



Bank Strategy Briefing

Ideas and analysis for community bank executives

Prize-linked saving accounts

As core deposit shortages continue to become more common for community banks in Wisconsin and surrounding states, management teams are tasked with finding creative ways to attract new deposits, or risk having to pay up for them or utilize other more expensive funding sources. One option in some states in the Midwest — including Wisconsin, Minnesota and Illinois — is prize-linked savings accounts (PLSAs). In fact, Wisconsin’s legislation authorizing PLSAs was enacted recently on Nov. 28, 2017, making this a new potential strategy for Wisconsin community banks to explore.

So what is a PLSA? In general, PLSAs allow banks to offer their customers chances to win prizes if the customers maintain a savings, time or money market account at the bank. In Wisconsin and some other states, banks can run these programs independently, with a group of other banks, or as a participant in a program run by a banking trade association. Without specific PLSA legislation, these types of “games of chance” would otherwise violate most states’ illegal gambling or lottery laws.

Although PLSA legislation is passing in many states, bank management teams should want to know whether these programs tend to drive the volume of deposit growth they need before dedicating the time and resources to develop or participate in a PLSA program. There have been empirical studies on PLSAs in recent years that offer insight into the best target markets for PLSA programs. In two studies published within roughly the last ten years, researchers studied PLSA data in the United States, Latin America and South Africa and observed the following:

- PLSAs attract low-to-moderate income customers to save ¹
- PLSAs attract the “unbanked” ²
- In cases where individuals already had a bank account, customers were incentivized to switch to banks with PLSAs

These studies were relatively limited, so it is possible that PLSAs have much broader appeal. Interestingly, roughly 20 other states have enacted PLSA legislation and some states have produced statistics showing that doing so can lead to an increase in deposits with the added benefit of positively influencing low-to moderate-income customers to save³ (a possible CRA benefit).

Community banks facing a need for core deposit funding should continue to be vigilant for new deposit opportunities. If your bank’s state allows PLSAs, consider whether a PLSA program could benefit your bank.



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¹ Can Gambling Increase Savings? Empirical Evidence on Prize-linked Savings Accounts, Cole, Shawn, Iverson, Benjamin, Tufano, Peter, August 2017.

² Consumer Demand For Prize Linked Savings: A Preliminary Analysis, Tufano, Peter, Maynard, Peter, De Neve, Jan-Emmanuel, 2008.

³ Id.

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