

# Savings Pools

Developed by

Bryan Innes &  
Living Economies  
Educational  
Trust

Presented by

Petra  
Stephenson

[www.le.org.nz/savings-pools](http://www.le.org.nz/savings-pools)

What is a Savings Pool? – A Savings Pool, simply put, is a group of people who get to know each other over dinner each month, discuss finance issues, develop trust and be the bank for each other.

You might know peer2peer lending Zopa here in the UK, or Lending Club in the US. I am not familiar how popular they are and a p2p lending in NZ has just started. Savings Pools are a direct p2p lending with no interest on a true PEOPLE CARE level.  
It is the opposite to how most of us act today

# Most of us are acting in **FINANCIAL ISOLATION**

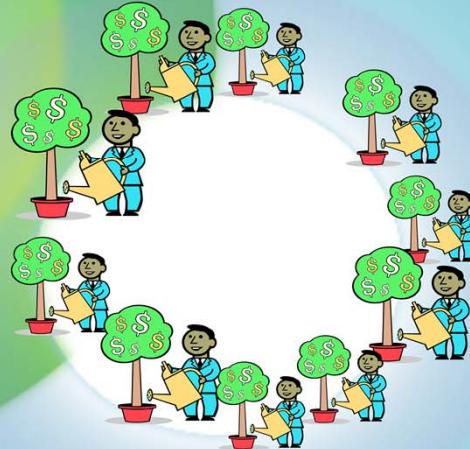


In the cultures I have lived in, it's rude to ask how much someone earns ... owes ... has paid for something.

And this Isolation in money matters comes at a very high cost  
As a consequence, money itself is one of our major expenses. Let me show you an example.

# Financial isolation

10 families separately save \$1,500 per month.



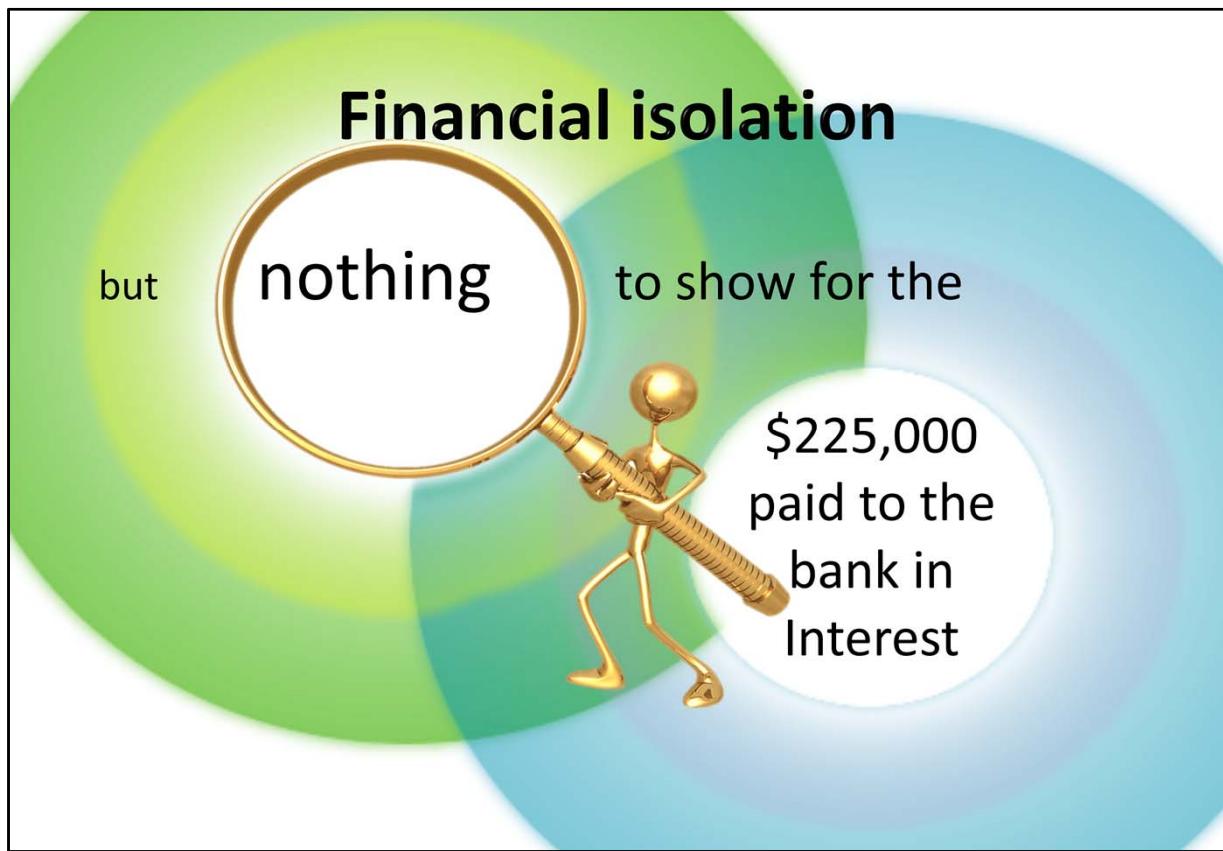
It is every Kiwi's dream to own their own home.  
Each saves up for a deposit  
And then talks with the bank manager about their earnings and the size of  
mortgage they can afford.  
Then they go shopping accordingly

## Financial isolation

After 25 years of savings and payments,  
each has a freehold home  
to show for the  
\$225,000  
paid to the vendor



And after 25 years of paying their mortgage, they own their own home outright.



But they have also paid the same amount again in interest .  
Now that system is just pure daylight robbery.  
But like the film **Thrive** states, tackling the entrenched banking system is not very wise or fruitful. Side stepping it is better.

Core Value:  
Reciprocity by  
concurrent savings  
and  
loan payments



Pools first appeared in New Zealand in 2007 as a Kiwi variation of the Swedish cooperative JAK Members Bank.

They are based on Reciprocity. Reciprocity= the practice of exchanging things with others for mutual benefit

The Swedes have developed their JAK bank to bring reciprocity into the money system. But NZ law does not permit a set up like this. So Bryan Innes developed the Savings Pool system and Peter Luiten has developed the excel sheet for it. How does the system work?

## **Doing it ourselves, together:**

### Savings Pools pool individual contributions



A group of people pool their money to boost their purchasing power,  
without getting strangled by interest  
Let's look at it in detail

# **Doing it ourselves, together**

Whenever I have money  
I don't need immediately,

I pay it into the pool



Money goes into the pool

## **Doing it ourselves, together**

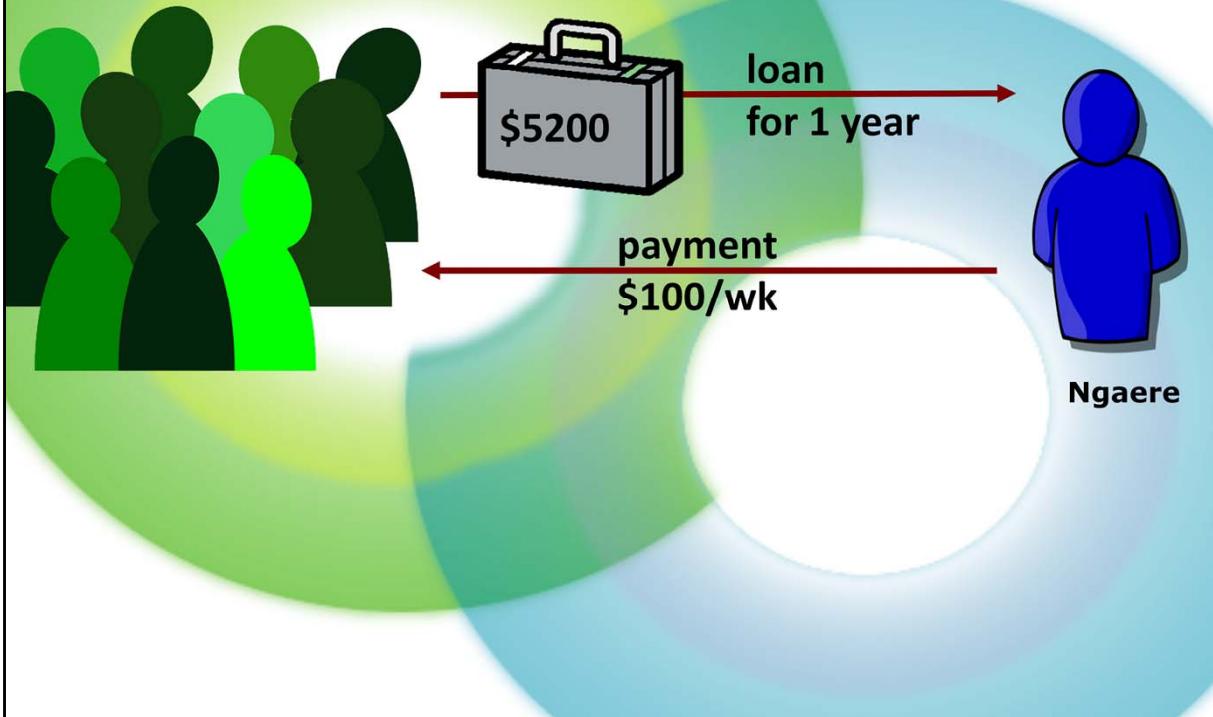
Then, whenever I can't pay  
in full for something I need,  
I can borrow from  
the pool



And then, when I have a bigger purchase or unexpected bill I go and ask for the money from the pool.

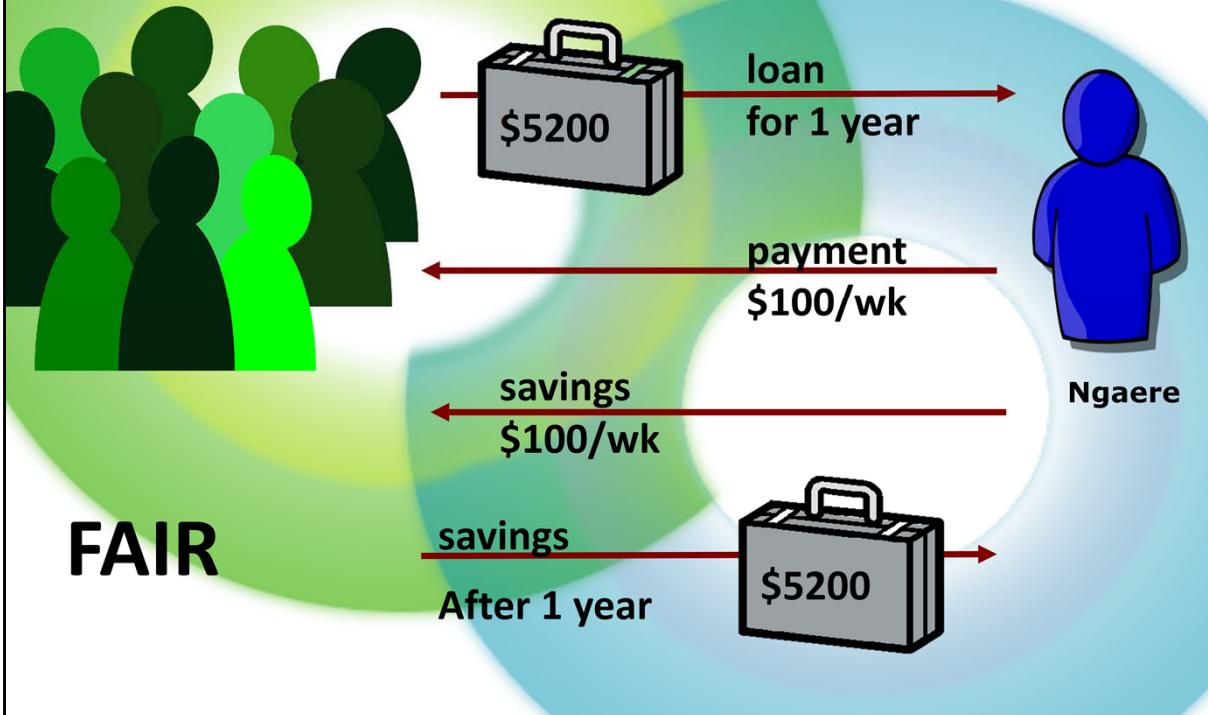
And there is generally never any problem. They might question any impulse buying, which is also a good thing.

# Interest free finance system



- If you think of interest free, you think of this:
  - Ngaere borrows \$5200 from her savings group for 1 year
  - Ngaere pays back \$100/wk
- **After 1 year:** all payments are made, end of agreement.
- UNFAIR
- The group did something got Ngaere, but Ngaere did nothing for the group

# Interest free finance system



- By doubling her payments each week, Ngaere pays back her loan and does something for the group. There is now extra money for the group to use.
- At the end of her agreement, Ngaere gets back the extra money she paid over and above her loan, and the arrangement is fair.

# **Doing it ourselves, together**

Ten families form a savings pool.



By pooling together, your strength and resilience is more than the sum of the parts.

Because help comes also in form other than money. But back to our house example:

## Doing it ourselves, together

Each starts paying \$1,500 per month into the pool, taking turns to use pooled funds to buy a home.

$$10 \times \$1500 \times 12\text{months} = \$180,000$$

-> Each year, another family buys a home



Here is an example of a group of house purchasers. Don't know the value and earning power in your respective countries, but I used \$1500 per month , you can adjust this to your earning/buying power. And if you cannot put this much money aside, maybe your pool buys a house every two years. If you start young enough, there is no rush. But the beauty is – once the first person is in their home, they can also put their rent money into the pool, which they no longer need. This increases the pools purchasing power and the second home can be afforded faster. With each rent saved by getting people into their own home, the purchasing timespan gets decreased.

## **Doing it ourselves, together**

After 20 years, each has a freehold home to show  
for the \$180,000 paid to the vendor

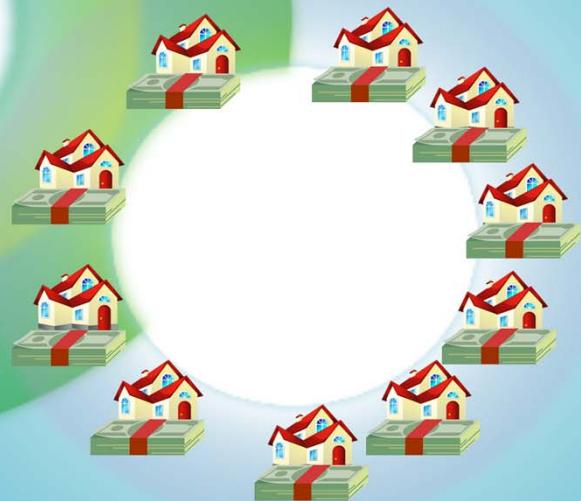


And it is really worthwhile doing.

So again – after 20 – 25 years you are mortgage free, but this time

## **Doing it ourselves, together**

- PLUS \$180,000 in savings



You have a nice sum to look forward to.

Your perfect retirement fund you have left after the house and your obligation to the pool is paid off.

## Doing it ourselves, together

- PLUS \$180,000 in savings:

\$ 1.8 M between them  
that would otherwise  
have been the banks'.



That is 1.8 extra million in your community.

Can you imagine how your community would look and feel?

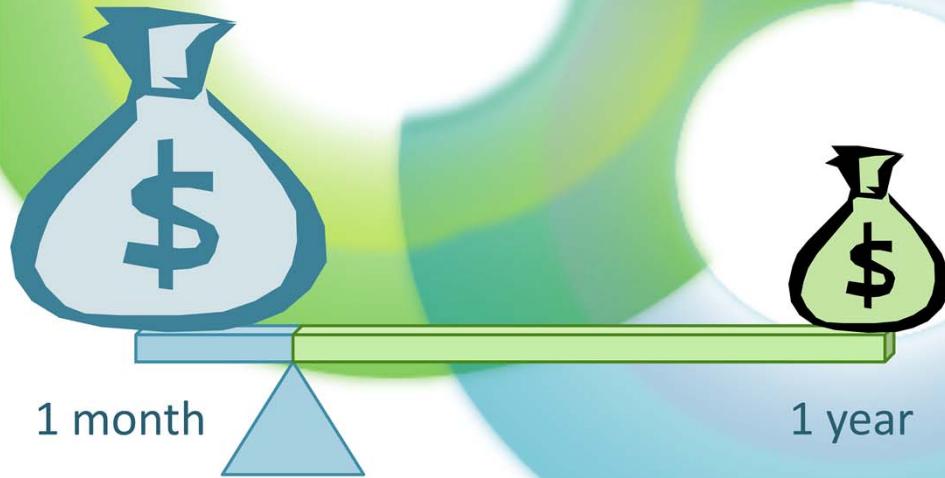
Savings pools support individual projects by lending pooled funds in a fair and balanced way

to boost purchasing power and cut interest costs. And most purchases are smaller and there is huge debt on credit cards

A small community in NZ calculated once that 22 million dollars leaves the community each year in interest charges. No wonder the Spanish and Greek, in fact most of us, are struggling.

# Counting contribution

The contribution of a small amount over time  
can match that of a larger.



So how do we make it fair? Every loan is a double obligation.

Because we look at the money each puts in,

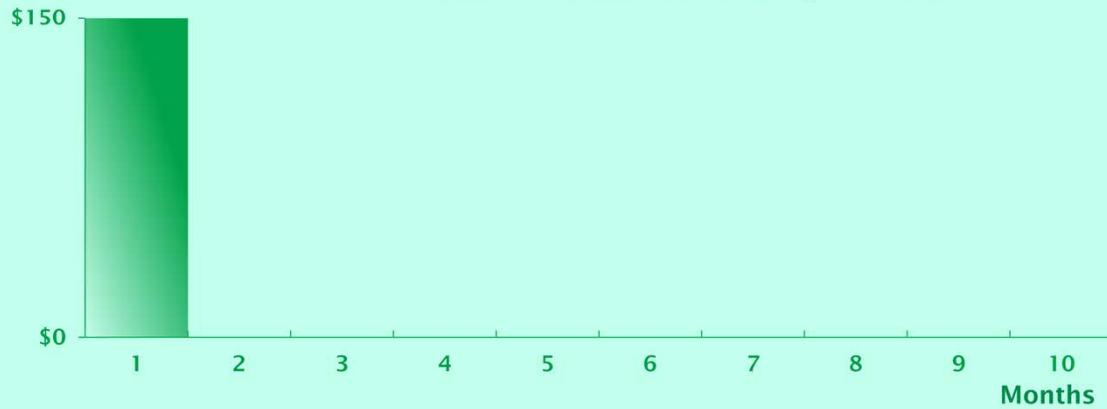
AND for how long that money is useful to the rest of the pool

A pool compares contributions as if comparing weights on a beam of time: Imagine money was a pile of dollar coins that could be weighed over a certain length. We can get very precise about this.

# Counting contribution



A pool tallies every dollar's  
contribution every month:



The money that comes into the pool by each person gets graphed in a bargraph like this. \$150 dollars came in in month 1

# Counting contribution



the longer an amount is available,  
the greater its contribution



And this is how a graph would look if no further money came in for the next 6 months. Contribution is calculated as dollars x months . In this case the person would have earned  $\$150 \times 6\text{months} = 900$  dollar-months. In our pool we say this person has earned 900 Goodwill points.



To meet a major cost  
I negotiate with the pool  
a *two-step transaction*:



So if you now want to ask for some funds, you ask the administrator to prepare a graph and a contract of your anticipated borrowing and the amounts and time you are willing to pay it back by. You then email your group beforehand and ask at the next meeting if they are ok with this proposal. Some proposals get put to the group first, and then the graph gets generated. After a while, your group knows the system and the commitments and available finances, Because every member gets a monthly statement of the whole pool.



the pool approves  
a loan or buys  
the item itself,  
for me to use



When the pool approves a loan, they can either just trust you, or ask for security. The pool can purchase things in their name, but you pay for the insurance and get to use it straight away.



and I repay  
the pool over  
an agreed  
period of time.



You then proceed to pay back the money and any good will, i.e. extra dollars over time to equal your contribution with the contribution the pool made to you.

## Loans



Any 'loan' is seen as a pool's contribution.

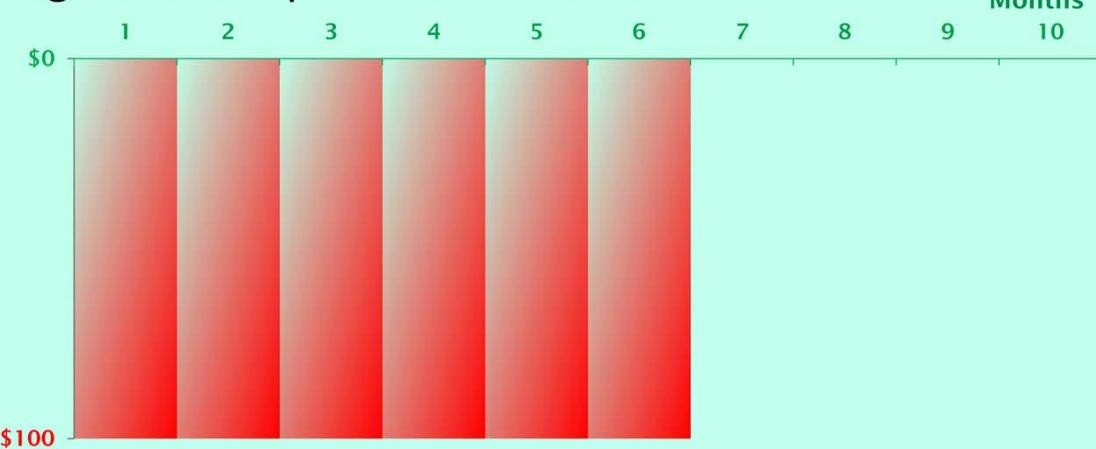


So coming back to our sample: The same math applies for a loan.

# Loans

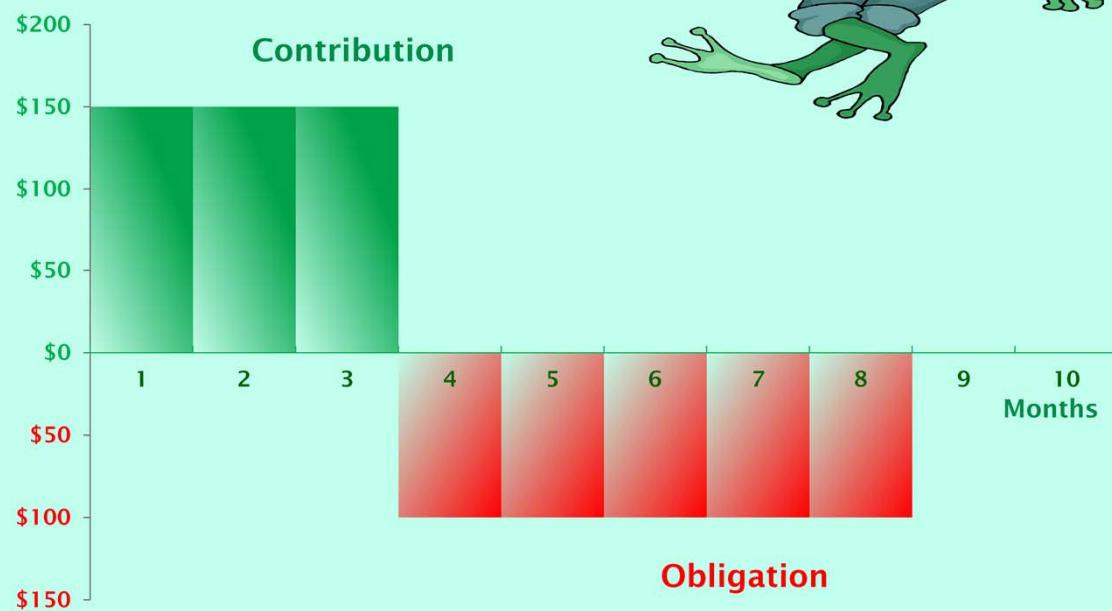


the longer the debt is unpaid,  
the greater the pool's contribution.



How many dollar-months has the pool contributed to this person? Yes –  
 $\$100 \times 6 = 600$  dollar-months or 600 Goodwill points

# Loans

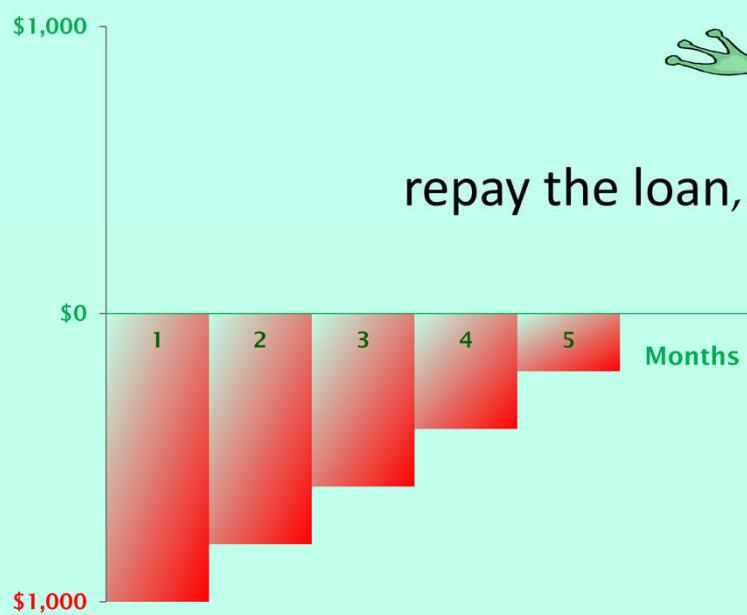


\$150 left in for 3 months has earned you how many good will points? =450  
Taking \$250 out after 3 months (\$150 of your own and \$100 from the pool)  
gives you how much time before you need to pay it back?  $100 \times 4.5$   
In this case the group contributed how many dollar months?  
So how can we make it fair?

# Reciprocity



repay the loan,

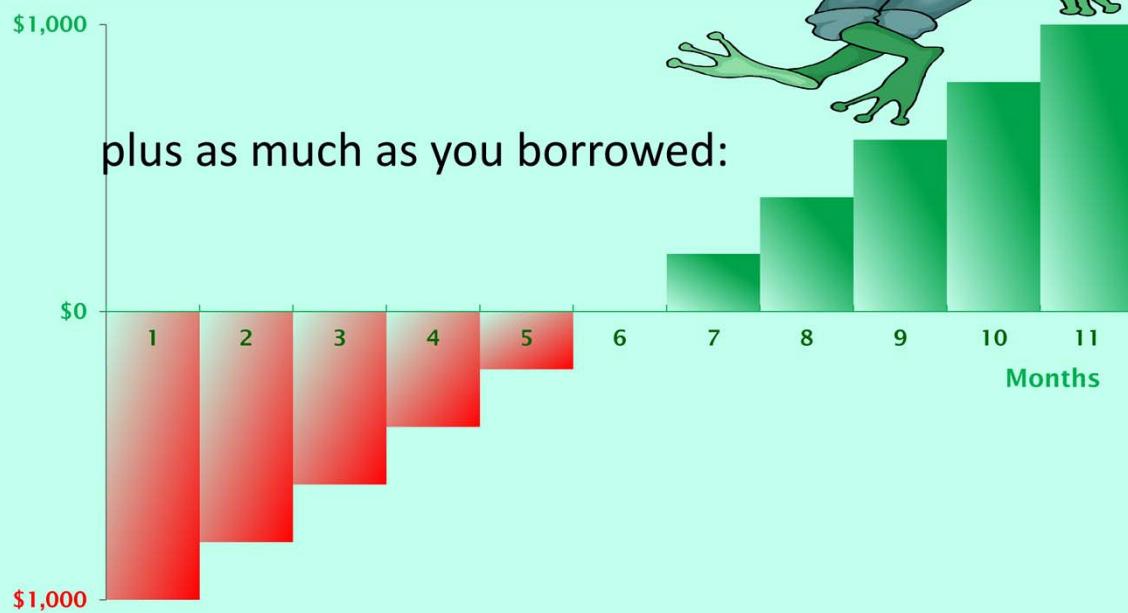


Here someone used money before they have contributed, and paid it back  
Is it fair?

# Reciprocity



plus as much as you borrowed:



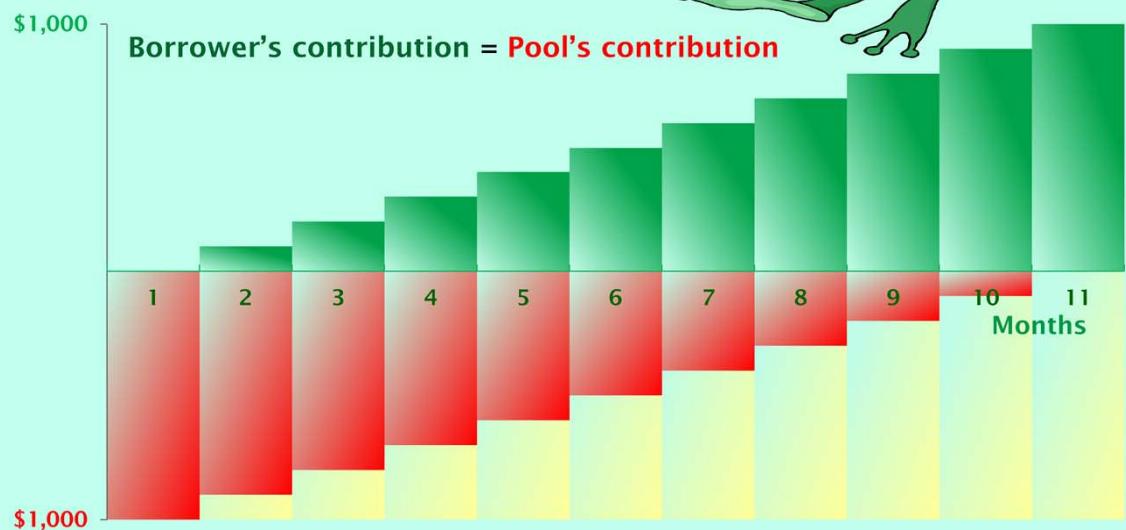
They have to repay the loan plus the same again

And we mean the same: Either a bigger payback over a shorter time , or a lower payback over a longer time = needs to equal the good will area.

Hang on I hear you say, that is dearer than the bank. But it is not – you will get that money back as soon as your contribution matches the pools contribution in terms of dollar-months /Goodwill.

But we don't operate like this – this is just to show you the principle.

## Reciprocity



If you draw down before you earned good will points, the graph looks more like this. Every money paid in per month is calculated as half paying back your borrowing And half putting money into the pool for further funding.

## Reciprocity



\$1,000

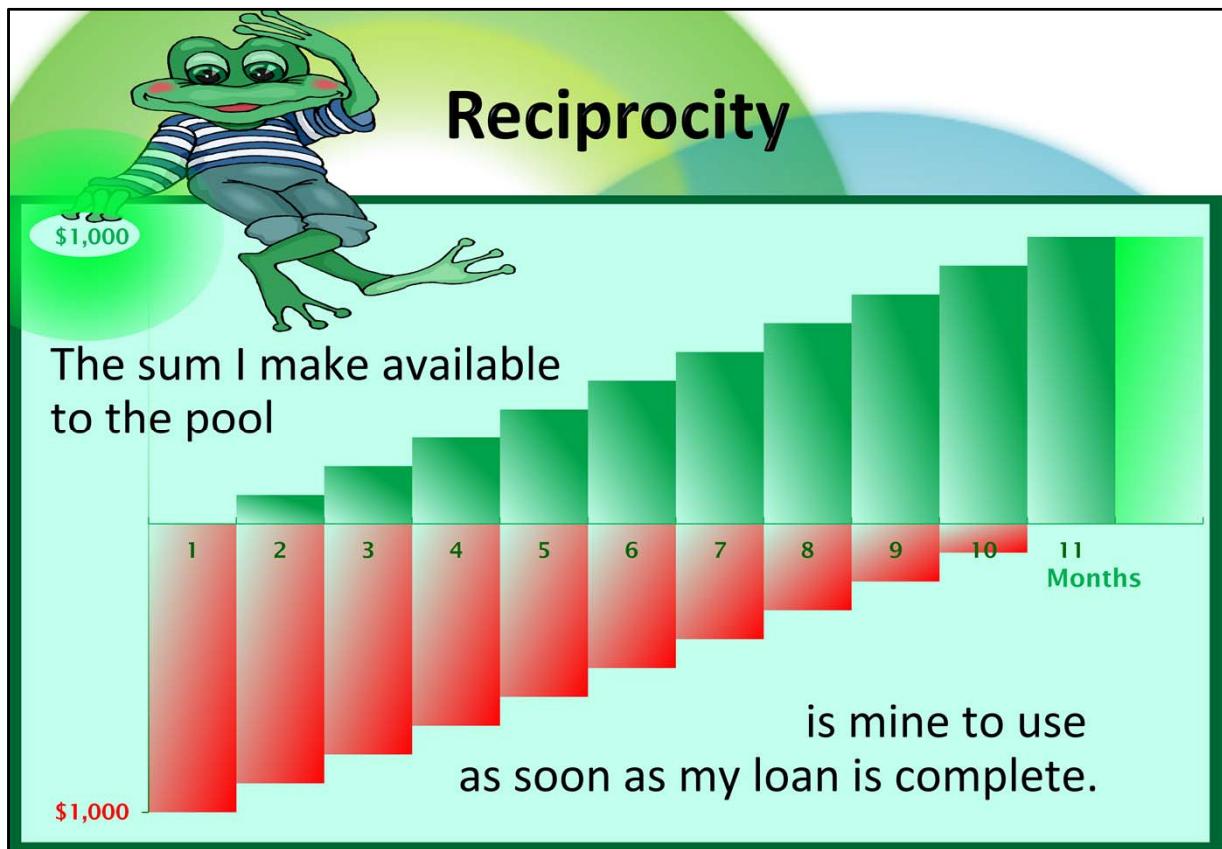
My loan is not complete  
until repayment is made in full  
*and*

\$1,000

my contribution  
matches the pool's.



You have equal monthly payments Until you have fulfilled your obligation with the pool and have matched your contribution. This means you pay back double. BUT The money you have paid over and above the money you borrowed



Is yours to have when the two graphs are equal.

And our son found this very hard at first. When he paid back the amount he borrowed, he got very grumpy about having to keep putting more money in. But when it came to upgrading his car, he was very happy that he had this agreement where he had to save money. And the best spin off for me as mum – he himself saw the benefit of putting money aside each week and he was so surprised how quickly it accumulated that he upped his amount. – Yeah! In my eyes - For a spending happy teenager this was a huge achievement !!

And we have lots of success stories around NZ of paying the same amount of money as people used to pay into their credit cards, but without paying 22% interest, they climb out of the debt mill quite quickly. And it is equally satisfying to be able to help. It is a feel good factor for all involved!

# Pool protocol

All members sign a Member Agreement when they join.

## FROGPOOL

### Agreement

I, O. Joye, agree to contribute to Frogpool in such ways as enable it to operate as follows:

#### Purpose

We Contributors support one another by pooling our individual contributions to combine our purchasing power

#### Roles

Frogpool benefits

Coming to Protocol. First of all we have an agreement we all sign when joining.

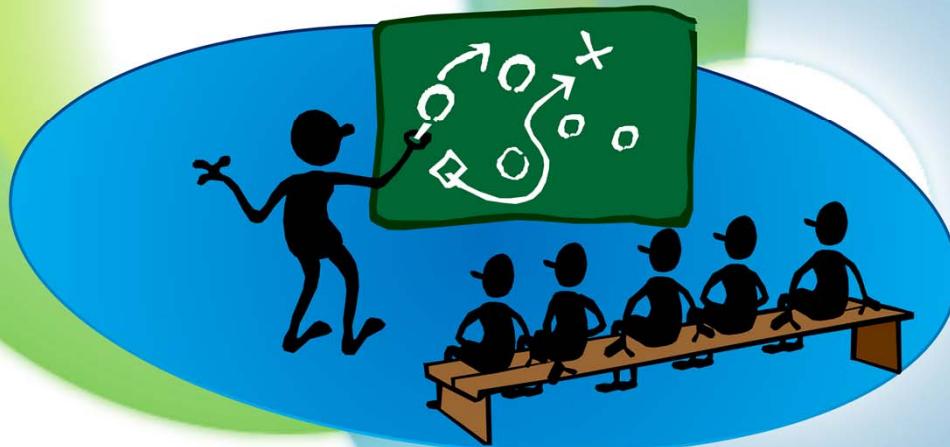
Available in the conference notes

You might think it is a bit simple, BUT

**Agreements freely entered into which are not in violation of the law are legally enforceable**

## Pool protocol

The views of all members are considered.



When someone would like some money out – we discuss it over dinner  
Group consensus decision making process applies

## Pool protocol

Pool decisions have the consent of all members



(even if not the whole-hearted support of each).

If you don't like a proposal of a member,  
and we cannot talk it through,  
then any member has the choice of stating that their money is not available  
to go into a particular funding project.  
So everyone is always in control.

- Once a proposal is agreed to, it is binding.
- If you agree to put money up in the pool, so a project can be funded in the future – the group relies on that!
- And if you state you will pay back over a particular timeframe, all rely on this.
- If life throws you a curveball – TALK WITH THE GROUP.
- Often problems can be solved within the group without even needing money. That is the beauty of being able to talk openly about money matters with others.

## Pool protocol



- ❑ A Pool decides its own size and connections
- ❑ It may seek and accept new members

- We meet over dinner.              We do potluck, where everyone brings a dish.
- Good number is no more than 16 people – anything bigger is hard to accommodate but also hard to find a suitable day, venue and time for all.
- If bigger, split into two.

## **Security**

Members  
pay directly



into the  
pool account.

No-one handles money and most of us have automatic payments set up.  
This is especially essential when you have an obligation to the pool

# Security

A monthly  
statement

details

- Payments
- Withdrawals
- Loan Schedules
- Contributions

...of each member visible to ALL

Monthly statement displays the usual information – BUT – visible to all – no hiding

## **Security**

The members of the pool themselves decide how its funds are used



So there is no fund manager you need to rely on.  
You all decide together.  
Any deposit not tied to a loan agreement may be withdrawn at short notice

# Security

- ✓ No one person alone can access pool funds
- ✓ Lending requires the authorisation of the whole pool
- ✓ The pool owns the item (or something equivalent) until the loan is paid in full
- ✓ Bigger items can be security registered on a government website

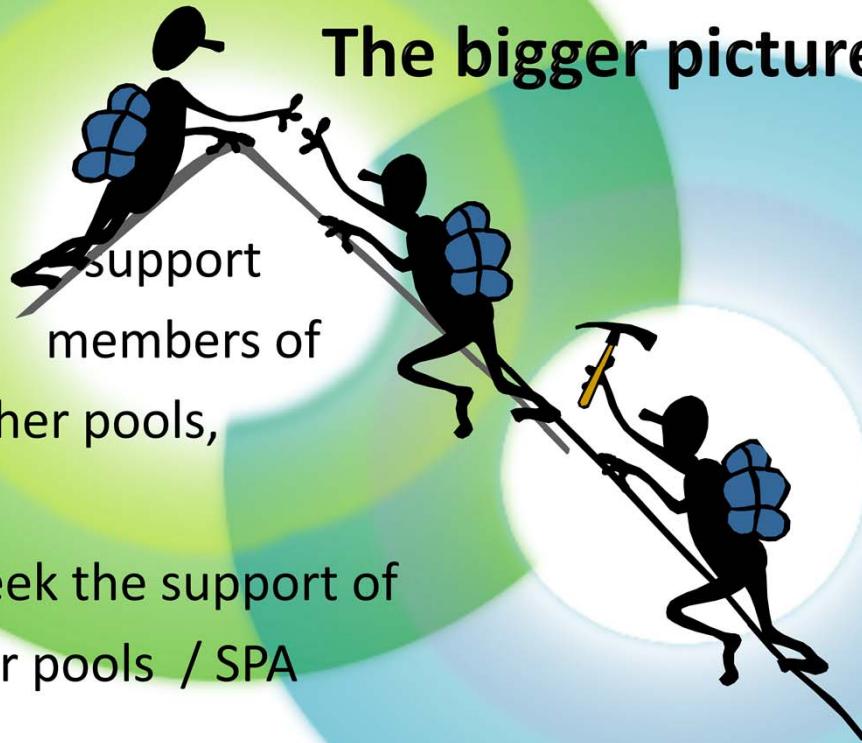


- Another bit of security – we need two signatories (electronic signatories) to withdraw funds
- Members who are not present at a meeting are asked by email to give their agreement
- Pool can own the item
- Or we can register it on a government website.

## The bigger picture

support  
members of  
other pools,

or seek the support of  
other pools / SPA



And then there is the Savings Pool Association, a pool that links pools. So if one member in a pool has a big ticket item, but there are not enough funds in their own pool, they go to the SPA.

Same math applies, just that this time a whole pool is the security for this loan. This means that I don't need to get to know and trust an individual at the other end of the country, as the person has already been vetted by their pool and their whole pool is happy that the proposal is secure (as they are standing behind it, i.e. standing up for the person if they couldn't pay back). Or like in our case, where there are only savers and no spenders, we can make the money useful to others until one of us has a need for some funds.



And the best brilliance about this system:

**It just needs YOU  
to start a small group.**

I have given the pool agreement and an explanation of Savings Pools to the Conference organisers to make available.