

Moving People to Save at Tax Time: Lessons from the Field

REPORT SUMMARY

for a tax time savings
program evaluation

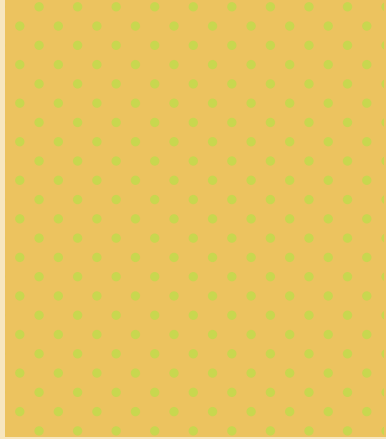
by

Center for Economic Progress
Chicago

and

Prepare + Prosper
Saint Paul

2017



Hello, colleagues and friends,

There is an abundance of data and evidence that Americans of all income levels need to save more. Working people who live from paycheck to paycheck are even more hard-pressed to have money for meeting emergencies, let alone for achieving long-term goals.

We know that saving even part of one's tax refund can prevent future financial hardship and can lead to a more regular savings habit. Given the substantial income boost workers with lower incomes earn at tax time due to tax credits like the Earned Income Tax Credit and Child Tax Credit, free tax preparation services represent an ideal opportunity for practitioners to promote savings. Despite having little to no savings, many people express a desire and intention to save but need support and tools to move them from intention into action.

As providers of free tax preparation services, Chicago-based Center for Economic Progress and Prepare + Prosper of Saint Paul, MN, are in a unique position to have honest and authentic conversations with people who trust us with their tax needs. "Moving People to Save at Tax Time" is our contribution to the field about what works in supporting people to save, according to thousands of taxpayers, volunteers, and front-line staff.

We thank the MetLife Foundation for funding this work.

David Marzahl
President & CEO
Center for Economic Progress

Satori Bailey
Asset Building Programs Director
Center for Economic Progress

Tracy Fischman
Executive Director
Prepare + Prosper

Anne Leland Clark
Financial Capability + Learning Director
Prepare + Prosper

The need to know what works

According to the Pew Research Center¹, American households who earn less than \$25,000 a year have enough savings to replace only six days of income, leaving them vulnerable to unexpected emergencies.

Given the substantial income boost many low-income workers receive at tax time, free tax preparation services present an ideal opportunity to promote savings, build a savings habit, and ultimately create financial stability.

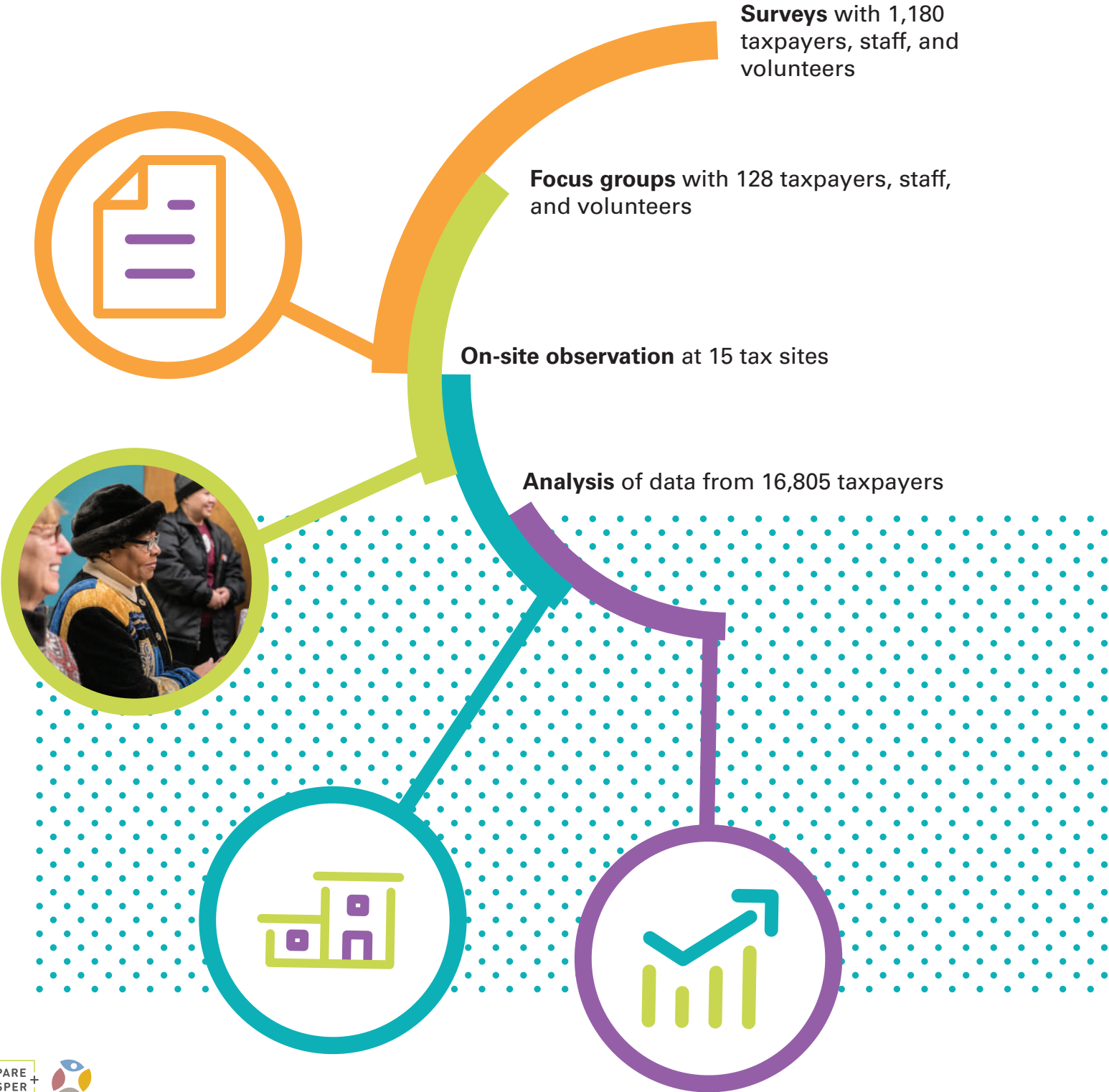
The Center for Economic Progress and Prepare + Prosper have made significant investments over the years in integrating financial services with free tax preparation and have helped thousands of taxpayers save millions of their refund dollars at tax time through a diverse set of approaches that nudge or encourage people to move on their good intentions and save all or some of their refund(s).



With over a decade of shared experience integrating savings at tax time, we set out to evaluate and learn from our efforts to understand what works in moving people to save some of their tax refund so that we—and our field—can take this work even further in helping people build financial stability.

Methodology

Evaluator Steve Holt of HoltSolutions employed the following methods.





Tax-time savings work is often conceived as an exercise in persuasion—convincing taxpayers to take a savings action. However, our evaluation results suggest that it may be as much a process of facilitation—making it easy for those who decide to save and helping them do so during tax preparation.

Key findings



There is no simple recipe for tax-time saving success, but there are predictors:

- A taxpayer's "propensity to save." These attributes are especially significant: refund amount, having money in savings, having saved refund dollars the year before, and arriving at the tax site intending to save.
- Tax site structure and flow. Co-location of financial capability and tax teams paired with close interaction and integration supports savings success.
- Enthusiasm of financial capability staff or volunteers. Dynamic savings promoters who actively engage with everyone—taxpayers and volunteers—ensure that everyone hears the savings message.

It takes investment and time.

- Saving success may not be evident in a single tax season but emerges over time from continued investment and focus. Taxpayers prominently stated previous tax refund saving as an influencer in deciding to save at tax time again.

Refund size influences the decision to save more than income does.

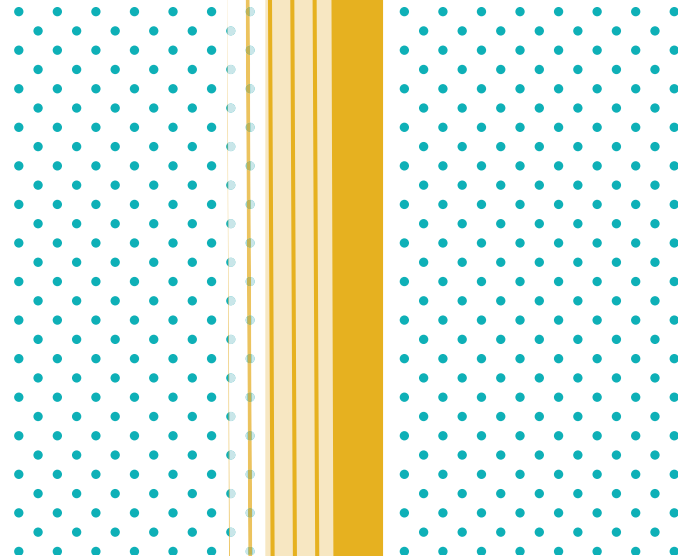
- The size of one's tax refund is more of an influencer than annual income when it comes to saving at tax time.

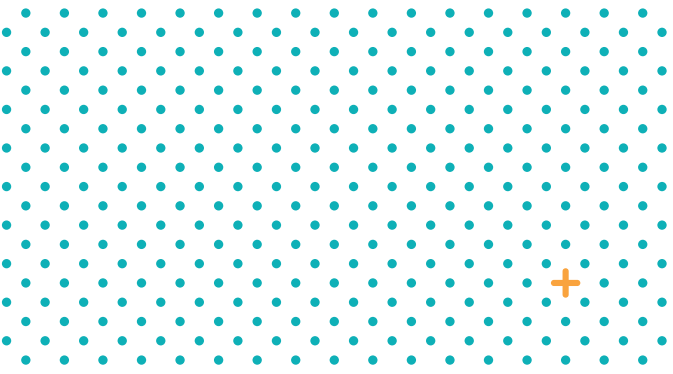
Some people save their refund after they receive it.

- Some taxpayers were not interested in saving at the tax site because they had a plan to save after receipt of the tax refund, and they did so.

Recommendations

- **Savings should be a standard part of the tax preparation intake process and always include a version of these questions as a prompt:**
 - Do you have money in savings?
 - How big was your refund last year?
 - Did you save some of your refund last year?
 - Do you intend to save some of this year's refund?
- **The financial capability team should be co-located in the same space as intake and preparation, including space for one-on-one discussions with taxpayers.**
- **Everyone at the tax site, from the site coordinator to tax preparer and beyond, should share responsibility for achieving tax-time savings goals.**
- **Recruitment of financial capability staff and volunteers should focus on passion to engage with people, listen, and persuade. They should see the tax site as a "sales floor."**
- **The financial capability staff or volunteers should also get involved in other functions, when necessary, to appear fully integrated into the site.**
- **Having a staff person or volunteer dedicated to promoting savings is essential, and more than one is ideal.**
- **All taxpayers are potential savers. This should be continually reinforced to counter the tendency by some volunteers and staff to make judgements about a taxpayer's ability to save, particularly based on income.**





About us

Center for Economic Progress (CEP) and Prepare + Prosper (P+P) are two of the largest and most established organizations in the country providing free, community-based tax and financial services to low- and moderate-income communities. Combined, both organizations leverage the contributions of more than 1,300 volunteers who serve on the front line as tax preparers, financial coaches, and numerous other roles.

Together in 2016, the organizations helped 1,166 people save \$1.8 million, an average of \$1,536 per taxpayer.

That works out to be 6.7% of CEP taxpayers and 13.7% of P+P taxpayers who saved some or all of their tax refund at tax preparation sites, with individual tax sites having savings rates as high as 14.1% at CEP and 18.5% at P+P.



To learn more, visit www.economicprogress.org
and www.prepareandprosper.org

www.economicprogress.org/taxtimesavings

