

## **Project Catalyst Announcement 2014-02**

**Date:** October 2, 2014  
**Subject:** Announcement of Pilot Regarding Tax Time Savings

### **Background**

The Dodd-Frank Wall Street Reform and Consumer Protection Act mandates that the CFPB work to improve the financial literacy of American consumers. As part of this mandate, the Bureau is charged with providing “opportunities for consumers to access . . . wealth-building and financial services during the preparation process to claim earned income tax credits and Federal benefits.” In order to address this mandate, over the past three years, the Bureau has launched a series of initiatives to encourage consumers to save during tax time. For instance, the CFPB has been working with Volunteer Income Tax Assistance (VITA) sites through the Bureau’s Ready? Set, Save! campaign to provide consumers with information regarding saving options and to encourage consumers to save a portion of their tax refunds. The majority of consumers, including those eligible for the earned income tax credit (EITC), still pay to file their taxes with tax preparation companies. Thus, in order to expand on our current efforts to encourage saving, we have decided to launch a research pilot using insights from work being done by H&R Block, Inc. to evaluate the effectiveness of practices to promote consumer saving behavior during tax time. The information shared by H&R Block will be anonymized, and appropriate precautions will be taken to ensure that individual consumers cannot be identified through the data.

H&R Block is one of the largest tax preparation companies in the United States, preparing over 20 million tax returns annually, and a large number of its customers are low and moderate income. H&R Block is implementing a large scale study, the results of which we believe will help provide the Bureau with significant insights regarding consumer saving behavior and the impact of saving on consumer financial health.

### **Research Goals and Design**

The CFPB’s research study associated with this pilot will explore two major research questions:

1. Can certain strategies encourage saving behavior?
2. Is saving behavior associated with better outcomes for consumers?

Within these broad questions, the research goals for this project are to:

- Evaluate practices to promote saving during tax time; and
- Understand saving mechanisms that may improve long-term financial wellbeing

To encourage consumer saving behavior, H&R Block will implement three types of strategies:

- **Marketing** – H&R Block will incorporate information about the importance of saving and available saving options for consumers into its informational materials and its marketing campaigns.
- **On-site Information** – H&R Block tax preparers will encourage their customers to save and will provide information on customers’ options to save when they go to H&R Block stores for tax preparation.
- **Gamification** – H&R Block will test ways to encourage saving by making saving behavior more fun for consumers.

The study will employ randomized controlled trials for the purpose of producing statistically significant results.