



**TAX TIME
SAVINGS BONDS**

SAVING IS HARD. BONDS MAKE IT EASY

Savings Bonds: Tax Time Innovations

2012 Assets Learning Conference,
Washington DC
September 21, 2012



Agenda

- ▶ **Background and Context**
- ▶ **Strategies to Save at Tax Time**
 - ▶ Presenting and Talking about Saving
 - ▶ Embedding Savings in Site Operations
 - ▶ Seeking a Decision and Addressing Client Concerns
 - ▶ Making it fun
 - ▶ Using Social Norms
- ▶ **Building a Savings Habit with Tax Time Bonds**

Doorways to Dreams (D2D) Fund

Mission:

Strengthen the financial opportunity and security of low and moderate income consumers by ***innovating***, ***incubating*** and ***stimulating*** new financial products and policies

- ▶ US (Boston) based not-for-profit
- ▶ Focus on scale, sustainability
- ▶ Record of linking private sector capabilities to public & non-profit ideals
- ▶ Co-founded in 2000 by then Harvard Business School Professor, now Oxford Dean, Peter Tufano

Bonds Make It Easy to Save

- ▶ **The right time** - \$115 B is returned to \$68M low-to-moderate income families each year
 - ▶ often up to 20% of their annual incomes
- ▶ **The right person** – tax preparers serve as trusted advisors to suggest saving to consumers
 - ▶ a tax preparer may be the only person all year to suggest saving
- ▶ **Convenience** - the decision to purchase can be made on-the-spot
 - ▶ on forethought or planning needed – “impulse saving”
- ▶ **Universal, Permanent, Recurring**
 - ▶ clients are linking tax time to saving

Assistance and guidance from a trusted tax preparer is a critical to helping tax clients save at tax time



Agenda

- ▶ **Background and Context**
- ▶ **Strategies to Save at Tax Time**
 - ▶ **Presenting and Talking about Saving**
 - ▶ **Embedding Savings in Site Operations**
 - ▶ **Seeking a Decision and Addressing Client Concerns**
 - ▶ **Making it fun**
 - ▶ **Using Social Norms**
- ▶ **Building a Savings Habit with Tax Time Bonds**

Saving in bonds at tax time: How does it work?



Tax Preparers Matter

In a 2007 study, **41%** of tax clients who saved part of their refund decided to do so *only after meeting with their tax preparer.*

1. ***Explain opportunity*** - describe savings bonds & chance to save at tax site
2. ***Seek decision*** – ask client to decide if, how much & for whom to order bonds
3. ***Process order*** – complete IRS Form 8888 and enter name of owner and co-owner(s) or beneficiary and amount for bonds

Presenting Savings

Consider

- Saving requires many tax clients to take a “leap of faith”
 - What if they need the money later? Or their savings disappear?
- Clients generally trust their tax preparer or other VITA staff
- They are there at *the* key moment – when the refund amount is known

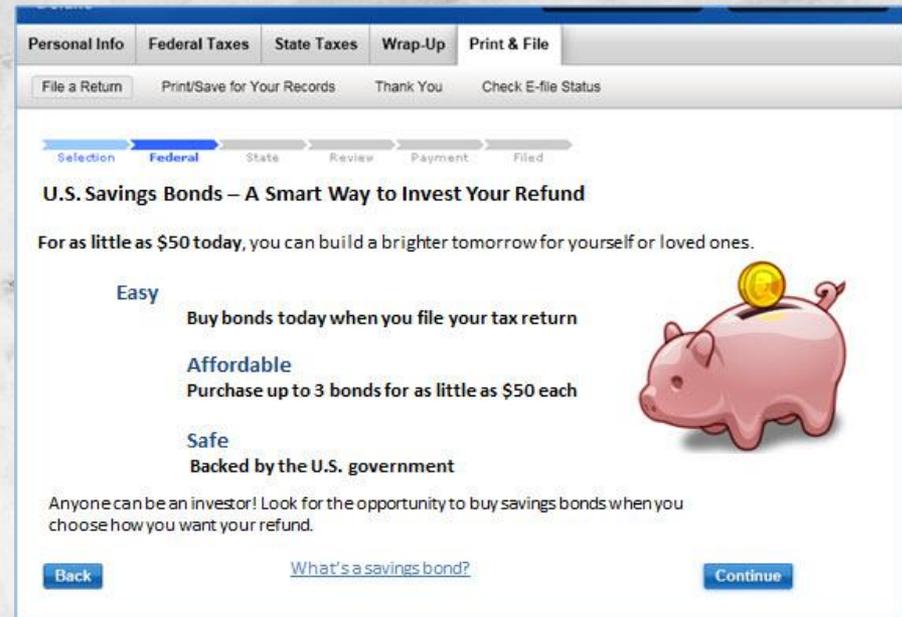
Talking with Clients

Bonds are a good fit for...

- **Parents / guardians** – bonds are popular gifts for kids
 - 68% of '08 buyers bought bonds for others
- **First time savers** – seeking a safe way to start saving
 - Bonds can be ordered for as little as \$50
- **Long-term savers** – who want a tool to build savings over time
- **People on ChexSystemsSM** – who do not qualify for a bank account

Framing and Messaging

- ▶ **Would you like to invest in U.S. Savings Bonds?**
 - ▶ CWF, Philadelphia
- ▶ **U.S. Savings Bonds – A Smart Way to Invest Your Refund**
 - ▶ TurboTax Free File Edition



The screenshot shows the TurboTax interface for filing a return. The top navigation bar includes 'Personal Info', 'Federal Taxes', 'State Taxes', 'Wrap-Up', and 'Print & File'. Below this, there are buttons for 'File a Return', 'Print/Save for Your Records', 'Thank You', and 'Check E-file Status'. A progress bar indicates the current step is 'Federal', with other steps being 'Selection', 'State', 'Review', 'Payment', and 'Filed'. The main content area is titled 'U.S. Savings Bonds – A Smart Way to Invest Your Refund' and includes the text: 'For as little as \$50 today, you can build a brighter tomorrow for yourself or loved ones.' Below this, there are three key benefits listed: 'Easy: Buy bonds today when you file your tax return', 'Affordable: Purchase up to 3 bonds for as little as \$50 each', and 'Safe: Backed by the U.S. government'. A pink piggy bank icon with a gold coin is positioned to the right of the text. At the bottom, there are 'Back' and 'Continue' buttons, and a link for 'What's a savings bond?'.

“[What convinced me to buy a bond was] just knowing those savings bonds are going to help put with the economy and at the same time build something for my kids, even though I can’t leave a million-dollar trust fund. Something to start to build on, something to buy into, knowing those savings bonds are going to help out somewhere with the economy....”

- Bond buyer, April '09

Conversation starters and prompts

To raise the topic of saving, try open-ended questions:

- Begin the conversation with an open-ended question. For example, “congratulations, \$1,682 is a pretty good-sized refund. What are your plans for it?”
- Listen carefully and patiently to your client’s reply. This shows respect and gives you important clues about your client’s concerns, interests, and possible misunderstandings
- Through your responses, make clear that you have heard your client. For example, “I hear what you’re saying, a lot of people use their refunds to pay off some bills. That makes sense to me.”
- Consider choosing 2 or 3 features to emphasize when describing savings bonds. For example, “What I like about savings bonds is that you can buy one for as little as \$50, and give them as gifts – that’s a hard combination to beat.”

Embed savings in operations: use every touch point as opportunity

- ▶ In the waiting area
- ▶ Greeter/Screenener
- ▶ Asset Specialist/Cash Coach/Other Equivalent
- ▶ *Tax preparer (Key Role)*
- ▶ Quality Reviewer
- ▶ Site Manager

Seeking A Decision

- Saving is hard & many client's won't say "yes."
- It is normal for about 1 in 10 to order bonds.
- Please keep asking clients about bonds – even if many say "no."
- Always respect clients' choices, as they know what's best for them.

To help clients decide about buying bonds:

- Answer any questions; tactfully correct any misinformation
- Briefly re-state 2 or 3 relevant bond features
- Then ask directly, "would you like to order a savings bond today?"
- If client declines
 - Politely ask them why
 - Correct any misunderstandings, ask again



Possible Client Concerns

Concern: I can't afford to save

- **Response**

- Even a little is a start; you can begin for \$50
- You just saved \$150 in tax preparer fees - you could save some of this amount
- How did you use last year's refund? Buy a \$50 bond & you'll still have some of your refund next year

Concern: I don't trust the government

- **Response**

- 55 million Americans hold Savings Bonds
- Savings bonds have been sold since 1934
- You trust the gov't to send your refund
- The same department that processes your refund issues bonds

Client Concerns (more)

Concern: I'll save by myself, my own way

- **Response**

- It's great you already have a plan to save!
- We are offering another saving option that can save you time & a trip to the bank.
- Bonds are among the safest saving options with very competitive returns.
- You can buy a bond for your kids, grand-kids or others - bonds make great gifts.
- For most of us, if we don't do it *now* we may never do it.
- It's *free* to split your refund and buy a bond today.

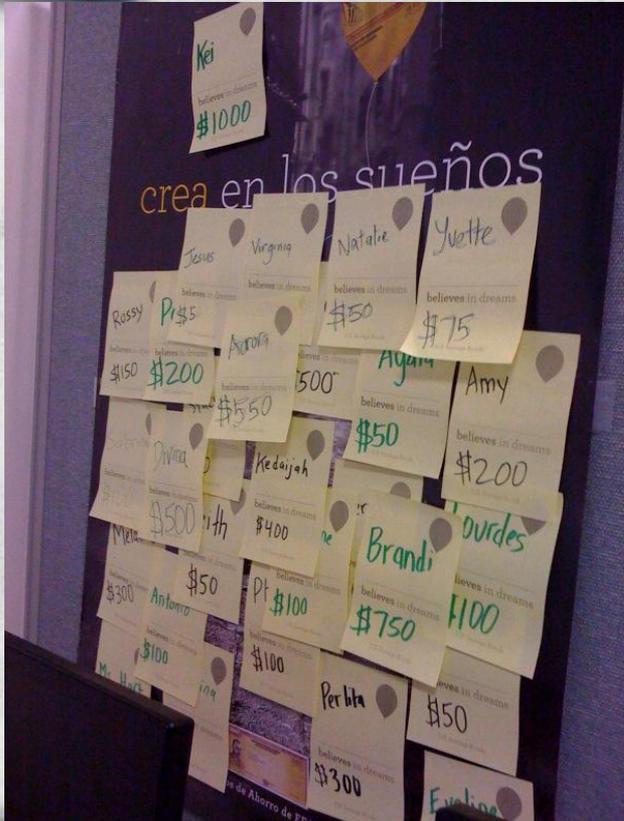
Making it Fun: Prize Promotions

Impact Alabama, Birmingham, AL

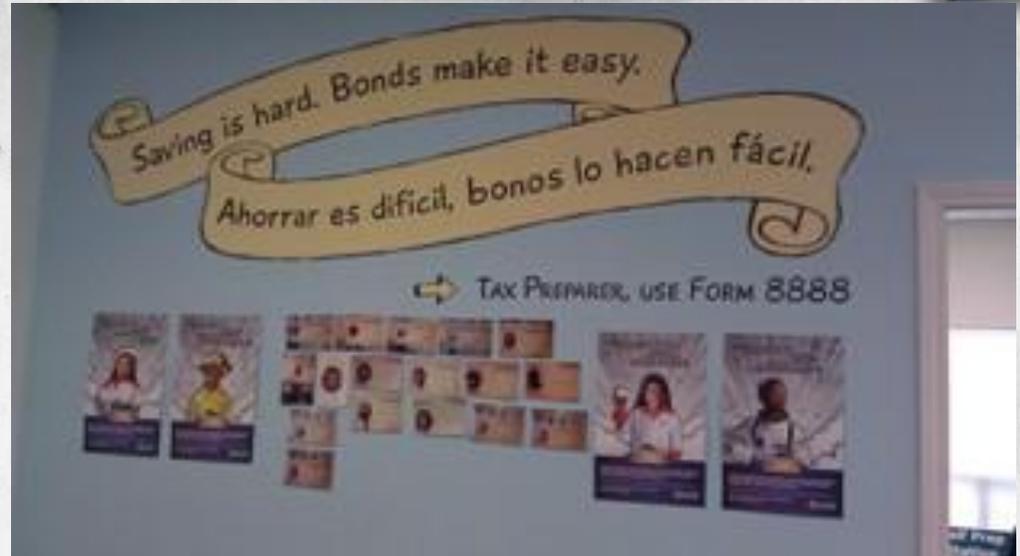


Baltimore CASH, Baltimore, MD

Using Social Norms



The Financial Clinic, NYC



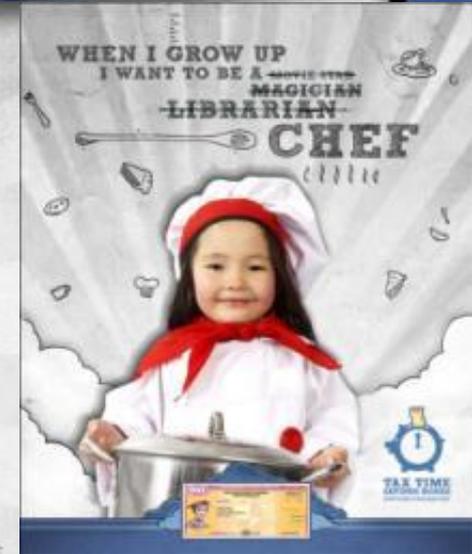
Foundation Communities, Austin TX



The Campaign for Working Families, Philadelphia, PA

Other strategies that matter

- ▶ Size of and layout of your space
- ▶ Marketing, Awareness and Education
 - ▶ Available for download at www.bondsmakeiteasy.org
- ▶ Training of staff and volunteers
 - ▶ Also at www.bondsmakeiteasy.org



Agenda

- ▶ **Background and Context**
- ▶ **Strategies to Save at Tax Time**
 - ▶ **Presenting and Talking about Saving**
 - ▶ **Embedding Savings in Site Operations**
 - ▶ **Seeking a Decision and Addressing Client Concerns**
 - ▶ **Making it fun**
 - ▶ **Using Social Norms**
- ▶ **Building a Savings Habit with Tax Time Bonds**

Savings Bonds as Gifts

Tax Clients can buy bonds for:

- Themselves
- And/or up to two other people
- e.g., kids, grandkids, spouses, nieces / nephews

Details

- Tax client needs only name of gift recipient (no SSN)
- Client & gift recipient will be listed on bond as co-owners
- Either party can redeem bond

In a 2008 study, **68%** of buyers purchased savings bonds for others, mostly children & grandchildren



Findings: Easy helps even “non-savers” save

90%

The percent of 2008 bond buyers that said that they would recommend bonds to their friends and family

- ▶ Substantially increased savings
 - ▶ In controlled trials, 6-9% take up
 - ▶ Mostly by women (79%), parents (70%)
 - ▶ Low income (\$21k adjusted gross income)
- ▶ Savings by “new” savers (55% < \$100 in savings)
 - ▶ Most didn’t plan to save
 - ▶ Substantially saving for kids*

I buy bonds as a way of saving for my children and grandchildren that could be used for the college education.

believes in dreams

Finding: Why People Save

- Who: for kids & grandkids
 - 70%+ of buyers bought for others
 - 59% of buyers “I want to put something away for my kid’s future”
- What: for education, retirement
 - Children / family (27%), Education (23%), Retirement (18%)
- Time horizon: long-term
 - 2/3rds still saved after 3 years (in line with national average)

US Savings Bonds
are a smart way
to save money for
my kids and
grandkids future.
-Carmen

believes in dreams

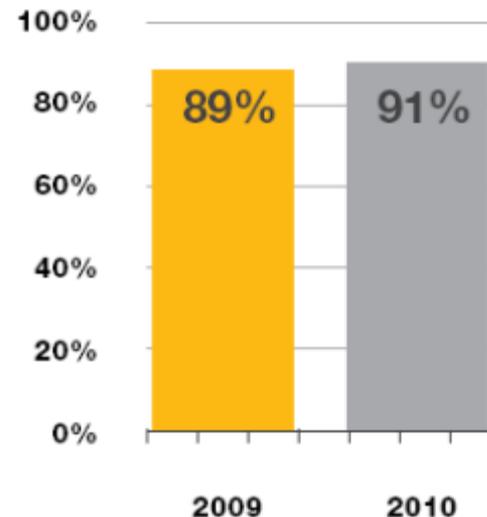
I buy bonds as a
way of saving for
my children and
grandchildren that could be
used for the college
education.

believes in dreams

People Want to Save

- Low to Moderate Income tax clients value saving
 - 49-63% of buyers saved part of refund in the past
 - 48% of decliners
- Saving is a growing concern

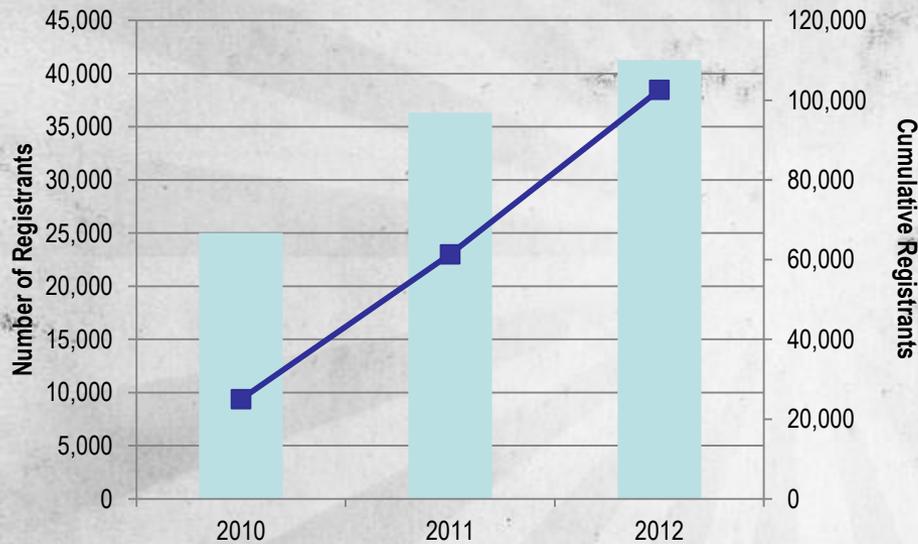
“Compared to a year ago, saving is more important” - bond buyers from D2D pilots



Finding: Who Saves

- Demographics
 - Parents: 70-75% of buyers; grandparents: 4-15%
 - Gender: 79% female
 - Age: ~ 40 years, same as sample
 - Income: average AGI of buyers ~ \$20k
 - Ethnicity: African American over represented among buyers; Hispanic slightly under
- Other
 - Large tax refund (\$3.4k for buyers vs. \$1.7k)
 - First time savers: as high as 50%

Results at scale



100K

The approximate number of Americans that have benefitted from the policy

More than \$40M

The amount saved in tax time savings bonds

Building savings: acquiring the savings habit?

“Someone who begins saving at least part of their tax refund might acquire the habit and start saving in other ways as well”

— Mark Iwry, senior adviser to the U.S. Secretary of the Treasury and deputy assistant secretary for retirement and health policy, quoted in “Enlisting Tax Refunds to Push Savings”, April 11, 2012, WSJ

27%

repeat buyers
In 2010-2011
and 2011-2012

Accumulating
savings year
over year

New /
first
time
savers

Saving for the
future

“Well, this is something I just started to do last year. I thought it would be nice to put money away for something I can use for the future, I just wanted...to have that money to build on it. Every year I do my taxes I want to get another savings bond”
- Bond buyer – April '09

For more information:

- ▶ Bonds Make it Easy,
www.bondsmakeiteasy.org
- ▶ www.bondsmakeiteasy.org/facebook
- ▶ www.bondsmakeiteasy.org/twitter