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Increasing saving at tax time and promising practices for the field

The CFPB Office of Financial Empowerment



Executive summary

Thirty-four percent of all adult consumers in the United States (72 million people) report having no emergency savings, and 47% of adult consumers say that their accumulated savings would last three months or less if they lost their source of income.¹ One study found that “households without timely access to financial liquidity when an unexpected event occurs may experience economic and material hardships that threaten household well-being, including housing instability, food insecurity, or failure to access needed medical care.”² This research suggests that saving may be difficult for many consumers, but it is especially challenging for consumers who are living paycheck to paycheck and trying to keep up with known expenses while also fearing unexpected expenses or emergencies that will upset their financial plans.

Every year there is one key and predictable moment – tax time – when many consumers who are struggling to make ends meet have an opportunity to choose to build savings that will insulate them from some of the financial stress that may occur later in the year. In 2013, nearly 93 million households filing tax returns had an adjusted gross income of less than \$50,000 per year³ and over 85% of those households received a refund when they filed their tax returns.⁴ The

¹ Neighborworks Consumer Finance Survey, 2015. <http://www.neighborworks.org/Media-Center/Impact-Graphics/Consumer-Finance-Survey>

² J. Michael Collins and Leah Gjertson. Emergency savings for low-income consumers. 2010.

³ Brookings Institution; Earned Income Tax Credit Interactive and Resources; 2013 tax year data. <http://www.brookings.edu/research/interactives/eitc>

⁴ IRS 2012 Market Segment Summary

average refund for all tax filers in 2013 was \$2,733⁵ and for many consumers who receive refundable tax credits, such as the earned-income tax credit (EITC) and child tax credit (CTC), their refunds could be much higher.^{6 7} In many cases, the tax refund can be the single largest lump sum that consumers receive all year. Despite this opportunity, most people do not save a portion of their tax refund, primarily because they have already mentally committed to use the money for other purposes, often to pay back bills, make major purchases or cover immediate needs.⁸

In 2013, 53% of all tax filers received assistance in filing their return from commercial tax preparation companies.⁹ Another 2.6% of all tax filers received assistance through free Volunteer Income Tax Assistance (VITA) programs located in many communities around the country.¹⁰ Many of these VITA programs attempt to offer their tax customers the opportunity to commit to saving while filing their return. However, they often do not have the resources or expertise to provide sufficient information to consumers about saving options or to help them complete their savings goals.

⁵ Brookings Institution; Earned Income Tax Credit Interactive and Resources; 2013 tax year data. <http://www.brookings.edu/research/interactives/eitc>

⁶ For tax year 2014, the maximum EITC for claimants with status of married filing jointly and 3 or more dependent children was \$6,143. <http://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit/EITC-Income-Limits-Maximum-Credit-Amounts>

⁷ The amount of EITC for which a claimant is eligible declines as their household income increases. See the Center on Budget and Policy Priorities; Policy Basics, The Earned Income Tax Credit for more details. <http://www.cbpp.org/research/policy-basics-the-earned-income-tax-credit>

⁸ A. Lusardi, D. Schneider, and P. Tufano, "Financially Fragile Households: Evidence and Implications," Technical Report, National Bureau of Economic Research, Cambridge, MA, 2011.

⁹ Brookings Institution; Earned Income Tax Credit Interactive and Resources; 2013 tax year data. <http://www.brookings.edu/research/interactives/eitc>

¹⁰ The Volunteer Income Tax Assistance (VITA) program offers free tax help to people who generally make \$53,000 or less, persons with disabilities, and the elderly and limited English speaking taxpayers who need assistance in preparing their own tax returns. IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals. <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers>

For the past three years, the Consumer Financial Protection Bureau has provided information and training to staff and volunteers at community VITA programs around the country to promote saving at tax time. Through these engagements with VITA providers and other experts in the field, we have identified ten promising practices that may help tax preparation programs be more successful at informing consumers about their saving options, which in turn may help consumers follow through on their savings goals while filing their tax return.

Promising practices

1. Communicate with consumers about saving before they come to the tax site
2. Offer the saving option more than once at the tax site
3. Make sure tax preparers know how to help consumers save while filing
4. Dedicate staff or volunteers to promoting saving
5. Use “anchoring” and prompts to help consumers focus on a savings goal
6. Make sure all staff and volunteers commit to encouraging savings
7. Don’t overwhelm consumers with too many different types of options
8. Provide incentives to encourage saving
9. Provide multiple options for saving
10. Make saving fun

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1. Introduction

The Consumer Financial Protection Bureau (CFPB) is required to offer “wealth building and financial services during the preparation process to claim earned income tax credits and federal benefits.”^{11 12} Consumers determine their eligibility and claim the EITC during the process of filing their federal and state tax returns.¹³ Our involvement in promoting savings at tax time has primarily focused on offering support to the network of Volunteer Income Tax Assistance (VITA) providers that offer free tax help in many hundreds of communities around the country.¹⁴

The five goals for our tax time saving work are to:

¹¹ The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), Pub. L. 111-203 § 1013(d)(2)(F), *codified at* 12 U.S.C. 5493(d)(2)(F).

¹² Individual offices within the CFPB have collaborated to fulfill this mandate. The Office of Financial Empowerment works to empower low-income and economically vulnerable consumers to make informed financial decisions by providing them with tools and information and by promoting a more inclusive and fair financial marketplace. The Office of Financial Education is responsible for developing and implementing initiatives intended to educate and empower consumers to make better informed financial decisions.

¹³ Forty-three states and the District of Columbia have a state income tax. In those states consumers are required to file both federal and state tax returns. Of those, twenty-five states and the District of Columbia have established a state or local Earned Income Tax Credit which is supplemental to the federal EITC.
<http://www.cbpp.org/research/state-budget-and-tax/policy-basics-state-earned-income-tax-credits>

¹⁴ The Volunteer Income Tax Assistance (VITA) program offers free tax help to people who generally make \$53,000 or less, persons with disabilities, and the elderly and limited English speaking taxpayers who need assistance in preparing their own tax returns. IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals. <http://www.irs.gov/Individuals/Free-Tax-Return-Preparation-for-You-by-Volunteers>

1. Offer consumers who have low-incomes and/or low-wealth more information and saving options while filing their tax return;
2. Develop a deeper understanding of consumer decision-making and service provider capability before and during the tax season;
3. Test the effectiveness of promising approaches in both the nonprofit and commercial environment to promote saving at tax time;
4. Quantify, through research, the consumer benefits of saving, and of maintaining some amount of savings for short- to medium-term goals and needs; and
5. Learn how and where the CFPB can productively contribute to increasing the financial stability of low-income consumers through encouraging tax-time saving.

To begin this work, we collaborated with the Internal Revenue Service and engaged providers in the tax assistance field in small pilots to develop and test tools and resources, and to learn how the CFPB could be most effective in offering help to consumers. In 2013, we worked with three communities on a direct-to-consumer marketing initiative. We provided the nonprofit organizations operating the VITA programs in those communities with basic outreach and information tools to assist them in promoting saving. In 2014, we engaged in a 13-city pilot with local community VITA partners. This included providing enhanced consumer-facing informational materials along with training on promising approaches to increase saving while consumers are filing their returns. After the end of each tax season, we asked for feedback from participating communities regarding the effectiveness of our approach. We used that valuable information to make improvements to our tools and resources the following year.

In 2015, the most recent tax season, we made our informational materials and training available to all VITA programs via download from our website. In addition, we began a multiyear

collaboration with H&R Block¹⁵ to research the effectiveness of targeted communications to offer consumers opportunities to save.

This paper is intended primarily to share basic lessons and promising practices gleaned over the past three years from both the non-profit and commercial sectors in the field of tax preparation. Our observations are primarily about tax preparation assistance provided to consumers with adjusted gross incomes less than \$53,000 per year. Consumers with income below that level may be eligible for the EITC¹⁶ and are also eligible to be served through VITA programs that exist in many communities around the country.

The findings and observations in this paper are based on qualitative data gathered from reports and conversations we have had with more than 30 experts in the VITA field. We also reflect on the approach taken by our research collaborator, commercial tax preparer H&R Block, in offering services to its customers.¹⁷

We appreciate the many VITA program providers who have contributed to this report by sharing their stories, inviting us to visit their tax sites during the tax season, and openly engaging in conversations during and after the tax season about what they have learned from offering this valuable service to low-income consumers in their respective communities.

We thank the Internal Revenue Service SPEC¹⁸ division for their collaboration, the Taxpayer Opportunity Network, operated by the Corporation for Enterprise Development, for providing a communications channel to the broad VITA community, and the Corporation for National and

¹⁵ H&R Block is one of the largest commercial tax preparation firms in the nation. In fiscal 2014, H&R Block prepared 24.2 million tax returns worldwide. <https://www.hrblock.com/corporate/our-company/>

¹⁶ To qualify for the EITC in the 2015 tax year a household must have income less than \$53,267 and meet all the other IRS rules regarding citizenship and filing status. For a complete list of eligibility requirements go to <http://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit/Do-I-Qualify-for-Earned-Income-Tax-Credit-EITC>

¹⁷ This paper does not include results of the H&R Block tax time collaboration which will be released at a future time.

¹⁸ Stakeholder Partnerships, Education & Communication (SPEC) is the outreach and education arm of the Wage and Investment Division of the IRS. <http://www.irs.gov/Individuals/Become-an-IRS-Partner-to-Help-in-Your-Community>

Community Service for their willingness to collaborate with us on a capacity-building pilot deploying AmeriCorps National Civilian Community Corps (NCCC) ¹⁹ team members as Saving Specialists.

Thanks also to H&R Block for their willingness to share information about the nature of the tax preparation business and key consumer behavior insights they have developed before, during and after consumers file their taxes.

¹⁹ NCCC is a full-time, team-based residential program for men and women age 18-24.
<http://www.nationalservice.gov/programs/amicorps/amicorps-nccc>

2. Tax time basics

Below are some of the basic filing statistics for tax years 2012 and 2013. In each year:

Who filed:

- More than 132 million personal returns were filed²⁰
- 92 million households filing tax returns had adjusted gross incomes (AGI) less than \$50,000 per year²¹
- Approximately 27 million households received the EITC²²

Where they file:

- 3.4 million households (2.6% of total filers) filed their returns through a VITA provider (community, military, and AARP)²³
- 71.4 million filers (53.7% of total filers) received assistance from a paid provider through in-person service²⁴
- 58.9 million filers (43.6% of total filers) prepared their own returns²⁵

²⁰ Brookings Institution EITC Interactive data 2013
TRETURN ;<http://www.brookings.edu/research/interactives/eitc>

²¹ Ibid. TAGIO – TAGI50

²² Ibid. TEIC

²³ Ibid TVOL

²⁴ Ibid TPAID

How they handle refunds:

- About 85% percent of households with incomes less than \$50,000 received a refund²⁶
- 82.3 million tax filers (63%) directly deposited their refunds into an account through the tax form²⁷
- 1.5% of filers split their refund using IRS Form 8888²⁸ and had a portion directly deposited into a savings account (data available for 2012 only)²⁹
- Less than 1% of filers purchased a Series I savings bond (data available for 2012 only)³⁰

²⁵ Ibid TSELF

²⁶ IRS Market Segment Summary Tax Year 2012

²⁷ Ibid IRS Market Segment

²⁸ IRS form 8888 allows consumers to directly deposit their refunds (or parts of it) to either two or three accounts at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) in the United States, or to use at least part of their refund to buy up to \$5,000 in paper series I savings bonds. An account can be a checking, savings, or other account such as an individual retirement arrangement (IRA), health savings account (HSA), Archer MSA, Coverdell education savings account (ESA), or TreasuryDirect® online account.
<http://www.irs.gov/pub/irs-pdf/f8888.pdf>

²⁹ IRS Market Segment Summary Tax Year 2012

³⁰ IRS Market Segment Summary Tax Year 2012

3. Why encourage saving at tax time?

Research shows that having even a small amount of savings in reserve for unexpected expenses has a number of beneficial effects, including increased resiliency (the ability to bounce back financially), reduced use of high-cost financial services in response to a financial emergency, and reduced household stress.³¹ One study found that 25% of U.S. respondents could not come up with \$2,000 in 30 days to cope with a financial shock, and another 19% would cope at least in part by selling or pawning possessions or taking payday loans, meaning that nearly half of households could be classified as “financially fragile.”³²

For those households that are not saddled with debt or expenses, tax time can offer an opportunity to get ahead by building up an emergency savings fund and starting a nest egg for financial goals that at other times during the year may only be aspirations. Despite substantial refunds that in most cases represent the largest lump sum low-income families receive during the course of the year, the vast majority do not formally save while filing their return. Some research indicates that these households actually do “save” at higher rates by setting aside funds for planned purposes for an extended period of time, but they may do so through mental

³¹ “Holding liquid assets of up to \$1,999 (versus having no such assets) significantly reduces the incidence of multiple hardships, by 5.1 percentage points. Progressively larger effects are found with larger asset holdings: 10.6 percentage points for \$2,000–\$9,999 and 13.7 percentage points for \$10,000 and above.” Urban Institute: Can Savings Help Overcome Income Instability, 2010 <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/412290-Can-Savings-Help-Overcome-Income-Instability-.PDF>

³² A. Lusardi, D. Schneider, and P. Tufano, “Financially Fragile Households: Evidence and Implications,” Technical Report, National Bureau of Economic Research, Cambridge, MA, 2011. <https://www.fdic.gov/news/conferences/consumersymposium/2011/lusardi.pdf>

accounting by keeping money in their checking accounts where the funds are also readily available in the case of emergency.³³

³³ Findings from Refund to Savings, a large scale random control trial study being conducted by the Center for Social Development in collaboration with Intuit Turbo Tax Freedom indicate that participants say that they save approximately 1/3 of their refund with the other 2/3 being distributed to spending and paying off debt. <http://csd.wustl.edu/Publications/Documents/RR13-11.pdf>

4. Challenges and barriers for consumers to save at tax time

The majority of tax filers of all incomes receive a lump sum refund.³⁴ The amount of the refund is dependent on a variety of factors including the amount the consumer chooses to have withheld in income taxes during the course of the year, and their potential eligibility for a variety of credits and benefits built into the tax code.³⁵

- For people living paycheck-to-paycheck, who may fall short at times throughout the year, tax refunds provide a potential opportunity to catch up, at least a little. However, for filers who are counting on these refunds to get by, falling short of their expected refunds (which could happen, for example, due to a change in filing status or income from the previous year) can be extremely stressful. Many of these filers may be less likely to “save” a portion of their refunds in their mental accounting.
- The majority of low-income filers seek assistance from a trained preparer to file their taxes. VITA preparers serve only 3% of the market, with most filers with low incomes

³⁴ IRS data indicates that 76% of all tax filers of all incomes typically receive a tax refund.
<http://www.irs.gov/uac/Dec-26-2014>

³⁵ The most common reasons cited for “over-withholding” are planned forced savings, taxpayers taking precautions against changes in filing status, and inertia, i.e., the failure to change withholding amount when filing status changes. Damon Jones, “Inertia and Over-withholding: Explaining the Prevalence of Income Tax Refunds,” 2012.
<http://pubs.aeaweb.org/doi/pdfplus/10.1257/pol.4.1.158>

using commercial preparers that charge a fee.³⁶ For consumers with limited incomes and resources, paying for tax preparation services may reduce the amount of money available for saving.³⁷

- Consumers may have already mentally committed their refund to other known expenses before ever precisely determining how much the refund will be. Both commercial and volunteer providers report that this is by far the most common response by consumers as the reason they don't choose to save.
- Consumers may not be offered or may not be aware of the opportunity to save while filing their return. People who self-prepare their taxes with software generally see an option to direct deposit their refund, but often without an explicit offer to save. People who seek assistance from commercial or volunteer preparers rarely hear about their savings options.
- Consumers do not have account information on hand. In tax assistance centers, even if the consumers want to save they may not have the necessary information with them to route their money into a savings vehicle.
- Consumers may worry that savings will affect their benefit eligibility. Some consumers who receive public benefits to supplement their income are aware that having too much savings may jeopardize eligibility. These "asset limits" can cause recipients to be cautious about saving money in a formal account that they have to report or that could be tracked.³⁸

³⁶ According to the National Society of Accountants the average cost of a professional income tax preparer to prepare a "typical" 2014 tax return (the one filed by April 15, 2015) was \$273. This included an itemized Form 1040 with Schedule A and a state tax return. Fees vary by region, as well as by the complexity of the return being filed. <http://www.cpapracticeadvisor.com/news/12065684/average-income-tax-preparation-fees-increased-in-2015>

³⁷ The average cost of a professional income tax preparer to handle a "typical" 2014 tax return (the one filed by April 15, 2015) was \$273 this year. This includes an itemized Form 1040 with Schedule A and a state tax return, according to the National Society of Accountants. Fees vary by region, as well as by the complexity of the return being filed. <http://www.cpapracticeadvisor.com/news/12065684/average-income-tax-preparation-fees-increased-in-2015>

³⁸ Rourke O'Brien. Ineligible to Save? Asset Limits and the Savings Behavior of Welfare Recipients. New America Foundation 2006. http://newamerica.net/publications/policy/ineligible_to_save

5. Ways to save while filing a tax return

IRS standard tax forms have several built-in opportunities for making a formal saving decision during the process of filing a return. While filling out returns, consumers can:

- Make a direct deposit of the entire refund sending it to a standard savings account with an account and routing number.
- Use IRS form 8888 to split the refund into up to three separate accounts.³⁹ Splitting into multiple accounts gives the consumer an option to keep a portion of the refund in a checking account to cover short-term expenses while setting aside some of their refund for a ready reserve or a longer-term goal.
- Use IRS form 8888 and choose one of the direct deposit options to purchase up to \$5,000 in paper Series I savings bonds.⁴⁰

³⁹ An account can be a checking, savings, or other account such as an individual retirement arrangement (IRA), health savings account (HSA), Archer MSA, Coverdell education savings account (ESA), or TreasuryDirect® online account. <http://www.irs.gov/pub/irs-pdf/f8888.pdf>

⁴⁰ Series I Savings Bonds are a low-risk, liquid savings product offered by the U.S. Department of the Treasury. While owned, they earn interest and protect from inflation. I Bonds may be purchased via TreasuryDirect or with an IRS tax refund. https://www.treasurydirect.gov/indiv/products/prod_ibonds_glance.htm

6. Results from CFPB tax time saving pilots

The pilots conducted in the 2014 and 2015 tax seasons provided both promising quantitative results and many lessons that will inform CFPB efforts to encourage and build support for saving at tax time by consumers in coming years.

Each year, the CFPB provided several types of consumer education materials for the VITA programs to distribute to their clients. Materials included posters, brochures and desktop displays that encourage people to save. We provided information sheets for VITA programs to distribute to clients about the ease of saving while filing their return and the ways they could save through direct deposit, splitting their refund, or buying savings bonds. We offered training to VITA programs, primarily through webinar, to provide guidance on how to use our materials. We also offered recommendations on how to incorporate saving promotion into the flow of their tax sites and some ideas on conversation starters that volunteers and staff could use when talking to clients about saving.

In 2014, we engaged 13 community VITA programs from around the country. These VITA programs were diverse in size and capacity. The VITA programs integrated the CFPB materials and training in many ways. Some used the whole suite of CFPB tools, while others used specific tools selectively to augment their existing programs. In aggregate, 48,700 tax filers had their returns prepared at VITA sites where CFPB saving information was deployed.

Just over 3% of tax filers at sites where CFPB resources were used split their refund and deposited at least a portion into savings, which was twice the national average for the previous

tax year. Just under 2% purchased a saving bond, again approximately twice the national average.⁴¹ A closer look at the data shows that some VITA programs had a higher saving rate than others. This led us to examine the conditions under which each program was operating, and the resources they had available, to begin to determine how those conditions affected the consumer saving rate.

Through an expanded effort in 2015, we provided training and materials to 75 VITA programs that served approximately 150,000 consumers. Again, the VITA programs' approaches were diverse in terms of both techniques and results, with some programs having higher numbers of consumers who saved than the national average and others showing little to no difference.

6.1 2014 tax season (returns for tax year 2013)

- 13 community VITA programs participated
- 48,700 taxpayers had their returns prepared at a VITA site using CFPB saving information
- 39,000 of those taxpayers received refunds
- 1,127 (3.1%) split their refunds and put a portion into a savings vehicle⁴²
- 728 (1.9%) bought U.S. Series I savings bonds⁴³

⁴¹ IRS Market Segment Summary Tax Year 2012

⁴² 2012 national average for all EITC filers splitting refund was 1.5%. IRS Market Segment Summary Tax Year 2012

⁴³ 2012 national average for all EITC filers purchasing a savings bond was less than 1%. IRS Market Segment Summary Tax Year 2012

6.2 2015 tax season (returns for tax year 2014)

- 75 VITA programs participated in CFPB training and/or used materials to encourage saving
- 150,000 consumers had their taxes prepared at a site using CFPB saving information
- 118,000 of those tax filers received refunds 3,600 (2.5%) split their refunds
- 2,100 (1.4%) bought U.S. Series I savings bonds⁴⁴

⁴⁴ Random control trial evaluation techniques to directly measure the effectiveness of CFPB training, tools and resources have not been used. As a consequence we have no verifiable indication that the saving numbers generated by the VITA programs that participated in our tax time pilots and initiatives were directly a result of CFPB efforts.

7. How some tax assistance providers are encouraging saving

Many non-profit tax preparation providers already offer additional services, including savings promotion, through their tax programs. Some providers have identified and use a combination of communication, focus and touch that is effective in their local market; however, others have tried with less success.

Through our pilot projects and conversations with tax assistance providers, we have made some basic observations about the tax preparation environment that may shed light on why these initiatives demonstrate varying degrees of success.

1. Low-income filers who expect refunds generally file their returns early in the tax season. This is also the time that is typically busiest for the tax sites. Overcrowded sites can make it difficult to offer additional product or service options without disrupting customer flow. Thus, the primary audience for a saving initiative arrives at a difficult time for providers to talk about saving with their customers.⁴⁵
2. Consumers can find tax time stressful. They may be focused exclusively on getting their return completed and finding out whether they will get a refund. Approaching

⁴⁵ IRS data shows that in the 2014 tax season 55% of all returns were filed in the first six weeks of tax season and over 60% of all refunds were claimed during the same time period. <http://www.irs.gov/uac/2015-and-Prior-Year-Filing-Season-Statistics>

consumers about additional services, including saving, may result in rejection even if at a less stressful time they might appreciate the information and assistance offered.

3. Too much information can result in overload. Multiservice social service providers and coalitions are often tempted to provide information about all of their services when consumers come to the tax site. As a result, they may unintentionally confuse and turn off the consumer.

8. Promising practices

Despite the challenges, what we have learned from our pilots and conversations is that many strategic tax preparation assistance providers in both the for-profit and non-profit sector have successfully engaged consumers about additional opportunities and services during the tax event, including saving. Below are promising practices we have identified that may increase the number of people who save.

1. Communicate with consumers about saving before they come to the tax site.

Early engagement can contribute to an increased interest and an increased readiness to save. Many tax assistance providers indicated that consumers are already mentally preparing how to spend their refund in advance of filing. Providing a saving option for them to consider in that calculation may be helpful. Advance planning may lead consumers to pre-commit themselves to save. It may also make it more likely that consumers will follow-through while filing their return by prompting them to plan which savings vehicle to use and to bring their account information with them.

2. Offer the saving option more than once at the tax site.

Consumers may be more likely to follow through and save if the offer is made more than once. They have to be “sold” on the concept – especially if saving was not already in their plan. Many of the most successful VITA programs make sure their customers hear about their saving options multiple times. Sometimes they provide advance information as described above, and often staff and volunteers give each customer more than one opportunity to hear about their saving options at key moments while at the tax site. This may help overcome unfamiliarity leading to indecision. Sites and staff are reluctant to “pepper” consumers with information, especially if they are resistant, but successful savings initiatives have found that the right level of “soft sales” may increase uptake while maintaining customer satisfaction.

3. Make sure tax preparers know how to help consumers save while filing.

Volunteers and staff should be trained on the steps for completing a tax return with saving. In post-tax season interviews, lack of training emerged as a specific challenge. Volunteer

training time is limited and is understandably filled with information associated with completing an accurate return. After basic training, most volunteers need an opportunity to completely work through mock returns or scenarios to understand the complicated process of using the tax preparation software. Training should introduce the process for how to help a consumer save while filing. Training should include at least one scenario or mock return that includes splitting refunds and/or purchasing a bond to help the preparer feel more confident when a real consumer asks to save.

Example: *Prepare + Prosper - Got Some. Save Some.* Campaign in St. Paul, MN

Campaign activities:

1. **Pre-tax season mailing:** Sent a postcard before the holidays that served as pre-commitment tool, planting the seed of saving.
2. **Looping video at the tax clinics:** Played a looping video about saving, turning wait time into a "teachable moment."
3. **Savings promotion:** Partnered with Doorways to Dreams (D2D) Fund to offer *SaveYourRefund* sweepstakes. This provides volunteers a fun message so they don't feel like they are "selling savings."
4. **Saving celebrations:** Made it (anonymously) known when someone saves at the clinic by ringing a bell or shaking a piggy bank. Peer-to-peer messaging is powerful and celebrations keep saving top-of-mind.
5. **Measuring success:** Displayed and tracked number of savers at each tax site with a large "savings-o-meter." Measurement drives behavior we do what we measure.

The fun of savings has caught hold with 2,500 customers, who have saved \$4.4 million since 2013.

4. **Dedicate staff or volunteers to promote saving.**

Dedicated saving staff or volunteers can make a difference in saving activity, as shown by several participants in our pilots. Many VITA programs have limited capacity to keep up with tax preparation and also devote attention to other related services offered at the tax

site. Some successful programs have dedicated staff or volunteers to specialize in saving promotion, without having the additional responsibility of preparing returns. They can engage with consumers when they check in to the site, or in the waiting room, to provide basic information about saving options and to gauge consumer interest. Then, they can talk to consumers again as the returns are being prepared or as they are reviewed before filing. This multiple-touch approach lets the staff member or volunteer develop a relationship, build trust, and provide information at key points.

Example: Foundation Communities' Savings Bond Incentive Program in Austin, TX

The program rewards tax center clients with a grocery store gift card for allocating a portion of their tax refund towards purchasing a savings bond. Clients receive the gift cards immediately, satisfying desires for immediate gratification while encouraging a future-thinking behavior. A program staff person plays the role of expert throughout tax season and circulates around the sites educating volunteers and clients alike on the benefits of savings bonds and the gift card incentive. In 2015, 447 clients saved and claimed their \$15 grocery store gift card. Clients saved a total of \$59,000.

- 5. Use “anchoring” and prompts to help to focus the consumer on a saving goal.** For consumers who are considering saving, providing a concrete recommendation of the amount, combined with a suggested purpose for saving, has been shown to be effective at increasing saving activity. The *Refund to Savings* initiative, a collaboration between the Center for Social Development at Washington University in St. Louis and Intuit⁴⁶ has demonstrated that when consumers were given a suggestion to save 25% or 50% of their refunds, and in some cases also offered suggested purposes such as for family or for an emergency, they were more likely to save.⁴⁷ While this research was performed in an online

⁴⁶ Intuit Turbo Tax is the largest-selling tax preparation software product in the nation. In fiscal 2014, Turbo Tax sold 28.9 million units. <http://investors.intuit.com/financial-information/fact-sheet/default.aspx>

⁴⁷ Washington University in St. Louis. REFUND TO SAVINGS 2013: Comprehensive Report on a large -scale tax-time savings program 2015. <http://csd.wustl.edu/Publications/Documents/RR15-06.pdf>

environment using the Turbo Tax Freedom product, the approach may translate to in-person consumer engagements.

- 6. Make sure that all staff and volunteers commit to encouraging savings.** Saving efforts may be more successful if everyone—from leadership to volunteers—makes a commitment to promoting it. Everyone needs to be on the same page in order for a savings initiative to really work. The business of running a tax site, or a full program with many sites, is technical, demanding, and fraught with challenges, especially early in tax season when volunteers have the least experience and the flow of customers is at its peak. Often, understandably, activities other than tax preparation go by the wayside. Unfortunately, the first weeks of tax season tend to be the time when consumers who are receiving the largest refunds and could benefit most by saving are coming through the door. To encourage saving and limit distraction, all staff and volunteers need to be committed to saving and coordinated in their efforts. A Saving Specialist can be helpful, but it is difficult for that person to succeed alone. When a customer walks into a tax assistance site or store, they are typically met by a receptionist or greeter who checks them in and gathers any required intake information. When a tax preparer is available, he or she works with the customer to fill out the tax return. Finally, a quality control person likely will review the return for accuracy and gather any final information, signatures, or authorizations before completing the return. The tax preparer and the quality reviewer are in a position to help tax customers complete their requests to direct a portion of their refund to savings. When all of these key personnel believe in the savings goal, they will be more willing to take the time to explain options, have tax customers fill out the necessary forms, and help the customer direct money to savings.
- 7. Don't overwhelm consumers with too many different types of offers.** In the pilot sites where we observed higher savings rates, the VITA programs focused on just a few key products or services along with tax preparation services. Several of the sites participating in our pilots emphasized the importance of this focus. Because tax customers come to the site seeking help with their tax returns, they may not be ready to consider other opportunities, even if they are related to finances. Deciding to save, especially the first time, may require consumers to change their minds about their plans. If they are also offered many other services, the saving message can be diluted or lost. Programs dedicated to encouraging saving recognize that it can be a multiyear project and they have a longer-term focus.
- 8. Provide incentives to encourage saving.** Incentives may help increase saving activity. A number of programs around the country have adopted a practice of providing incentives to consumers who choose to save. Some are

monetary, like a gift card to a local vendor or larger amounts that reward saving money and keeping it in an account for a fixed period of time. Some sites refer consumers to *SaveYourRefund*,⁴⁸ a sweepstakes where the consumer can enter to win cash prizes throughout tax season and a grand prize at the end of tax season. Financial incentives appear to increase the number of people who save. And, once they make the decision to save, consumers often set aside more than the minimum to qualify for the incentive.

9. Provide multiple options for saving.

Many consumers who want to direct deposit their refunds know to bring their checkbook or their account and routing numbers to the tax site. But few of them remember to bring savings account information. Some consumers do not have a savings account. Consumers who want to save, but do not have a savings account, can purchase Series I savings bonds easily and quickly through IRS Form 8888. Some VITA programs host staff from financial institutions on site, to open accounts on the spot. A number of programs have found success in signing people up for prepaid products, allowing unbanked consumers to receive refunds electronically. It helps to provide realistic alternatives as the consumer decides how to direct their refund and follow through on their savings goal.

10. Make saving fun.

Sharing success stories and celebrating saving can help, too. Some VITA programs offer incentives like recognition and celebration at the tax site to acknowledge consumers who follow through and save a portion of their refund. The incentives can also be fun for staff and volunteers. VITA programs with multiple sites or volunteer teams could set savings goals for each site or team, with friendly competitions to see which one generates the most savings. Naturally, aggressive or deceptive sales practices are not appropriate. The competition is not just a way to score points—it should offer consumers a positive way to increase financial stability.

⁴⁸ SaveYourRefund is a program of Doorways to Dreams (D2D) Fund. For more information go to <https://saveyourrefund.com/home/>

Example: United Way of King County in Seattle

“Early in the tax season, we were not having much success in encouraging people to save. Half-way through the season, we asked our AmeriCorps NCCC team to brainstorm ways to increase sales of savings bonds at the site (and how to keep AmeriCorps members interested in even doing them in the first place) and a solution offered was a competition between the two groups. They compared numbers every night and this seemed to be an effective strategy to mobilize the team to sell more. In the last five weeks at our two sites where NCCC team members were stationed, 39 customers (10%) split their refund.”

9. Conclusion

The benefits of having even a small amount of savings include increased resiliency (the ability to bounce back financially), reduced use of high-cost financial services in response to a financial emergency, and reduced household stress. However, one-third of consumers have no savings whatsoever and nearly half do not have enough saving to get by if they lose their source of income. Tax time represents a unique opportunity for many consumers, particularly low-income consumers, to make that important decision by saving all or some of their tax refund. Given this opportune moment, it is important that VITA programs and other tax assistance providers that encourage saving utilize effective strategies to help consumers understand their options and set and reach savings goals. Our work for the past three years suggests that some promising practices include delivering a single message of saving, encouraging consumers to commit to save before they receive the funds and using an automated method to have their funds deposited into an account.⁴⁹ Taking advantage of the tax-time moment to encourage saving for financial goals, and assisting consumers in following through, can help millions of consumer who may be asset-poor to begin to build wealth and to increase their financial security and resiliency.

⁴⁹ Sondra Beverly, Daniel Schneider and Peter Tufano; Splitting Tax Refunds and Building Savings: An Empirical Test. 2005. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=814007