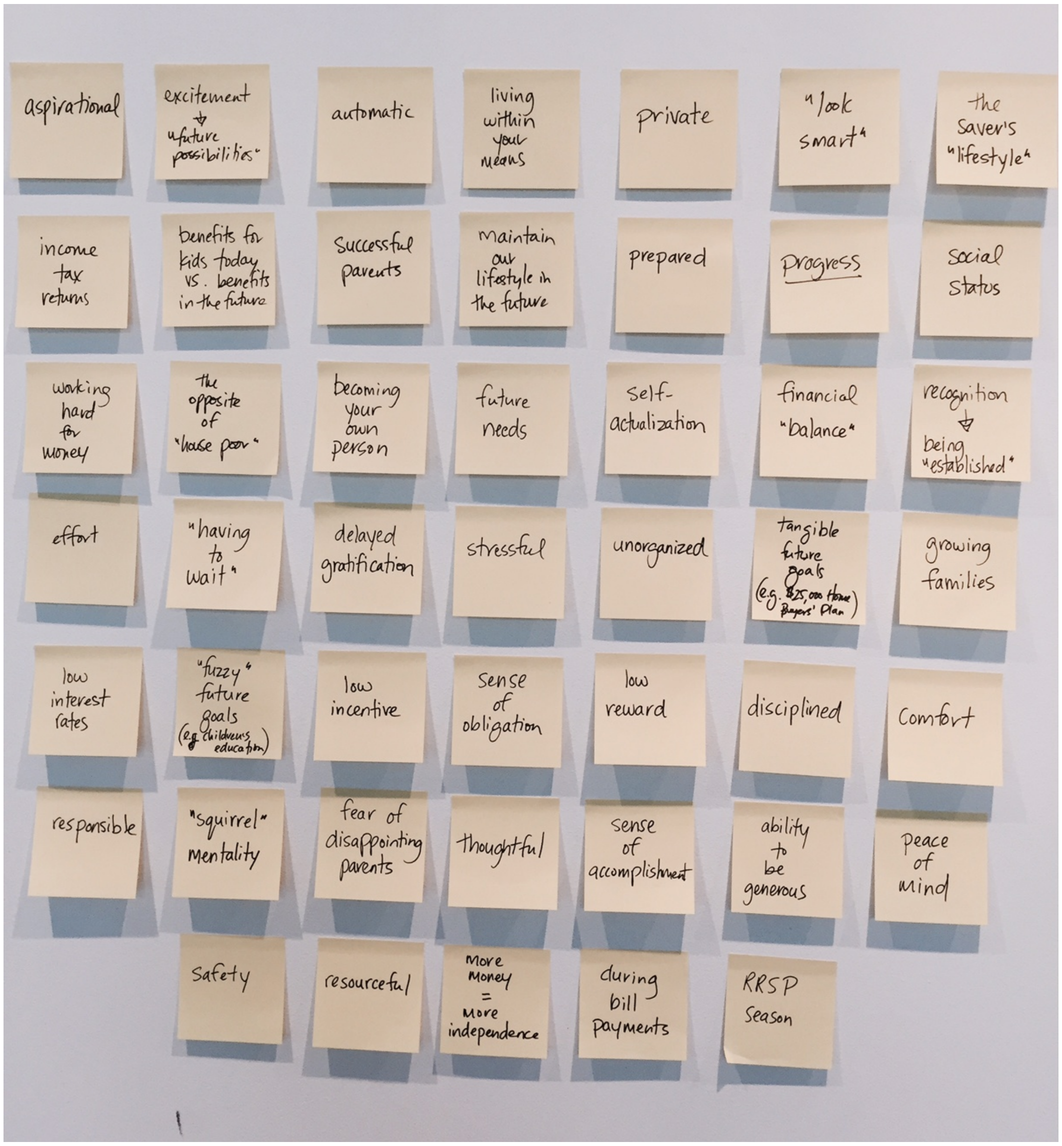
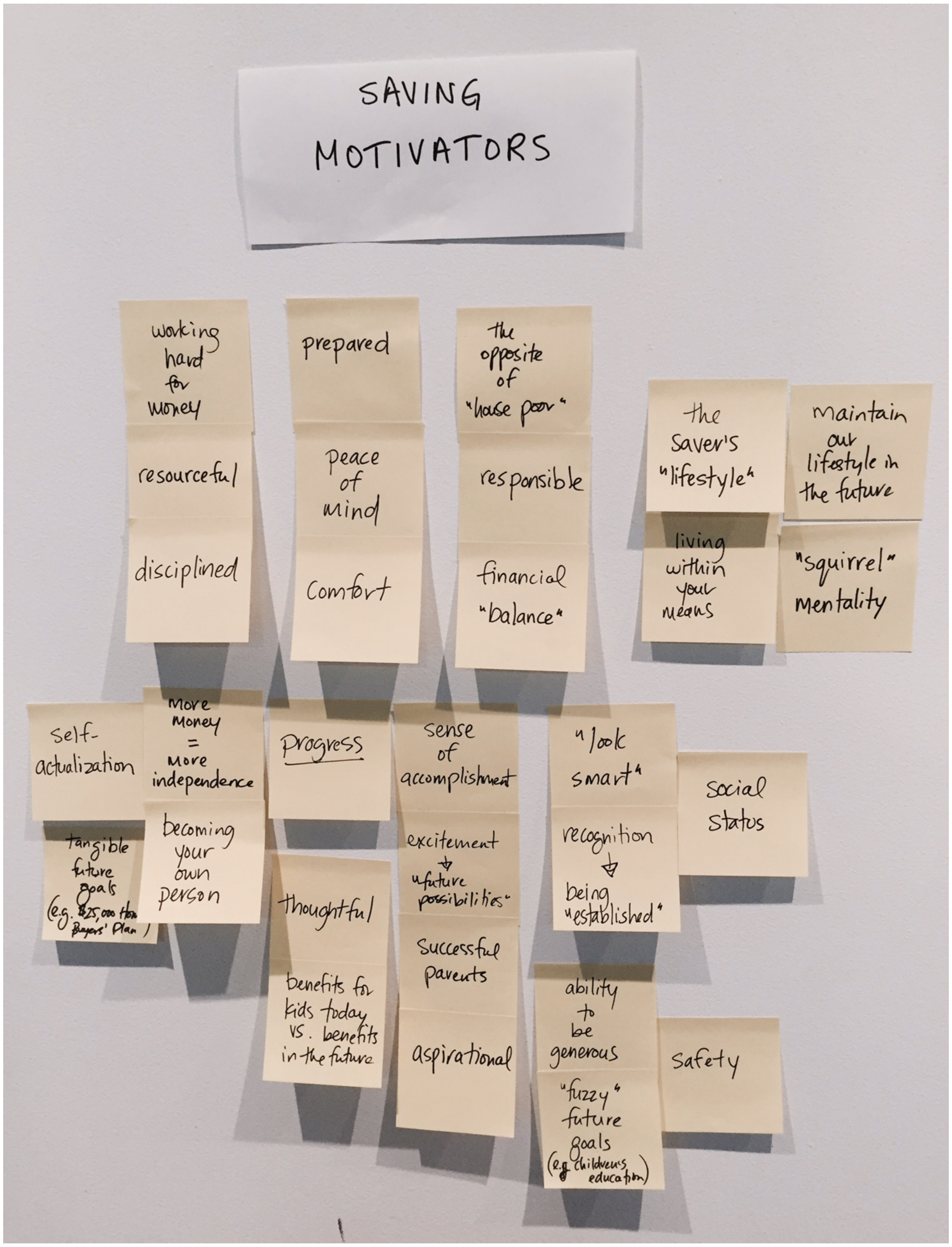


Figure 21. Interview “elements” pre-thematic clustering exercise.


SAVING MOTIVATORS
working hard for money
resourceful
disciplined
prepared
peace of mind
comfort
the opposite of "house poor"
responsible
financial "balance"
the saver's "lifestyle"
living within your means
maintain our lifestyle in the future
"squirrel" mentality
self-actualization
tangible future goals (e.g. $25,000 Home Buyers' Plan)
more money = more independence
becoming your own person
Progress
thoughtful
benefits for kids today vs. benefits in the future
sense of accomplishment
excitement
"future possibilities"
successful parents
aspirational
"look smart"
recognition
being "established"
social status
ability to be generous
"fuzzy" future goals (e.g. children's education)
safety

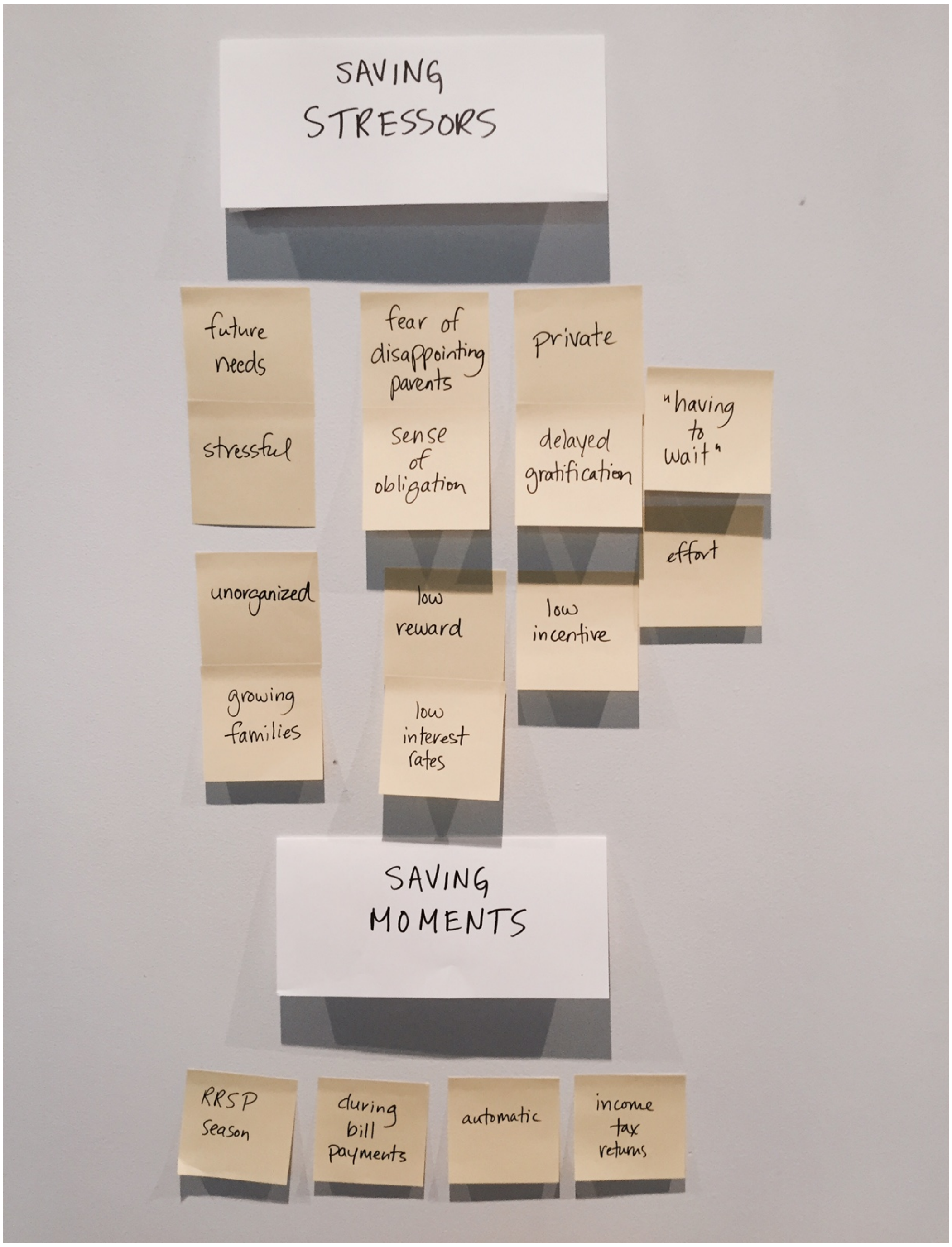


Figure 22. Thematic clustering of interview elements.

5.1 Saving Motivators

Based on my interviews, members of the target audience relate a number of different emotional benefits to the act of saving. Consistent across all interviews was a sense that saving helps participants feel *prepared* and *safe*. Participants reinforced that the idea of saving money for the future gave them "peace of mind" in an uncertain world, at the same time that it made them feel like they were being "responsible" by considering future needs as opposed to just immediate ones. Those who had made conscious decisions to avoid the current real estate market and continue renting suggested that saving today represented for them a lifestyle stance and a conscious pursuit of "balance": indeed, the notion of being "house poor" as a result of having a large mortgage and little or no long-term savings was mentioned by these individuals as a foil to the image that they were attempting to actively create for themselves. At the same time, those who had used savings to purchase a home also framed their decision in terms of responsibility and preparedness as opposed to immediate gratification. For example, one respondent suggested that his savings helped him "buy the house that [he] was going to need for a growing family, which just seemed like the most responsible thing to do with [his] money."

When probed further on the importance of safety, responsibility, and peace of mind as emotional benefits tied to saving, many respondents acknowledged that these feelings were attached to their overarching pursuit of "independence" as individuals. The concept of independence was typically framed in one of two ways: either as independence *from* parents, or as independence *in relation to* others within their reference groups. In both instances, visions of independence were focused less on the concept of being "free" from financial shackles (for example, a mortgage), and more in terms of being recognized by others as firmly "established" individuals in the world – people on a clear track forward with momentum and a plan. This is an important distinction for marketers to make as they aim to heighten the emotional attractiveness of their savings propositions, and suggests that the concept of "financial independence" may be subsumed in the more relatable concept of *financial progress* for this target audience. Such a conceptualization of the end benefit of saving is both consistent with the prevalence of a strong status-orientation in contemporary culture (as discussed in Chapter 2) as well as emerging trends surrounding strategies for self-actualization in the modern world (discussed further in Chapter 6 below).

This notion of financial progress also related to participants' goals as *parents*. Many spoke to the relationship between their money and the aspirations they have for their children. Said one father, "Saving for me is exciting. It's aspirational in a way because it's about the possibilities that money can open up for my kids in the future." Indeed, it is not a stretch to suggest that many financial decisions for this target audience revolve around trade-offs for their kids – trade-offs between the benefits that money can afford their children today, versus the benefits it might afford them in future years. Of course, these trade-offs are also wrapped up in the social pressure that parents feel to ensure that their children do not "fall behind" in a contemporary culture that places high value on education and experiences, and that often puts adult-like pressure on kids to perform and excel from an early age[19]. As parents of young and growing children, many interview participants became notably animated and energized when thinking of their money in the context of their children's future (as opposed to *their own*) – which could represent an opportunity for financial marketers, as will be discussed further below.

When asked to describe themselves when they were in "savings mode", respondents described "thoughtful", "resourceful", and "disciplined" people who felt a sense of pride in making progress with a task that is considered to be cognitively taxing and emotionally difficult. Respondents believed that saving had the ability to make them look "smart" in the eyes of their peers – though all acknowledged that opportunities to publicly demonstrate such smarts were few and far between today, given the private nature of saving and the underlying stigma surrounding discussions of money among peers. Nevertheless, a sense of accomplishment was acknowledged for many as it relates to saving itself, especially at moments when personal goals or milestones are achieved.

For those on the younger spectrum of the target audience, savings goals were tangible and well defined. Those who had yet to purchase a home mentioned saving $25,000 in their RRSPs to use as a down payment on a home as part of the First Time Home Buyers' program offered by the federal government. Those who had already purchased a home spoke about savings goals that were more distant and less tangible – things like "helping my kids with their university" and "being able to retire at a decent age". Interestingly, none of

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[19] For a solid overview of current social dynamics surrounding contemporary parenting, I recommended Carl Honore's (2009) *Under Pressure: Rescuing Childhood from the Culture of Hyper-Parenting.*

these respondents spoke of “becoming mortgage-free” as a defined savings goal, which perhaps suggests that for some members of this target audience, the initial purchase of a home (i.e. the down payment) acts as the primary accomplishment related to housing, and that mortgage debt may be on its way to achieving a position in peoples’ minds that is somehow “normal” and removed from the pursuit of long-term financial health.

5.2 Saving Stressors

In addition to saving motivators, interview participants also highlighted a number of “saving stressors” – feelings or functional realities surrounding the process of saving that make it seem negative or undesirable in their eyes. For starters, many participants acknowledged that alongside the sense of “independence” and “safety” that saving afforded them, there were also feelings of *pressure* that accompanied the act of saving itself. Some suggested, for example, that their desire to save was really more of an “obligation” borne out of their fear of “disappointing their parents”, who had either attempted to instill saving-oriented values within their children throughout their lives and/or had played a significant role in assisting their young adult children financially. Other participants admitted that they felt “stress” when it came to saving because they did not feel that they were currently saving enough, and feared that they would let themselves and their loved ones down later in life. Referring to the opaque nature of long-term saving, one respondent said that she is “never really sure, you know, whether [she is] saving enough money, whether the money will be enough down the road”.

This sense of uncertainty also applied to saving as a status construct, as many participants referenced the fact that they did not know whether their savings were more or less in line with "where they should be" and with "what [their] friends or co-workers have saved". These comments further indicate that the absence of a social reference point around saving makes the concept increasingly difficult for people to relate to in a culture in which social standing and reference points are such central elements of everyday life.

For those participants who did not find themselves saving consistently, the notion of feeling "disorganized" was mentioned numerous times. For these people, saving money was fundamentally tied to *planning* as a mental construct; in many ways a "savings plan" was inadvertently equated with a "life plan". These participants felt disappointed with themselves because they acknowledged that they probably were not "where they should be" in life as a result of not having saved with much regularity or discipline in recent times. Feelings of disorganization – of things not being where they should be – reinforce that saving is fundamentally related to a sense of individual progress and self-actualization for many in this target group.

On a practical level, a number of participants mentioned that saving felt like a "low incentive" and "low reward" proposition in current times. Many referred to the dramatically different economic situation that their parents faced in the 1980s "when you could make 20% interest on a G.I.C. at the bank" versus the contemporary context, with "so-called 'high interest savings accounts' paying a fraction of a percentage point in interest". These participants consistently spoke to the fact that a more disciplined and conscious focus on saving "would feel like a waste of time" – especially given the lack of free time that these individuals feel they have (with young families at home).

Lastly, participants spoke to a natural relationship between *work* and *money*, and that this relationship, in combination with the current "low incentive" savings environment, influenced them to spend their money more freely than they otherwise might. Indeed, virtually every single interview participant mentioned the fact that they put in long hours at work, and many suggested that there was a relationship between "feeling overworked" and spending impulsively because of the need to feel like they were being "rewarded" for their hard work. This is a key insight for designers because it reinforces the absolute need for a sense of built-in gratification and reward in the saving process that does not currently exist for many in the target group right now.

5.3 Saving Moments (Current and Potential)

During interviews, I tried to pay particular attention to current and potential "saving moments" as a means of identifying existing and new opportunities to promote saving from a design perspective. In terms of existing saving moments, a number of participants had signed up for automatic saving/contribution plans with their banks and therefore admitted to having a "set it and forget it" relationship with saving as an active pursuit.

Others suggested that they bring an "expenses first" mentality to their monthly finances, and that as a result, manual saving typically only occurred when they were already looking at their money and *paying their bills*. Even then, however, participants admitted that their main focus was "dealing with their bills" (a not-too-enjoyable-task) and that saving was not often top of mind in these moments. This “expenses first” mentality makes sense for a target audience that is in a “young family” life stage and simply has more regular expenses to deal with on a regular basis. It does, however, beg the question of whether banks could do more to leverage the bill payment experience within their online banking portals to encourage saving behaviour. From a user experience perspective, the bill payment page of a bank’s online site may be a good spot to cross-promote automatic savings options and even reinforce that saving is an opportunity for individuals to “pay themselves first” or to “put money toward their children’s future”.

The other major “saving moment” identified by interview participants was actually the context of *shopping*. When asked about the associations that come to mind when they think of saving money, a surprising number of participants mentioned “getting a good deal at stores” in their responses. This insight is telling in that it speaks to the degree to which ideas of money are connected to the process of consumption in a contemporary, status-oriented culture. At the same time, it reinforces that there may be further room for exploration of design interventions in the context of shopping and consumption than have been explored already within the financial services industry. Indeed, we will pick up on this point and discuss it further when we reach our overview of potential design solutions in Chapter 7.

6. Environmental Scan and Trend Analysis

As shown in Figure 23 below, the Verge framework for environmental scanning focuses on six discrete domains of human behaviour. This framework was used to discover signals and ultimately to identify trends that could influence or shape the financial lives of 30-45 year old middle-income parents between now and 2025.

Six Domains of Human Behaviour (Verge Framework)	
Define	Speaks to the concepts, ideas, and paradigms we use to define ourselves and the world around us.
Relate	Focuses on the social structures and relationships that organize people.
Connect	Encompasses the technologies and practices used to connect people, places, and things.
Create	Concerned with the technologies and processes through which we produce goods and services.
Consume	Focuses on consumer behaviour – the ways in which we consume the goods and services we create.
Destroy	Concerned with the ways in which we destroy value and the reasons for doing so.

Figure 23. Verge general practice framework for environment scanning (“Vision Foresight Strategy,” 2014).

For each dimension within the Verge framework, two trends were identified that I deemed most relevant for consideration. These trends and their potential implications for the target audience and design interventions are described below.

6.1 *Define Trends*

a) The Cult of Less

In the wake of the global financial crisis of 2007 – 2009, and in light of growing concerns over the impact of human lifestyles on the health of the planet, people are beginning to turn a consistently critical eye on excess and waste. Increasingly, people are looking for ways to embrace a “less is more” mentality, to streamline their lives, and to ultimately define themselves in terms of what they *do not have* as much as by what they do.

Example Signals:

The “Tiny House” movement, the emergence of “micro condos”, and the rise of condo living more generally; the popularity of streaming services like Netflix, Songza, and Spotify as replacements for audio/video storage; the rise of auto and bicycle sharing services in urban centers and the decline of car ownership rates; the emergence of “Walk Score” as a key evaluation criteria in residential real estate purchases.

Implications for the Target Audience:

As discussed in Chapter 2, a number of the macro drivers of declining long-term savings in Canada relate to our collective propensity to spend on material goods in order to express social signals and establish status within our reference groups. If “The Cult of Less” establishes further mainstream appeal in coming years, it could help to set the stage for a re-definition of cultural norms related to spending and consumption that could, in turn, bode well for the social appeal of long-term saving.

b) The (Public) Pursuit of Personal Progress

We live in a world that places significant cultural value on productivity and self-improvement, driving a growing obsession with the measurement and social expression of individual accomplishments and personal progress in all facets of our lives.

Example Signals:

The socialization of physical training goals through Nike+ FuelBand, Fitbit, and other similar products; discourse and hype around the notion of “the quantified self”; the rise of gamification as a central element of product design in categories as diverse as auto insurance (Desjardins “ajusto” product) and reading (Spritz “speed reading” app); the rise of #winning language to publicly promote accomplishments large and small.

Implications for the Target Audience:

If, as this trend suggests, our culture continues to move toward a mass realization that “actions speak louder than words”, then in coming years social capital may be increasingly ascribed to tangible demonstrations of personal improvement – whether physical, mental, emotional, spiritual, or even financial. This orientation toward personal progress, combined with a fascination with quantification and measurement, could re-frame existing taboos surrounding money and finances and enable these formerly private elements of our lives to emerge as topics of public conversation.

6.2 *Relate* Trends

a) The Freelance Economy

Driven by a combination of a challenging employment environment, the rise of project-based work in the services industries, and the cultural glorification of entrepreneurialism, many Canadians are eschewing traditional “company jobs” and opting to freelance instead. According to Statistics Canada, about 2.6 million Canadians, or 15% of the work force, are self-employed, and this number has increased by 17% over the past decade (Leong, 2014).

Example Signals:

The rise of “freelance facilitator” networks like JobBliss, Workhoppers, and HiretheWorld; the growth of Freelance Management Systems (FMS) as a core workforce technology for medium-sized and large companies; the emergence of “co-working” spaces in major urban centers.

Implication for the Target Audience:

As the Freelance Economy grows in Canada, it has the potential to both positively and negatively impact the financial situations of the target audience. On the one hand, self-employment tends to force individuals to pay closer attention to their finances and to be more discerning about spending, saving, and planning in general. On the other hand, self-employment comes with increased financial risks and costs versus more traditional employment structures – such as the potential for prolonged periods of time without income, or the need to pay for health, dental, and other benefits out of pocket.

b) Parental Support

As Canada's population ages, adult children are being increasingly relied upon to support their parents as they become ill or need assistance. According to a Statistics Canada report in 2013, 28% of Canadians above age 15 are currently considered "caregivers" to family and friends, and more than one quarter of caregivers are "sandwiched" between caregiving and raising their own children (Boyle, 2013).

Example signals:

The continued growth of retirement and senior living facilities; the fact that 2/3rd of Canadians between the ages of 40 and 60 expect to provide care for their parents at some point, according to a TD Wealth survey (Chevreau, 2014).

Implications for the Target Audience:

The need to support aging family members later in life is a very real possibility for members of the target audience, which could put further strain on finances that are already strained under the weight of multiple competing expenses.

6.3 *Connect* Trends

a) Cashless Society

A wave of innovations in mobile banking in Canada and the U.S.A. is beginning to make it simple and feasible for people to turn their mobile phones into fully operational *mobile wallets* that facilitate everyday financial transactions safely and securely. At the same time, alternative digital currencies are emerging that attempt to disrupt the traditional systems upon which modern finance is based. As more people embrace the convenience of such technologies, we move toward a society in which traditional “cash” (bills and coins) may no longer play a role in our everyday lives, which will prompt altogether new ways of relating to the idea of “money” itself.

Example Signals:

The emergence of highly celebrated “digital wallet” services and mobile payment systems, including *Apple Pay*, *Google Wallet*, and *Ugo*; the elimination of the penny in Canada; the continued decline of cash usage at the retail level; the emergence of Bitcoin in mainstream conversation and popular culture.

Implications for the Target Audience:

If our society becomes more and more “cashless” in coming years, there could be both positive and negative implications for Canadians’ ability and desire to save for the future. On the one hand, mobile technologies have strong potential to encourage more active engagement with personal finances and to make it simpler for people to take account of their financial situations in real time, thereby helping to facilitate more thoughtful decisions (as exemplified in some of the existing innovations discussed in Chapter 3). On the other hand, the lure of digital wallets and mobile payment systems stems from their speed and convenience benefits. When the wave of a mobile device is all it takes to purchase an item, and when purchases no longer carry a sense of tangible loss (i.e. the tangible wallet-based transaction), overspending could conceivably become even simpler and more attractive than it already is today.

b) Data Driven Advice

As “big data” analytics makes its impact felt in categories as diverse as retail and professional sports, it is also beginning to emerge as a potential disruptor of the traditional financial advice business model. In a post-financial crisis world that saw many people lose money despite paying a financial advisor to look out for their interests, a new crop of businesses are emerging that promise to provide rational financial advice without the greed or fallibility of human advisors.

Example Signals:

The emergence of “Robo-advisor” services like *WealthSimple*, *WealthBar*, and *Betterment*, amongst others.

Implications for the Target Audience:

While there are undoubtedly many great financial advisors in Canada, the industry as a whole is plagued by a reputation for being self-interested, biased, and overpriced. If data-driven approaches to investing and financial management continue to gain steam in Canada, they could create a greater feeling of empowerment, control, and confidence in typical Canadians as it relates to their attitudes toward money. Further, as data visualization and real-time tracking becomes more of the “norm” in personal financial management, it could become simpler for people to maintain a more holistic view of their finances (as well as the direction they ought to be heading in for their next financial decision) at any given time.

6.4 *Create* Trends

a) Fingerprinting

We live in a world where technology and connectivity continues to transform people from being consumers of content to being authors of their own ideas and creative output. Themes of independence, self-reliance, and personal responsibility continue to attract cultural value in our society as more and more people aim to demonstrate that their fingerprints are very much on each and every aspect of their lives.

Example signals:

The ongoing popularity of a DIY sensibility in everything from home renovations to self-directed investing; the mainstream celebration of YouTube creators and independent bloggers; the rise of personalization and customization as key selling features of contemporary products.

Implications for the Target Audience:

If self-reliance and independence continue to gain cultural prestige in years ahead, it is conceivable that financial know-how and personal financial management could become more attractive to Canadians as everyday pursuits. Indeed, there could even be an opportunity to leverage language from common DIY activities (most of which involve “building” something) and apply this same imagery to the realization of one’s financial future.

b) Shaving Seconds

We live in a society that celebrates speed and rapidity, causing expectations to emerge around time-sensitivity when it comes to products and services that do not necessarily “fit” perfectly with a fast, real-time world.

Example Signals:

The introduction of same-day delivery services from Amazon; the introduction of Loblaws “Click & Collect” service to speed up the act of grocery shopping; the emergence of pre-payment mobile restaurant applications like Ritual and UberEats.

Implications for the Target Audience:

Long-term saving requires discipline and planning, but if our cultural desire for streamlined experiences continues to gain appeal moving forward, it will be imperative that potential design interventions aimed at promoting saving behaviour do not demand extensive interaction times on the part of the user.

6.5 *Consume* Trends

a) Yes We Can

Consumers are increasingly embracing their new-found abilities to organize themselves online and leverage one another to achieve consumption goals *collectively* versus individually. The result is a virtuous cycle in which the "wisdom of the crowd" is becoming a primary facilitator of purchasing decisions and consumer behaviour in general.

Example Signals:

The rise of *Groupon*, *Teambuy*, and other group-based shopping businesses; the emergence of "sharing economy" services like *Zipcar* and *Bike Share*, and the growing popularity of the notion of collective access versus individual ownership; the ubiquity of review-based e-commerce platforms; emerging "barter" networks such as *SwapSity*.

Implications for the Target Audience:

If the experience of spending can improve by becoming more social and team-based, perhaps the experience of saving can, too. If, as this trend suggests, collective decision-making continues to grow in popularity, there could be opportunities in the future to leverage technology to connect Savers and promote collective saving behaviours in a more pronounced way.

b) Transparency Affinity

We live in a world that increasingly demands access to information, expects disclosure and honest conversation, and punishes those who attempt to hide the truth. In the wake of numerous political, corporate, and celebrity scandals in recent years, the age of transparency and authenticity seems to be upon us.

Example Signals:

Mainstream celebration of transparency-based marketing efforts like McDonalds' "Our Food. Your Questions" campaign and Dove's "Campaign for Real Beauty"; the growing popularity of "anti politicians" such as Rob Ford and Donald Trump; the emergence of pop culture heroes like Edward Snowden and Anonymous and the glorification of whistle blowing more generally; Bell's "Let's Talk" campaign aimed at breaking down the stigma associated with mental illness.

Implications for the Target Audience:

If our culture continues to orient itself toward celebrations of honesty and transparency moving forward, it may become easier for people to speak openly and honestly about their financial challenges publicly. This could bode well for more honest conversation around money and greater consciousness of, and reflection on, the cultural pressures we all feel to spend in order to keep up appearances in the eyes of others.

6.6 *Destroy* Trends

a) The Rise of "Secondary Lending"

As prices in Canada's residential real estate market continue to grow further and further detached from incomes, and in the wake of additional regulations in the mortgage market to attempt to prevent a housing bubble, many Canadians are turning to "alternative lenders" in order to finance housing purchases. According to a 2013 Bank of Canada report, unregulated lenders originate roughly 5% of home loans in Canada, though some industry insiders suggest that the number is closer to 10% and growing (Dmitrieva, 2014). Often referred to as "shadow lenders", these unregulated, alternative lenders charge significantly higher interest on their loans than do the regulated banks and mortgage lenders.

Example Signals:

The emergence of pawn-shop owners like "Harold the Jewelry Buyer" and "Oliver the Cash Man" promoting mortgage and loan offerings.

Implications for the Target Audience:

The rise of "shadow lending" in Canada speaks to the lengths to which typical middle-income Canadians are willing to go today to avoid being "locked out" of the residential real estate market. The rise of these unregulated lending practices poses a great risk for the long-term financial health of Canadians in general, and middle-income parents in particular. Indeed, similar practices contributed to the recent bursting of the housing bubble in the United States and the credit crisis that emerged in its wake. If shadow lending were to continue to rise in popularity in Canada in coming years, it would put increased stress on day-to-day finances and would ultimately encourage more procrastination when it comes to building long-term financial nest eggs.

b) Food Waste

Canadians are beginning to pay attention to the issue of food waste, both from an environmental perspective as well as from a financial perspective. Today, it is estimated that Canadians waste more than $31 billion per year on food that is purchased and subsequently thrown away without being consumed (Evans, 2014). Despite such waste, food remains the third largest consumption expense for Canadians each year at nearly $8,000 per household ("Statistics Canada," 2015).

Example Signals:

Hellmann's campaign to battle food waste and introduction of packaging to ensure that "every last drop" can be squeezed out (Mohan, 2015); the rise of non-profit organizations such as Second Harvest to raise awareness of the issue of food waste in Canada.

Implications for the Target Audience:

If food waste continues to emerge as an issue that captures the hearts and minds of Canadians en masse, it has the potential to prompt a larger cultural conversation around "wasteful consumption" more broadly. Furthermore, the constant nature of grocery store visits could, in turn, emerge as fruitful “saving occasions” for design interventions.

7. Design Solutions

With the insights and information gleaned from previous chapters as a foundation, five design interventions were identified as potential opportunities for financial institutions and other stakeholders to address this project's research question. While these five design ideas by no means represent an exhaustive list of potential solutions, they do capture some of the key human insights and cultural developments surrounding long-term saving that have been explored throughout this paper. Described below, each of these design interventions attempts to interrogate one or more of the key macro drivers of declining long-term savings identified in Chapter 2, to build on the successes of recent category innovations detailed in Chapter 3, and to leverage specific insights into the challenges and opportunities facing our refined target audience (30-45 year old middle-income parents who do not have a workplace pension) discussed in Chapters 5 and 6, respectively.

7.1 Status-linked Debit Card Offerings

As discussed in previous chapters, the relationship between money, fitness/trait display, and social status is engrained in our culture today. In fact, the concept of "status" is often built directly into the products we use to support our spending behaviour. For example, the banking industry has long understood that an individual's payment method can itself act as a status-linked social signal, and this insight has driven current norms around tiered credit card offerings. Other industries – such as airline loyalty programs – have followed suit to take advantage of a similar insight (see Figure 24 below).

Figure 24. Status-linked credit and loyalty cards. *American Express* image retrieved from http://www.semiotic-snackbox2.com/the-colour-of-money/#eat-together-1. Air Canada *Altitude* image retrieved from http://oscarfrench.com/wp/wp-content/uploads/2013/01/AC-cards_Portfolio_large.png.

Currently, the hierarchy within status-linked credit card offerings is driven by *consumption behaviour*: the more you spend (or are capable of spending based on your income), the more status you are offered by banks in the form of the card artifact itself and its associated rewards and benefits (typically things like travel insurance coverage or, at the higher end, concierge services). In turn, status-linked credit card offerings perpetuate an association between debt accumulation and social prestige/power, as opposed to a more logical (not to mention sustainable) association between social prestige/power and an individual's *actual financial health*.

Most banks today invest heavily in the promotion of their credit card businesses because there is a good deal of short-term profit to be made when their customers use their credit cards regularly (whether through interchange fees collected from merchants or through lucrative interest charges collected from customers who spend more on their credit card than they are able to pay down when the bill comes due). If, however, banks were to strategically prioritize long-term profitability achieved through customer loyalty and wealth consolidation instead of short-term credit card profit, the current paradigm surrounding spending and saving in this country could be turned on its head.

To do so, banks simply need to build tiered, *status-linked debit card offerings* to complement their status-linked credit card offerings. A status-linked debit card offering would be distinct from a status-linked credit card offering in two fundamental ways: firstly, the status hierarchy of the debit card offering would be driven by the amount of long-term savings the customer has accumulated and consolidated with the bank (as opposed to his/her spending potential); and secondly, the rewards offered would be aimed at encouraging customers to form even deeper relationships with the bank and its holistic product offering.

By way of illustration, imagine that Catherine becomes a Bank X customer as a teenager and is offered the bank's standard debit card/chequing account offering with no special benefits. Some years later, Catherine manages to accumulate $25,000 in savings and investments with the bank. As a result of this financial accomplishment, Catherine automatically qualifies for a higher tier debit offering from Bank X. She gets her new debit card in the mail and notices that it seems more prestigious; it is a glossier card and has a star in the top right corner to represent Catherine's financial status with the bank. This same card design shows up when Catherine opens her mobile wallet on her phone, and is visible to others when she uses her debit card to purchase things in public. With her new card, Catherine is entitled to a series of privileges at Bank X, including a slightly higher interest rate on her savings account and a slightly discounted rate on Bank X's mortgage and loan products. As Catherine accumulates and consolidates more long-term savings over the years with Bank X and achieves new status levels, she receives increasingly prestigious debit cards and increasingly attractive rates and discounts on other Bank X products. Consequently, Catherine feels encouraged to continue to build her long-term savings with Bank X at the same time that she feels encouraged to deepen her relationship with Bank X and choose its other products when the time comes. Likewise, Catherine feels proud to pay for items with her Bank X debit card because it is a more reliable social indicator of her financial health than a credit card is.

As this example hopefully shows, status-linked debit card offerings could encourage long-term saving behaviour and discourage runaway overspending while also helping banks build strong and "sticky" relationships with their customers – thereby decreasing their reliance on costly customer acquisition campaigns. Moreover, status-linked debit offerings could make saving accomplishments more socially visible and help make the process of saving more enjoyable and gratifying in the short-term – addressing several key drivers of declining long-term savings as previously discussed.

7.2 Saving Leaderboards

Another means of increasing the social visibility of saving and bringing a sense of instant gratification to the process could be the introduction of “saving leaderboards” by Canadian banks. Leaderboards are a central element of online and mobile game experiences because they provide a real-time reference point for players to assess their own abilities and, in turn, inspire deeper engagement with the game itself (as shown in Figure 25).

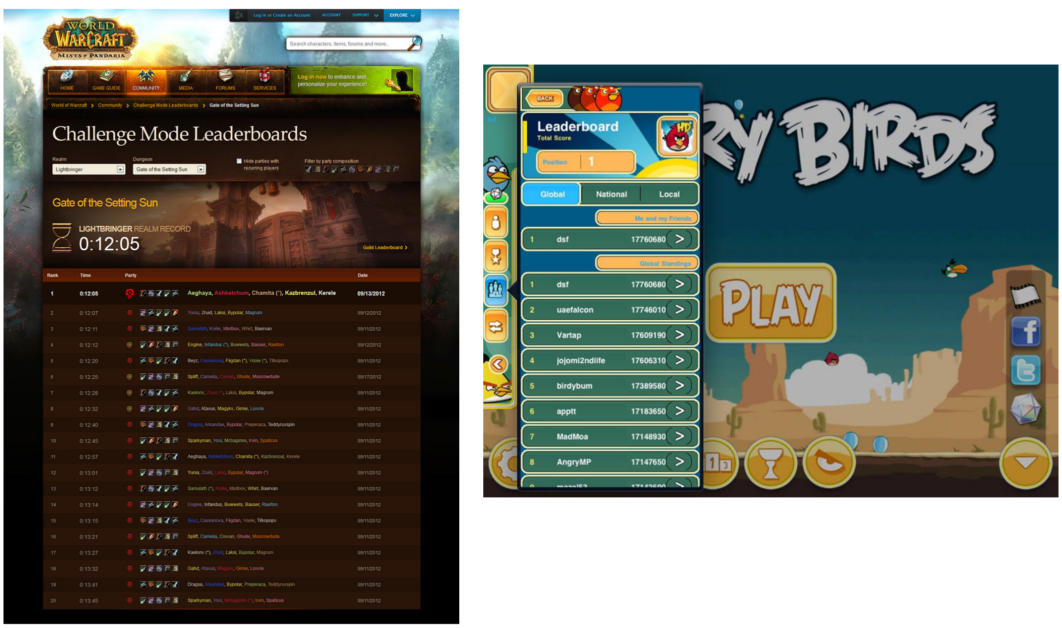

Figure 25. Leaderboards and the gaming experience.

Saving leaderboards could be a simple way to “gamify” the saving experience for bank customers. To make the game of saving as broadly relevant as possible, saving leaderboards could track the monthly savings rate of the bank’s individual customers, which could be calculated by determining the percentage of the deposits into a customer’s chequing account each month that are subsequently transferred into his/her savings or investment vehicles within the bank. By focusing on the rate of saving (as opposed to the actual amount of money saved), the game would be accessible to all customers regardless of income level.

Each month, customers at the top of the leaderboard could receive bonus contributions to their savings accounts on behalf of the bank. Annual leaders could receive larger prizes in addition to publicity as a means of celebrating their financial discipline and ingenuity more broadly. Additional sub-leaderboards could be established that segment customers based on life stage, creating an even stronger sense of a reference point for individual customers and galvanizing them to make their mark amongst their peers.

Saving leaderboards would take advantage of the emerging trend toward the pursuit of personal progress at the same time that they would energize the image of saving, increase its social visibility, and increase the sense of short-term gratification that it can provide.

7.3 Team Saving

Just as coordination and collaboration has empowered Canadians to enhance their consumption behaviour, it could perhaps help them enhance their saving behaviour, too. The idea of “team saving” builds on the foundation of the “Yes We Can” trend discussed in Chapter 6 and would aim to leverage group dynamics to make the process of saving more inspiring, enjoyable, and relatable.

Banks are uniquely positioned to introduce team-based saving programs because of their large, pre-existing customer bases. For example, banks could leverage their customer data to connect individuals with similar savings goals and/or in similar life stages (i.e. “young parents”) and encourage them to enter into or establish a “saving team”, with rewards and incentives for all team members if the team’s collective saving goal is reached at the end of the year. Likewise, customers could form saving teams on their own with friends and/or family. The reward structure could be as simple as a higher interest rate on savings accounts in the following year for team members, or a lump sum cash bonus to be split amongst team members, if the collective team’s saving goal is achieved. Teams could be as large or as small as customers like, recognizing that savings goals would have to be commensurate with team size. Banks would not need to change their customers’ account structures; rather, they would need to incorporate a social networking function into their online/mobile banking platforms such that teammates could communicate with one another, share tips and words of encouragement, and ultimately track progress toward their collective goal.

A team-based saving program of this kind would be yet another way to “gamify” the saving experience for Canadians. Examples from other goal-based domains – such as fundraising or exercising (see Figure 26 below) – demonstrate that team dynamics can unleash powerful intrinsic motivators for individuals, and can help to turn otherwise daunting and unenjoyable tasks into fun ones. There is no "rule" that suggests saving must continue to be a private and isolated experience for people; indeed, the more social and group-based the saving process can be made, the more it will achieve a sense of fit with human nature and contemporary culture, and the more it will help to alleviate key image drivers of the decline of saving in recent times.

Figure 26. Teamwork as an element of fundraising (Movember) and exercise (running groups).

7.4 Save the Savings

One of the notable themes coming out of my analysis of existing design interventions within the financial services industry was a propensity amongst designers to reimagine the nature of a “savings moment”. Interestingly, many of these existing ideas target *spending moments* as potential savings moments. Ideas such as Westpac’s *Impulse Saver* mobile application, Tangerine’s *Small Sacrifices* mobile application, Scotiabank’s *Bank the Rest* program, and Bank of America’s *Keep the Change* program aim to translate an individual’s desire and propensity to spend into an increase in saving behaviour. There are, however, drawbacks to each of the aforementioned ideas. Westpac’s and Tangerine’s ideas focus on spending avoidance, and in doing so carry the risk of triggering loss aversion in the user. Scotiabank’s and Bank of America’s programs benefit from the fact that they do not require users to alter their spending behaviour, but their impact is likely limited as a result of the small scale of the money being saved.

“Save the Savings” is an idea that aims to build on these existing designs while also leveraging one of the key insights stemming from my interviews with 30-45 year old middle-income parents: namely, that the concept of saving is actually most enjoyable when framed in terms of “getting a good deal”. The insight here is that individuals get great pleasure out of saving money when in the context of *consumption*, because in such a moment, saving represents a story that can be shared with others to demonstrate the individual’s smarts and resourcefulness as a consumer. “Save the Savings” would be a program in which banks partner with major retailers to provide consumers with the option to literally transfer into their savings account the amount of money they have saved on the original purchase price of an item at a store. The idea here is to turn regular retail “sales” into saving moments.

By way of illustration, imagine that John needs a new summer wardrobe and notices that Banana Republic is having a sale. The sign outside the local store and the advertisement on the homepage of the retailer’s website says that John can “save up to 40%” on his purchases (see Figure 27 below). John decides to shop online, and finds a number of items that he would like to purchase, totaling $200 based on the regular price of the items.

Figure 27. Banana Republic “Save up to 40%” online banner.

Upon checkout, John receives a 40% discount on the price of the items as per the store’s promotion. Before entering his payment information, John receives a prompt: “Would you like to save your savings on these items with your bank? Select “yes” and your bank will automatically transfer the amount you’ve saved on these items from your chequing account into your savings account. Now that’s some smart shopping!”

By latching on to the euphoria that comes with retail sales and promotions, “Save the Savings” could make the prospect of saving more palatable and relatable for people, while also balancing the impact of upscaling in our culture. Moreover, this idea could prompt people to consider whether “savings” are *really* savings if not *actually saved*! From a practical implementation perspective, the idea may be best suited for online retail environments and would require collaboration between banks and retailers on the development of the back-end e-commerce system. With that said, the idea could also translate in physical stores, especially with banks that manufacture and sell payment terminals for retailers.

7.5 Perspective Converter

During interviews with 30-45 year old middle-income parents, the relationship between *work* and *saving* was often mentioned in discussions about the importance of putting money away for the future. In essence, interviewees acknowledged that they put a great deal of effort into earning money, and believed in the importance of saving out of fear that they might otherwise find themselves with “nothing to show” for all that hard work later in life.

A “Perspective Converter” would aim to capitalize on this insight into the relationship between work, money, and financial decisions. Building on the precedent of currency conversion mobile applications (see Figure 28 below), a "Perspective Converter" would be a simple mobile application offered by banks to help individuals price goods and services in terms of the number of working hours required to earn the money to make a purchase. To set up the application, users would simply enter their annual salary and the application would calculate their hourly wage. (Alternatively, non-salaried users could manually enter their hourly wage themselves.) With this basic set up complete, users could then convert the price of goods or services into working hours, helping them put into perspective exactly how much time and effort would be required to purchase an item, and encouraging them to reflect on the relative "worth" of the item based on the effort required to purchase it.

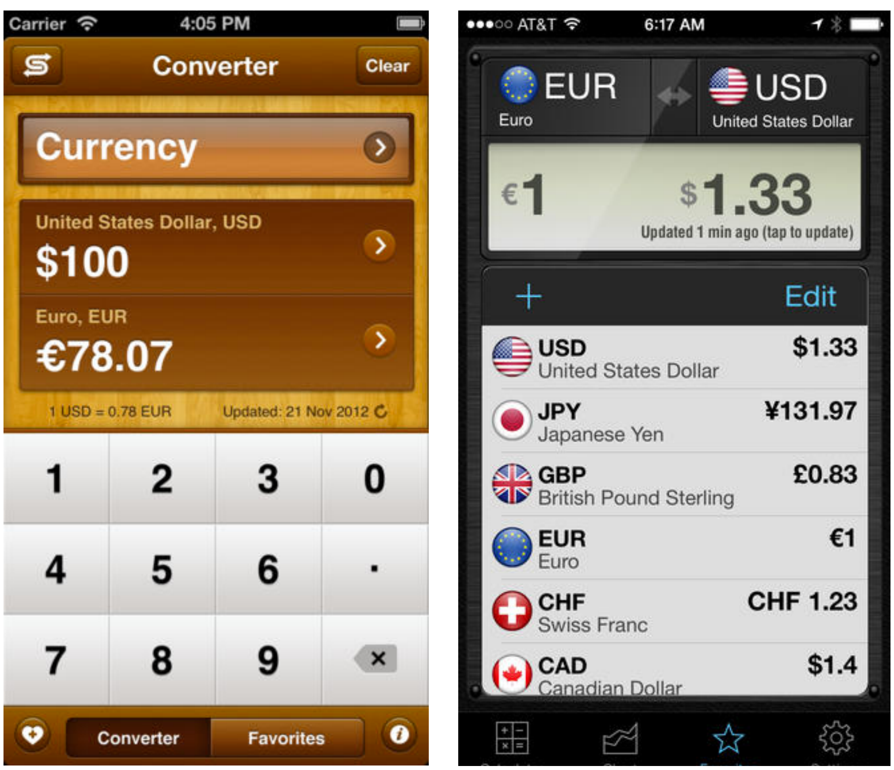

Figure 28. Existing currency conversion mobile applications.

If unconscious spending and the pressure to "upscale" continues to be a constant element of contemporary life, then an idea which helps to "break the spell" of consumerism and prompt more conscious financial decision making could inspire healthier saving behaviour. A "Perspective Converter" would help to make financial decisions more tangible and personally relevant, and could also contribute to a new discourse and language around price and value more generally.

8. Conclusion: Opportunities for Future Learning

Today, the obstacles preventing middle-income families from preparing for their financial futures are large and formidable. As argued throughout this paper, the macro drivers of declining savings in this country surround the financial lives of typical Canadians in numerous ways. Cultural, sociological, psychological, technological, and economic forces have converged in recent years – and continue to converge – to create conditions that make saving practically difficult as well as emotionally and socially unattractive for most. A coordinated, multifaceted design approach is required to combat these forces and make long-term saving more palatable and achievable.

It is my hope that the five design interventions outlined in Chapter 7 represent fresh ideas and perspective for Canadian banks and other stakeholders on how coordinated action could address the declining savings rate in Canada. Likewise, I hope that the insights generated in this paper might inspire additional tactics that could enhance the ideas put forth above.

To that end, additional research could be of great benefit to banks and other designers hoping to pick up where this paper leaves off. In particular, there could be value in conducting co-creative design exercises with members of the target audience, for which the design solutions discussed in Chapter 7 could be leveraged as platforms for further exploration and ideation. Such research could help to refine the insights and mechanics behind some of the existing ideas, or to uncover altogether new insights and potential “savings moments” that had not yet been considered or discovered.

From there, it would also be valuable to further refine the broad target audience of 30-45 year old middle-income parents who do not have a workplace pension in order to interrogate whether there are design and implementation nuances to consider based on regional realities or cultural backgrounds. In particular, it would be instructive to understand reactions to these design interventions amongst populations of new Canadian parents, given the multicultural nature of Canada’s population today and the continued rate of immigration expected in the future.

As a final word, it is worth acknowledging that the implementation of ideas that genuinely aim to address the drivers of declining savings in Canada come with short-term business implications for banks in particular. While the long-term success of the banking industry depends on the financial health of Canadians in general, it is easy to lose sight of this fact in the pursuit of short-term profit, especially when it comes to credit card products. To encourage better saving behaviour, banks must make real efforts to encourage Canadians to spend within their means and save much more than is happening today. I hope that the ideas in this paper demonstrate that such efforts can be as good for business as they are for Canadians themselves, and that saving innovation has the potential to act as a foundation for strong relationship development between banks and their customers.

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