**Empirical studies on prize-linked savings**

Kearney et al. (2011) introduce the concept of prize-linked savings, review the history of PLS, and posit future research questions. (Overview article)

Tufano (2008) studies the specific case of Premium Bonds (PBs) in the United Kingdom, a type of PLS. The demand for PBs includes both gambling and saving elements: changes in the size of the large prize drives sales (gambling element), and demand is also sensitive to the relative interest rates (savings element).

Kuhn et al. (2010) find that winners of the Dutch Postcode Lottery (i.e. one postcode is drawn and all residents in that postcode who bought a ticket win €12,500 and one resident is picked to also win a BMW) spend their earnings on durables, e.g. cars, consistent with the life-cycle hypothesis. BMW winners generally liquidate the cars. Residents who did not buy a ticket and lived next to BMW winners had significantly higher car consumption six months after the draw.

Atalay et al. (2014) run an online experiment and find that PLS increases total savings (hypothetically by the nudge effect) and reduces lottery expenditures significantly, especially among individuals with the lowest levels of savings and income.

Filiz-Ozbay et al. (2014) run a laboratory experiment and find that PLS induces more savings than regular interest savings, and its appeal is greater to men and self-reported lottery players. An increase in the probability of the large prize increases PLS deposits especially for men, lottery players, and low savers.

Cole et al (2014) uses data from a South African bank that offered PLS accounts. They find that deposits in PLS appeared to (a) not cannibalize same-bank standard savings and (b) instead serve as a substitute for lottery gambling. Prize winners increase their investment in PLS, sometimes by more than the amount of the prize won, and that large prizes generate a local “buzz” which lead to an 11.6% increase in demand for PLS at a winning branch.

**References**

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