Tax Time Savings
March 13, 2020
Housekeeping

• This webinar is being recorded

• Copy of the slide deck will be available on our FOC website (http://www.FOC-Network.org/)

• All lines have been muted to reduce background noise

• We will take questions at the end but please write your questions into the chat box throughout the webinar

• Send any unanswered questions to your local program officer
Our thanks to Wells Fargo for supporting this work
Tax Time Savings
Interventions & Behaviors
March 13, 2020
Rebecca Thompson
Project Director, Taxpayer Opportunity Network
rthompson@prosperitynow.org
Prosperity Now’s mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
Our Mission...

To **connect, strengthen and inspire** community tax programs so that they can...

- More effectively & efficiently *deliver critical tax assistance*
- Couple that assistance with other *financial capability services*
- Advocate for fairer tax policy
Our Goals...

Increase the # of low-income taxpayers, especially those who qualify for EITC, who access free, high quality tax services

Increase the # of low-income taxpayers who access, and take advantage of, financial capability services and improve their household financial security
Our Goals...

Increase the # of low-income taxpayers, especially those who qualify for EITC, who access free, high quality tax services

Increase the # of low-income taxpayers who access, and take advantage of, financial capability services and improve their household financial security
Moving the needle on tax-time savings
But first, where is/was the needle?

ACHIEVEMENT UNLOCKED YOU FOUND

THE NEEDLE IN THE HAYSTACK
What is the relationship between tax time savings and the financial well-being of LMI taxpayers?

What is the relationship between tax time savings supports and interventions and taxpayer savings behaviors and balances?
Prosperity Now
Washington University Social Policy Institute
SaverLife
Five VITA Programs:
- Campaign for Working Families (Daytona Beach, FL)
- Arkansas Asset Builders (Conway, AR)
- CDC of Brownsville (Brownsville, TX)
- Metro Community Tax Coalition (St. Louis, MO)
- Accounting Aid Society (Detroit, MI)

CFPB
What we learned: People are saving...we just didn’t know

LMI tax filers are saving a portion of their refund at higher rates than previously thought or measured, but a number of filers who intend to save are not successful when they get their refund.
What we learned: *Savings helps guard and protect against financial hardship*

Tax filers who successfully saved experienced fewer hardships and higher financial well-being after filing their taxes.
What we learned: People use their refunds for a variety of reasons, not just savings.

Savings is just one of the uses of the refund and not the most important use for many LMI tax filers.
What we learned: **VITA programs are inconsistent in promoting and supporting savings**

Despite evidence that interventions can support successful savings, there are many barriers to integrating savings programs and other financial capability services into VITA sites.

---

**Highest Priorities, VITA Site Coordinators**

- Accurate returns: 16 responses
- Respect to clients: 16 responses
- Keeping up w/demand: 12 responses
- Complex returns: 11 responses
- Increasing # of returns: 8 responses
- Emergency savings: 6 responses
- Increasing savings/asset building: 4 responses
- Connecting to benefits: 2 responses

---

**No. of Responses**
Why our work is important

We asked taxpayers...

“What’s the most important use for your refund?”

‘No, people aren’t just blowing it’ — how taxpayers spend their refund money is both encouraging and troubling

MarketWatch, Feb.12, 2020
Why our work is important

We asked... “If you had a $400 emergency expense, how would you cover it?”

Use Cash or Equivalent
- VITA Tax Filers: 61%
- US (SHED): 45.5%

Put it on my credit card and pay it off over time
- VITA Tax Filers: 12.5%
- US (SHED): 16%

By borrowing from a friend or family member
- VITA Tax Filers: 10.2%
- US (SHED): 10%

Using money from a bank loan or line of credit
- VITA Tax Filers: 3.0%
- US (SHED): 3%

By selling something
- VITA Tax Filers: 2.0%
- US (SHED): 6%

Using a payday loan, deposit advance, or overdraft
- VITA Tax Filers: 1.1%
- US (SHED): 2%

I wouldn't be able to pay for the expense right now
- VITA Tax Filers: 25.5%
- US (SHED): 12%
Our work is important because...

- Although we learned...
  - LMI taxpayers are saving at least some of their refund at higher rates than previously thought or measured;

- And we learned...
  - Having savings on hand to help guard against financial hardship contributes to a higher sense of financial well-being

- We realize that saving some of the refund is challenging because...
  - LMI households are using their tax refund to “catch up” rather than to “get ahead”

- And it doesn’t help that...
  - Savings interventions and supports are not being consistently offered or implemented at VITA sites
On the Horizon...

I’m:
From:

And this is #MyVITASTory:

VITA Awareness Day
March 18th
Local Initiatives Support Corporation (LISC)

Encouraging saving at tax time webinar

March 13, 2020

The Consumer Financial Protection Bureau’s Tax Time Savings Initiative
Disclaimer

This presentation is being made by a Consumer Financial Protection Bureau representative on behalf of the Bureau. It does not constitute legal interpretation, guidance or advice of the Consumer Financial Protection Bureau. Any opinions or views stated by the presenter are the presenter’s own and may not represent the Bureau’s views.

This document was used in support of a live discussion. As such, it does not necessarily express the entirety of that discussion nor the relative emphasis of topics therein.

This presentation includes references to third-party resources or content that consumers may find helpful. The inclusion of references to third-party sites does not necessarily reflect the Bureau’s endorsement of the third-party, the views expressed on by the third party, or products or services offered by that party. The Bureau has not vetted these third-parties, their content, or any products or services they may offer. There may be other possible entities or resources that are not listed that may also serve consumer needs.
Start Small, Save Up

Emergency Savings: A Pathway to Financial Well-Being
Emergency savings matters

- Emergency savings are the first line of defense against unexpected expenses, such as car repairs, a broken phone, or medical treatment.

- Having emergency savings allows families to build savings, spend them down when necessary, and rebuild their savings cushion repeatedly.

- Without the cushion of sufficient emergency savings, households can be left in deep debt when hit with a financial shock, setting them back as they are trying to save for long term goals like college or retirement and climb the economic ladder.

State of emergency savings

44% of US households don’t save for emergencies

27% of US adults would have to borrow or sell something to cover a $400 emergency expense

12% of US adults would not be able to cover the expense at all

State of emergency savings

- Families need roughly six weeks of take-home income in liquid assets to weather a simultaneous income dip and expenditure spike. Currently, 65% of families lack a sufficient cash buffer to do so.

![Bar chart showing income in emergency savings for recommended and different household types: Black, White, Hispanic. Recommended savings are significantly higher than for any household type.](chart.png)
Challenges to building emergency savings

- Unexpected expenses make it difficult to save
- Volatile income and unpredictable cash flow make saving challenging
- Balancing debt and savings is hard to do
- Saving can be stressful and overwhelming
- Lack of access to or trust in banks creates a barrier to saving
What are we doing?

Mission
  ▪ Everyone in the United States has emergency savings.

Vision
  ▪ To increase people’s opportunities to save and empower them to achieve their savings goals as a step to improved financial well-being.
We will address this problem utilizing the Bureau’s levers

The Start Small, Save Up campaign will work to ensure everyone in the United States has emergency savings.
The Bureau’s Tax Time Savings Initiative

• Each year, the CFPB seeks a cohort of organizations that are diverse in scale, experience, and populations served to participate in the Tax Time Savings Initiative.

• Through the initiative the CFPB:

  • **Provides training and technical assistance** for enhancing and expanding tax time savings efforts to participants

  • **Documents promising practices**, and shares them with the field

  • **Refines tools and training** used with the cohort for dissemination to the broader field
Most of the resources shared today can be easily found on cfpb.gov

Plus, there is more on the site that could prove useful to your VITA program.

https://www.consumerfinance.gov/practitioner-resources/resources-for-tax-preparers/
2019 Tax Time Saving Initiative cohort results

- **76 organizations** providing Volunteer Income Tax Assistance and Tax Counseling for the Elderly (VITA/TCE) participated last year, including AARP Foundation Tax Aide (Tax-Aide), the nation’s oldest and largest VITA/TCE provider.

- Participating organizations prepared **1,973,450 returns**
  - Returns completed by participants ranged from 206 returns to 1,611,592 returns prepared by Tax-Aide, a program of the AARP.
## 2019 Tax Time Saving Initiative cohort results

<table>
<thead>
<tr>
<th>Table 1: Saving using direct deposit split refund or savings bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AARP Tax Aide</strong></td>
</tr>
<tr>
<td>% Returns prepared</td>
</tr>
<tr>
<td>% Claiming EITC</td>
</tr>
<tr>
<td>% Receiving a refund</td>
</tr>
<tr>
<td>% Refund by direct deposit</td>
</tr>
<tr>
<td>% Splitting refund using 8888</td>
</tr>
<tr>
<td>% Purchasing savings bond</td>
</tr>
<tr>
<td>% Total saved /split or bond</td>
</tr>
<tr>
<td>% Percent saved /split or bond</td>
</tr>
</tbody>
</table>
12 Promising Practices for Tax Time Savings
CFPB’s 12 promising practices for tax time savings

1. Communicate with consumers about saving before they come to the tax site
2. Offer saving choices 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 encourage saving
5. Use “anchoring” and prompts to help consumers focus on a savings goal
6. Build commitment among staff and volunteers to encourage saving
CFPB’s 12 promising practices for tax time savings, (continued)

7. Provide incentives, including non-financial rewards, to encourage saving
8. Don’t overwhelm consumers by offering too many different types of services
9. Provider multiple product choices for saving
10. Make saving fun and exciting
11. Special financial well-being events
12. Advisory groups to develop tax time savings strategies for VITA
Practices usage within the cohort in 2019
Start Small, Save Up resources: Savings Booklet

Now available

Building your savings? Start with small goals.

Featuring 8 tools to:
• Build a plan to save
• Determine where to save
• Better manage cash flow
• Set reasonable goals for saving
• Build a rainy day fund
• Save a portion of a tax refund
Start Small, Save Up resources: Savings Bootcamp
Optimizing the Tax Time Moment
Save Money
WIN MONEY

Saving money can be a game changer. That’s why SaverLife makes it safe, simple, and rewarding. Through engaging gameplay, cash prizes, and valuable financial tips, we set you on the path to savvy savings habits and achievable dreams.

Sign Up Free
How SaverLife works

1. Visit SaverLife.org. Check out hundreds of up-to-date and verified financial coaching lessons, tools and calculators, forums and more.

2. Sign up for access to prizes and rewards. Link an existing savings account.

3. Start saving and watch your savings grow!
SaverLife’s 220,000+ members are spread throughout the United States.

40,000+ have linked their bank accounts to earn rewards and prizes for saving.
More about our members

- 82% Women
- $32,000 average income
- 87% do not have a college degree
- 64% single parents

Members’ Sources of Income

- Other/Multiple: 29%
- Not earning any income: 18%
- Disability Benefits: 17%
- Full-time: 20%
- Part-time: 14%
- Multiple part-time jobs: 1%
- Self-employed: 0.4%
Effective interventions get results

Pledging primes people to take action

We're giving away $15,000 in prizes to people who take the pledge!
Make a commitment to yourself and you could win instantly.

Stories unite people and normalize behaviors

Elizabeth F.

My #SavingsResolution is to set money aside for weathering life's storms. My four beautiful mermaids are counting on me to keep them safe and sheltered!

Digital scratch cards incentivize saving and drive engagement.
SaverLife’s impact

2.3X
the savings rate

SaverLife users more than double their saving rate (2.3x) within six months of joining.

64%
of users deposit $500

64% of SaverLife users have deposited $500 or more in their savings account within six months of joining.

11%
of income into savings

SaverLife members save 11% of their income, compared to the national average of 7.7%.

* Based on people saving in Savings accounts where data is available at least 6 months before joining SaverLife
** For Members who are successful participants in the SaverLife program – defined as increasing savings in six months
Tax time savings pledges

Congratulations on taking the pledge!
Scratch away the area below to see if you are a winner!

To scratch, move the $ over the scratch area with your mouse, or rub it with your finger on your phone or tablet.

To scratch, move the $ over the scratch area with your mouse, or rub it with your finger on your phone or tablet.
The SaverLife team traveled to Texas to surprise Derkisha with the news that she was our Grand Prize winner and won $5,000.

Derkisha is currently getting her degree in nursing. When she graduates and starts working, her goal is to buy some land and build her “forever home” – a home where her kids can play and be safe, and come back to when they are older. The $5,000 will go straight into savings so that she can make that dream a reality.
Members receive significant windfalls at tax time

Refund Sizes

- $0 - 500
- 500 - 1,000
- 1,000 - 2,500
- 2,500 - 5,000
- 5,000 - 7,500
- 7,500 - 10,000
- > $10,000

March 19, 2020
February is peak filing season

Most People Filed Well Before April
(Receipt of Federal Refunds)
Changes in savings account balances

Changes in Savings Balances Since 1/31 for People Receiving Refunds in February

- Savings Deposits
- Savings Withdrawals
- Net Change Since 1/31/2019
Early filers use refunds for what matters the most to them

Refunds Are Used to Play Catch Up
February Spending vs. Prior Three-Month Average

Healthcare: -11% vs. 98%
Government: 14% vs. 87%
Credit Card: -7% vs. 61%
Utility Payments: 6% vs. 53%
Cellular Services: 3% vs. 43%
Automobiles: -20% vs. 10%

“The Tax Refund helped me clear a major chunk of my credit card debt” – Sanjay
How Partners Can Participate in 2020
Encourage Clients to Take the Pledge

SaverLife is giving away $20,000 to people who take the tax pledge

www.saverlife.org/pledge
Best Practices for using SaverLife

- Be a SaverLife Ambassador
- Dedicate staff time
- Use trusted relationships
- Integrate into programming
- Share feedback
Thanks!