

For the VITA Tax Preparer: Help Your Clients Save

As a VITA tax preparer you can play a key role in helping lower income taxpayers begin or boost their savings. Surveys suggest that almost half of those who decide to save some of their tax refunds make that decision at the tax site¹.

This means that you have one of the most effective opportunities to promote the benefits of saving.

The information provided below will help you talk about ways lower-income families can split their refunds into multiple accounts using IRS Form 8888.

Before the client arrives

1. Familiarize yourself with IRS Form 8888, *Allocation of Refund (Including Savings Bond Purchases)*. You can download the form and instructions at irs.gov/pub/irs-pdf/f8888.pdf.

Form 8888 lets taxpayers split their refund into three accounts. The taxpayer must have account and routing numbers. You can also use the 8888 to deposit refunds into retirement accounts, mutual funds, and U.S. Savings Bonds.

2. Download the Save Some & Spend Some taxpayer information and worksheet from ConsumerFinance.gov/vita. (If possible, print the two pages on the front and back of a single sheet of paper.)

Greeting the client

3. As you greet the clients, ask if they would be interested in saving some of their refund. If they are interested or undecided, ask them to review the Save Some & Spend Some information and worksheet while you begin working on their taxes. This will provide the clients with enough time to read the information, consider their options and choose to complete the worksheet. These documents are informational tools for clients to consider and retain.

If they receive a refund

4. When you complete the tax return, tell the clients how much their tax refund will be, and ask if they would like to automatically deposit some of it into their savings account. If they are still unsure, you may want to discuss some of the benefits of saving (see the talking points below).

If they decide to save some of their refund, ask if they have their savings account number and bank routing number and complete IRS Form 8888.

(NOTE: Savings accounts and checking accounts may have unique routing numbers. Verify you are using the routing number for the savings account.)

5. If they do not have their account and routing numbers, ask them if they would be interested in buying U.S. Savings Bonds. Bonds are for longer term savers and must be held for at least one year. They can be cashed without penalty after five years (see the talking points below).

If they are not interested in buying savings bonds, ask them to complete the Save Some & Spend Some worksheet and keep it in a visible location in their home as a reminder of their decision to save some of their refund when it arrives.

(NOTE: The worksheet is theirs to keep. Do not take it from them.)

Talking Points: Why Save Some?

Knowing typical savings goals can help you identify what is likely to resonate with clients, for example, parents may be motivated to save for their children's education.

Some savings goals are longer-term financial goals, like:

- Buying a car.
- Buying a house.
- Saving for college.
- Saving for retirement.

Other goals are more short-term, but may be more relevant to clients, such as:

- **Emergencies.** Having some money in the bank provides a safety net in case of illness or injury, job loss or other financial shocks.
 - **Household items.** Without a special saving effort, buying major durable goods like furniture or appliances often requires credit, which could be costly or difficult to receive.
 - **Children.** Some parents save in order to be good examples for their children, or to ensure they have money for infrequent or unexpected child-related expenses. School clothes, health care, or special activities fall into this category.
 - **Other.** Some clients may be planning a trip home to see family, special gifts for loved ones, or to take the first step away from an all-cash existence.
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- Encourage, but don't pressure clients to save. It is their decision. We ask that you respect whatever decision the clients have made.
 - Remind your clients that over the past four years, hundreds of people just like them have used the automatic savings option.
 - Spending some and saving some is a good way to have your cake and eat it too. Those who chose to save, on average, put 48% of their refunds into savings. The rest was used for other purposes.
 - They can save any amount they choose. The worksheet can help them decide.



- Series I U.S. Savings Bonds can be purchased in \$50 increments. I Bonds will be issued in denominations of \$50, \$100, \$200, \$500, and \$1,000 depending on the amount requested.
- Paper Series I Savings Bonds will be delivered by mail.
- Completing IRS Form 8888 will only take a few extra minutes.
- This is a free option. There are no fees or charges for splitting up their refund.
- If they don't have their account information, keeping the worksheet in a visible place in their homes will serve as a good reminder of their decision. It will also help them remember how much they decided to save once their refund arrives.
- A tax refund is a good opportunity to start saving, especially for families living paycheck-to-paycheck.
- Savings will grow over time, thanks to compounding interest. Adding small amounts on a regular basis will help it grow even faster.
- Do the math. Saving just \$10 a week would add up to more than \$500 by this time next year.
- When you have money saved, you don't have to rely on costly credit – such as payday loans or store financing – when something breaks down or another financial shock hits.

Links for More Information:

CFPB Save Some & Spend Some Taxpayer Information and Worksheet
<http://www.consumerfinance.gov/vita>

Using Your Income Tax Refund to Save By Buying Series I U.S. Savings Bonds
http://www.treasurydirect.gov/indiv/research/faq/faq_irstaxfeature.htm

IRS Form 8888 and Instructions
<http://www.irs.gov/pub/irs-pdf/f8888.pdf>

¹ This information is based on research and pilot programs conducted by the Doorways to Dreams (D2D) Fund.