Building a brighter future by saving at tax time

The Bureau of Consumer Financial Protection, Office of Community Affairs

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Executive summary

This paper provides observations on ways that consumers, especially those with low and moderate incomes, save, and how that saving activity can be better measured. It builds on the knowledge, practice, and results of the 71 Volunteer Income Tax Assistance (VITA)[1] programs from 31 states that participated in the 2018 Bureau Tax Time Savings cohort. Through direct feedback from participating VITA programs, this paper provides information on how programs encourage saving. It also identifies two new practices that several of the programs have implemented to leverage their tax preparation efforts to offer additional financial capability resources to their tax customers. Finally, this report describes some of the new tools that the Bureau has created to help VITA programs more effectively focus on those practices that would be most effective in their communities and how to implement them.

Building and retaining savings is important for every consumer because it provides a financial foundation upon which to plan for the future. It can be particularly important for consumers with lower incomes because they may survive on a razor thin financial margin that can create economic stress for themselves and their families. There are three strong reasons to encourage saving at tax time: 1. For many consumers with lower incomes their tax refund is the biggest single lump sum they will receive all year. 2. Many of those same consumers have little to no savings, which makes them economically vulnerable to financial shocks. 3. The process of filing a tax return provides an easy and automatic way to save some or all of their tax refund.

In 2017 the Bureau produced a paper describing the use of ten promising practices to encourage saving by consumers based on direct feedback from the 58 VITA programs that participated in the Bureau's 2017 tax time savings cohort. The 2017 paper also identified some key barriers and

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[1] The Volunteer Income Tax Assistance (VITA) program offers free tax help to people who generally make $54,000 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

challenges to consumers around saving at tax time. This paper expands on the information provided in the 2017 report.

The Bureau appreciates the many VITA program providers who have contributed to this report by sharing their stories, inviting the Bureau and contractor[2] staff 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 service to people with low incomes.

The Bureau thanks the Internal Revenue Service SPEC[3] division and the Taxpayer Opportunity Network, operated by Prosperity Now (formerly the Corporation for Enterprise Development), for their collaboration and for providing communications channels to the broader VITA community.

The Bureau also thanks the staff at the Center for Social Development at Washington University in St. Louis for their continuing research to help the tax preparation field better understand and support consumer intent to save at tax time.

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[2] ICF International provided contract services to the Bureau for this project. ICF was selected through a competitive solicitation (contract number GS-00F-010CA).

[3] 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

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1 Introduction

The Bureau of Consumer Financial Protection (Bureau) was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203 (Dodd-Frank Act).

The Dodd-Frank Act directs the Bureau to implement "initiatives intended to educate and empower consumers to make better informed financial decisions."[4] The Bureau develops tools and resources to enhance the financial knowledge and skills of all Americans, from childhood to later life, so that individuals can build their financial well-being. In the Bureau's published Strategic Plan for FY 2018-2022, one strategy under the Bureau objective to provide consumers with timely and understandable information is to "address needs for inclusion and financial security of servicemembers, older Americans, traditionally underserved consumers and communities, and students."[5]

The Office of Community Affairs,[6] an office within the Consumer Engagement and Education Division at the Bureau, provides tools and information to help traditionally underserved consumers become more financially stable and secure, including the Tax Time Savings Initiative.

Under the Dodd-Frank Act, the Bureau has a specific charge to provide opportunities for consumers to access "wealth building and financial services during the preparation process to claim earned income tax credits and Federal benefits."[7] Consumers determine their eligibility

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[4] 12 U.S.C. 5493(d)(1).

[5] The Bureau's Strategic Plan for FY 2018-2022 can be found on the agency's website, at www.consumerfinance.gov/about-us/budget-strategy.

[6] The Office of Community Affairs was formerly known as the Office of Financial Empowerment.

[7] 12 U.S.C. 5493(d)(2)(F).

and claim the Earned Income Tax Credit (EITC) during the process of filing their federal and state tax returns.[8]

The Bureau encourages saving at tax time by offering support to the network of Volunteer Income Tax Assistance (VITA) providers that offer free tax help in communities around the country. The Bureau also offers its tools, training and technical assistance to the companies in the commercial tax preparation industry.

A large percentage of consumers electronically file their returns and an increasing number of consumers are choosing to prepare their own returns using a variety of commercial software products. According to IRS statistics, as of May 1st of 2018, 89% of the 141.5 million returns received in the most recent tax season by the IRS were e-filed returns.[9] Of the returns filed electronically, 43% were prepared and filed by individual consumers and 57%were prepared by commercial tax preparation firms or VITA programs.[10]

As information is entered, the software being employed typically calculates a running total of the amount owed or the amount of refund due to the tax filer. The final summation page shows if a tax filer is due a refund. If so, the very next screen the tax filer, the tax professional, or the VITA volunteer sees could be changed to prompt a taxpayer to consider saving a portion of that refund. This same page provides an opportunity to include information on easy ways to have the IRS automatically distribute the refund to multiple accounts of the consumers' choosing. However, this is not yet the case for most tax preparation software. This relatively simple process change in tax software could offer a greater number of tax filers the saving option and increase the opportunity to leverage the tax time moment to make a financial decision that may benefit themselves and their families.

[8] 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-nine 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

[9] 2018 and Prior Year Filing Season Statistics. Internal Revenue Service. https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-may-11-2018

[10] Ibid.

To provide greater saving opportunities for consumers, the Bureau has established five operational goals for its tax-time savings work. The five goals are to:

1. Identify and spread practices for providers to offer consumers who have low-incomes and/or low-wealth additional information and saving choices while filing their tax return;
2. Help tax preparation service providers develop a deeper understanding of consumer decision-making 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 Bureau can productively contribute to increasing the financial stability of low-income consumers through encouraging tax-time saving.

This report identifies practices, and offers information for providers to help them develop a deeper understanding of consumer decision-making. This report also provides input from tax preparation providers on how they have chosen to implement the promising practices and how the Bureau can better serve their needs in order to encourage saving at tax time.

2 What is saving and how can it be measured better?

Accumulated savings are often referred to as assets. Assets can take a variety of forms from a balance in a bank account, to retained contributions into a retirement account or an educational savings account, to the ownership of a house or other tangible asset that appreciates in value over time.

However one thinks about savings or assets, one thing is clear: having little or no money set aside for either short term needs or longer term life goals may lead to financial insecurity and the lack of financial resilience. It is also clear that consumers recognize that the lack of savings puts them at risk. In the Bureau's survey of *Financial Well Being in America*, which measured how consumers perceived their financial well-being based on a variety of factors in their lives, "disparities in financial well-being (were) greatest between subgroups that had different levels of liquid savings.[11]

Equally important is how people save and how it is measured to determine a consumer's financial security or their net worth. It is commonly accepted that the accumulation in traditional financial instruments such as savings accounts or retirement accounts is the best measure of a person's savings. But many people save in different and less traditional ways. The most common reasons consumers reported for not keeping their funds in a traditional account in the Federal Deposit Insurance Corporation's (FDIC) 2015 National Survey of Unbanked and Underbanked Households included; 1) do not have enough money to keep in an account; 2) avoiding a bank gives more privacy, 3) lack of trust in banks, 4) bank account fees are too high; and, 5) bank account fees are unpredictable.[12]

It may also be possible that some people do not save in traditional accounts because of cultural norms, family practices, or just the feeling that they want to have immediate access to their funds in case they need them for an unexpected event.

With this as context, how saving activity is currently measured at tax time likely understates the actual saving that consumers engage in when they receive their tax refund. The two available data points to measure saving that the IRS is able to easily generate from tax return data are whether a taxpayer splits their refund into multiple accounts using the IRS form 8888,[13] or whether they purchase a savings bond using some portion of their refund while filing their return. By those measures, a very small percentage of taxpayers that receive a refund are saving at tax time. For example, in 2017 only 1.1 % of all consumers who filed returns and received a refund through VITA programs split their refund using Form 8888.[14] Because of differences between financial institutions in the ways they code savings accounts the IRS is not able to track the number of consumers that choose to deposit their entire refund into a savings account or

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[11] Bureau of Consumer Financial Protection, *Financial Well-Being in America*. 2017. https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-america/

[12] Federal Deposit Insurance Corporation, *FDIC National Survey of Unbanked and Underbanked Households*, 2015. P.20.https://www.economicinclusion.gov/surveys/2015household/documents/2015_FDIC_Unbanked_HH_Survey_Report.pdf

[13] IRS Form 8888 Instructions. https://www.irs.gov/pub/irs-pdf/f8888.pdf

[14] IRS 2017 Tax Filing Season_May_Final.

other savings vehicle. As a result there are limited ways to objectively measure savings rates based on available IRS data.

To further complicate the issue of measurement when it comes to tax time saving, there is significant evidence from studies that many consumers will choose to have their entire refund directly deposited into their checking account, or sent to them by check. They then partition the funds into various self-allocated buckets such as immediate expenses, paying off debt, and saving.

Research from one study, Refund to Savings, conducted by the Center for Social Development (CSD) at Washington University in St. Louis, indicates that many of these households actually do “save” at higher rates by setting aside funds for planned purposes for an extended period of time. When surveyed immediately after filing their tax return, participants in the Refund to Savings randomized control study said that they planned on spending about 1/3 of their refund on short term needs and the balance to pay down debt, and save for the medium term or long term. When a random sample of the participants was surveyed again 6 months after filing and asked how they actually distributed their refund, the amount spent on short term needs actually declined to 24% of their refund, and the proportion used for debt repayment and medium and long term savings increased to 76%. [15]

The Bureau is committed to working with researchers such as the Center for Social Development to develop better saving measurement tools, and with practitioners in the tax preparation field to increase understanding of consumer intent and consumer actions to build savings and make positive contributions to their household balance sheet by using their tax refund.

[15] Findings from Refund to Savings, a large scale randomized control trial study being conducted by the Center for Social Development in collaboration with Intuit. http://csd.wustl.edu/Publications/Documents/RR13-11.pdf

3 What the Bureau has learned to date

3.1 Background

For the past six years, the Bureau has provided information and training to staff and volunteers at community VITA programs around the country to promote saving at tax time. The Bureau also offers a variety of materials to VITA programs and other tax preparation providers to use in communicating with consumers about saving including posters, flyers, videos, worksheets and checklists. In 2013 and 2014 the Bureau engaged a small number of VITA programs to test certain approaches to training for volunteers, and information to consumers to encourage increased saving at tax time. From the lessons learned in these early stage pilots the Bureau identified ten promising practices that may help tax preparation programs be more successful at informing and encouraging consumers about this opportunity to save, and their saving choices. In each of the subsequent years, the Bureau has worked with an increasing number of VITA programs to refine the training and technical assistance offered to service providers and information to consumers to help them implement these practices in their tax preparation programs.

3.2 Results from the 2018 tax season

In 2018 71 VITA programs located in 31 states participated in the Bureau Tax Time Savings Initiative (See Appendix 1 for a list of participating VITA Programs). With 55 cohort participant organizations completing end of tax season surveys the Bureau identified the following results:

- Over 350,000 consumers were provided free tax preparation services
- 255,902 consumers had their taxes prepared at a site[16] using Bureau information;
- 181,598 consumers received a refund: Of those,

[16] Many VITA programs operate multiple tax preparation sites within a community. Due to local conditions some programs choose to promote savings at select locations.

- 64,539 claimed the Earned Income Tax Credit
- 125,199 used direct deposit to receive their refund
- 4,375 (3%) used Form 8888 to split their refund
- 848 (.6%) purchased U.S. Series I Savings Bonds

For results from previous years of the tax time savings initiative please see the brief entitled "Building the capacity of tax preparation providers to encourage saving".

3.3 Findings from Sites Seeking to More Effectively Measure Tax Time Savings

During the most recent tax season, nine VITA programs that were part of the Bureau's 2018 cohort chose to track four additional indicators of saving activity by tax filers. This information was used by the VITA programs for their own program management to better understand consumer saving activities.

The additional metrics were:

- The number of taxpayers who directly deposit a portion of the federal tax refund into a savings account, a 529 education plan, or a retirement account
- The total amount deposited into a savings account, a 529 education plan, or a retirement savings account
- The number of taxpayers who directly deposited a portion of the federal tax refund onto a prepaid card
- The total amount deposited onto prepaid cards

From these additional metrics, the nine VITA programs reported findings which may indicate that consumers are saving, or setting aside money, in a variety of ways not easily measured through publicly available data from the IRS. The nine programs reported that:

- 15,506 of the tax filers they served claimed a refund.
- Of those claiming a refund;
  - 12,356 (80%) directly deposited at least a portion of the refund, and
  - 557 (4%) used Form 8888 to split the refund deposit into two or more accounts.

Information collected from the additional metrics by these nine programs found that:

- 1,272 individuals (8%) directly deposited a portion of their federal tax refund into a savings account, a 529 education plan, or a retirement account.

Seven of the nine programs collected data on the total amount directly deposited into a savings account, a 529 plan, or a retirement account. The programs found that:

- $970,711 was saved into one or more of these types of accounts—an average of $993 per taxpayer who saved.

The same seven programs also collected data on clients who deposited funds onto a prepaid card.

- 73 taxpayers deposited funds onto a prepaid card.
- The total amount deposited into prepaid card accounts was $124,501, or an average of $1,705 per taxpayer.

These numbers indicate that a large majority of consumers that directly deposited their refunds are putting the funds into a non-savings (likely checking) account. However, they also give some indication that the true saving rate (8% versus 4%) may be underestimated due to the available information generated from the tax filing software count of refund splitters.

3.4 Additional input from participating VITA Programs

The Bureau sought additional information from participating VITA programs about their experience in attempting to incorporate savings encouragement into their tax preparation service experience for consumers. Through surveys and focus groups with VITA program staff following the tax season, the Bureau was able to glean some of the following observations about what worked well at their tax sites.

- *Having clients see posters, table tents, worksheets, videos, etc. (provided by the Bureau) throughout their time with us helped to reinforce the message of savings that our Money Coach and tax preparers were trying to instill.*

- *[Clients] really liked the Bureau Budget books*[17]*. We have shared them with our other partners present at VITA sessions promoting their services, and they want to include these training materials in their services to their clients. We've been asked to train their staff so they can be utilized throughout the year.*
- *Most clients responded positively to preparers bringing up the savings conversation, and a few were interested in children's college savings plans and savings bonds. We felt that we were able to get the message across to most that you can still save no matter what the amount.*
- *Most were willing to hear us describe the opportunities, and most agreed that it would be great to save and wanted to commit for next tax season. However, many were unprepared to save if they didn't have an account.*
- *We saw great success in our stories gathered from tax clients who entered (and won!) our weekly Savings Incentive Prize Draw. We will definitely keep this practice alive moving forward, as it generates a buzz at the tax site with the use of our 'savings thermometer' and likewise coincides well with our other Tax Time Savings initiatives.*

When asked what did not work well at their sites, participants noted that some clients experienced information overload with the materials (flyers and tables tents) or did not notice materials that were displayed.

Other respondents cited more resistance by clients or less success with clients saving, including the following statements:

- *[Our clients] were not very receptive; more volunteer preparedness probably would have helped.*
- *We had a very low response [rate] despite [the fact] that our site is in a bank where they had the opportunity to open accounts while waiting.*
- *(Clients) responded with hesitation; most were not really prepared to save.*
- *Clients were reluctant to open a new savings account. They didn't want to lock their money in a saving account; they wanted it to be available to them all the time.*

[17] The focus group participant was likely referencing Behind on Bills? Debt Getting in Your Way? Or the Your Money Your Goals toolkit. Bureau resources available at https://www.consumerfinance.gov/practitioner-resources/your-money-your-goals/

Survey respondents provided recommendations on how the Bureau can better support their tax site efforts to promote savings in future years. Respondents indicated that the Bureau should:

- *Provide materials (savings messages, social media graphics, etc.) well in advance of the start of filing season.*
- *Offer more practical training at the beginning of filing season, including visual examples of what other successful programs do.*
- *Provide assistance with getting buy-in from returning volunteers and employees.*
- *Offer in-person training and on-the-ground assistance.*

4 Update on promising practices

4.1 Original Promising Practices

In 2015, the Bureau first introduced ten promising practices used by VITA providers to encourage saving at tax time. The ten promising practices include:

Encourage Tax Filers to Save

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. Provide multiple product choices for saving.
4. Use “anchoring” and prompts to help consumers focus on a savings goal.
5. Don’t overwhelm consumers by offering too many different types of services.
6. Provide incentives, including non-financial rewards, to encourage saving.
7. Make saving fun and exciting.

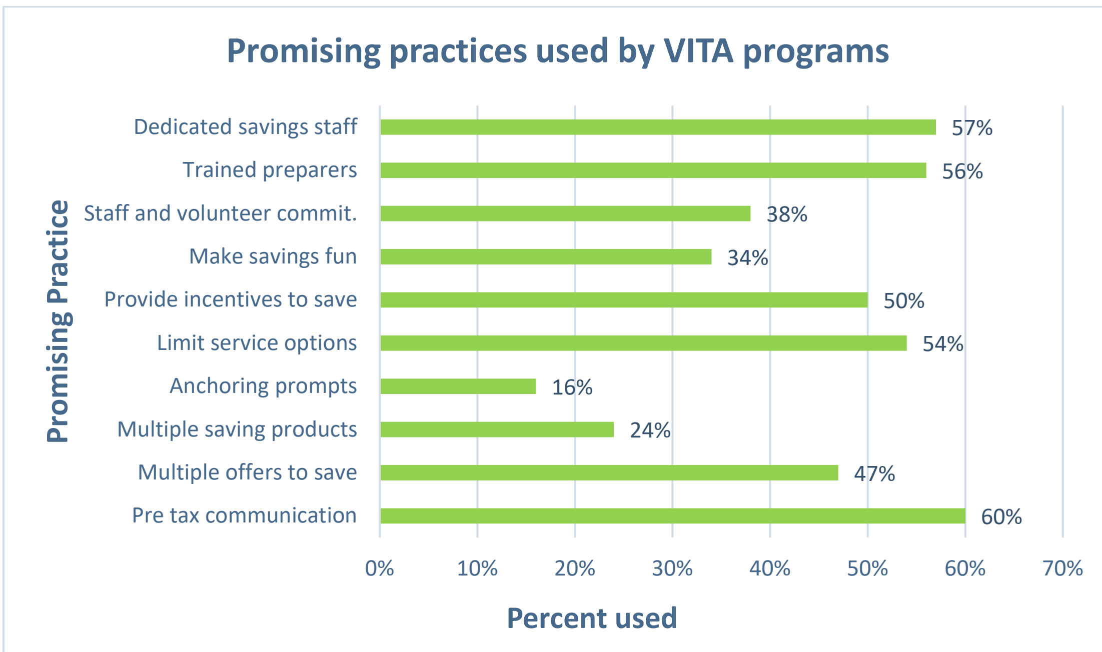
Training and Motivating Staff and Volunteers to Help Tax Filers to Save

8. Build commitment among staff and volunteers to encourage saving.
9. Make sure tax preparers know how to help consumers save while filing.

10. Dedicate staff or volunteers to encourage saving.[18]

Each year the Bureau provides training and technical assistance to programs interested in utilizing some of these practices. Following the most recent tax season the Bureau surveyed VITA programs that were part of the 2018 cohort about their use of these practices. See Figure 1 for a distribution of the use of Promising Practices by the 2018 cohort.

Figure 1. Savings Strategies Used by Cohort (n=67, Source: Initial Assessment Calls)



4.2 New featured practices

In its work with the 2018 Tax Time Savings Initiative cohort, the Bureau identified two practices to feature for further exploration and possible use by future Tax Time Savings initiative

[18] Bureau of Consumer Financial Protection, *Building the capacity of tax preparation providers to encourage saving, 2017*, P. 23. https://www.consumerfinance.gov/data-research/research-reports/building-capacity-tax-preparation-providers-encourage-saving/

participants. The two new practices are 1) holding special financial well-being events; and 2) creating community advisory groups to develop tax time savings strategies for VITA coalitions.

4.2.1 Special Financial Well-Being Events

Some VITA programs in the 2018 cohort determined that attention to overall financial well-being is critical to taxpayers taking up the tax time saving opportunity. This is because saving strategies may be more effective when the tax filer is also connected to financial education, credit counseling, and other services associated with their personal finances. However, it is often impractical to have all the community partners needed to deliver these services continuously present at tax sites. Financial well-being special events provide an opportunity to connect a variety of community partners and taxpayers. In general, these events are either a single area-wide event or an event that brings partners to tax sites on specific days of the week or month.

> Over two 12-hour days in early February at a large community college site, United Way Suncoast in Tampa, FL. held a Tax-A-Thon that generated local media stories to kick off the filing season. Multiple financial capability partners made presentations in the waiting area and staffed booths offering "passport" stamps to encourage visits. Door prizes encouraged refund splitting.

Key Benefits

The special events:

- Connect potential tax filers with service providers and inform them of available services in their communities.
- Build connections among local service providers and encourage collaboration.
- Generate earned media to increase community awareness around tax services and financial well-being services.
- Generate interest and energy from volunteers, stakeholders, and potential funders.

> On April 7, CASH Campaign of Maryland held its 13th annual Money Power Day with over 40 partners in exhibitor halls and three classrooms with simultaneous workshops throughout the day. The event garnered local media coverage that included live radio broadcasts.

- Provide targeted tax assistance resources or expertise to special populations of taxpayers who may not be easily served at a community tax site, such as non-English speakers or people with disabilities.

Using its bank branches located across two states, Southern Bancorp in Little Rock, Arkansas held multiple festive Super Saturday events throughout the filing season that generated local interest. The events featured partners, such as volunteer lawyers providing legal assistance.

Special events are resource intensive, so clarity about expected benefits of special events is essential. Most VITA programs find that events, similar to other single day mobile operations, are less efficient at producing a high volume of tax returns than seasonal tax sites. A program director at CASH Campaign of Maryland indicated, "When we started Money Power Day, we thought tax preparation would be central to it, but it has never really worked that way." A special event can provide significant financial capability connections, but may prepare no more returns than a busy day at a traditional site.

Keys to Effective Practice

Programs should:

- Be intentional about the purpose of the special event.
- Engage community partners early in event planning.
- Leverage early season events to generate interest and media for VITA services.
- Aggressively market late or after season events to VITA clients throughout the filing season.
- Consider opportunities to use events to serve taxpayers not easily assisted at community tax sites.

4.2.2 Advisory Groups to Develop Tax Time Savings Strategies for VITA

Regular coalition meetings have been integral to CASH Campaign of Maryland from its beginnings in Baltimore in 2001. VITA program leaders meet regularly to share promising practices (around both tax preparation and financial empowerment), build skills, pursue joint funding and resource development, and create standard messaging and marketing.

Several VITA coalitions in the 2018 cohort have formed advisory groups (often called steering committees or working groups) to help develop a more community-focused saving encouragement effort and increase tax time saving. Based on discussions with the programs, advisory group success depends on the participation of VITA coordinators or volunteers with a deep operational understanding of return preparation process at local VITA sites. In addition to providing filing process expertise, these volunteers and coordinators often test saving interventions at their sites and champion efforts to build buy-in among other site coordinators and volunteers. Some advisory groups are entirely made up of site coordinators, while others include community partners that are familiar with client needs and appropriate interventions.

In the absence of a structured advisory group, informal partnerships and conversations provide some of the same benefits. For example, in a focus group discussion, the Louisville Asset Building Coalition said that it worked with multiple site coordinators to organize and fine-tune messages about promoting saving to volunteers. The Louisville VITA program shares office space with the local government, which facilitates periodic meetings about marketing strategies around savings and linking messages with the financial capability movement in Louisville. A small investment of time and resources to formalize these discussions should greatly increase their benefits to local tax time saving efforts .

Key Benefits

Programs indicated that advisory groups:

- Generate buy-in from volunteers for tax time saving, since advisors champion the efforts.
- Develop implementation plans that work with locally delivered tax services.
- Identify savings needs and barriers to saving for the taxpayers they serve.
- Connect tax services with local service providers and encourage collaborations that support tax time saving.
- Generate interest and energy from volunteers and stakeholders.
- Incorporate national promotional initiatives such as America Saves[19] and promising practices more effectively in local communities by using the advisory group to come to a consensus on how to adapt to local conditions.

> For several years, United Way of the Bay Area in San Francisco, CA has met regularly with a working group of site coordinators that identifies financial capability interventions for VITA sites. Group members function as a sounding board, pilot innovators, and coalition ambassadors.

Promising practices and national promotions often fail to succeed when not translated into the local context. The advisory group can work through how best to use national resources by customizing existing practices and promotions to local needs. Advisors also bring personal expertise and knowledge that can lead to a more holistic approach that leverages local resources to lay the groundwork for saving. Advisory groups often focus on tax filing processes and procedures, and by making site procedures more uniform they can ensure tax preparation accuracy and increase tax time saving uptake.

> MassCAP of Boston, MA launched a steering committee of site coordinators to review promising practices, share challenges and successes, develop a Site Coordinator Handbook, and organize a tax time savings convening for other site coordinators. The Site Coordinator Handbook includes recommendations for incorporating tax time savings interventions.

[19] America Saves, a campaign managed by the nonprofit Consumer Federation of America, motivates, encourages, and supports low- to moderate-income households to save money, reduce debt, and build wealth. For more information go to https://americasaves.org/learn-more-about-us/about-america-saves

Keys to Effective Practice

Programs using the practice should:

- Include advisory group members with experience managing a VITA site to provide on-the-ground perspectives.
- Establish clear goals, but be open to group members' recommendations.
- Meet regularly and start planning for the next filing season as early as possible.
- Educate advisors about promising practices and national promotions.
- Encourage advisors to test ideas at their sites.
- Encourage sharing of expertise and community connections.
- Foster investment in the group by considering all the members' opinions and recommendations.
- Invite partners who provide critical saving products or services to join the advisory group.

Programs that empower and engage site leaders in advisory groups tend to have more engaged volunteers and a more effective and sustainable tax time saving program. The tax time saving interventions function better from the return preparation perspective, and tax time offerings are better aligned with community needs and resources.

4.3 Additional Observations

Sites often promote broader financial capability services in addition to savings.

Cohort participants found that helping to improve the overall financial capability of taxpayers is critical to saving at tax time. One of the focus groups was geared toward understanding how participants supplement their tax time savings work with other financial empowerment offerings. Focus group participants said that their organizations commonly offered financial counseling and

> Catalyst Miami, of Miami, FL uses an infographic, "Financial Apps for Success," to assist taxpayers with various financial capability tools. Ladder Up (Chicago) started a partnership with the Jump Credit app that matches its agency emphasis that is broader than savings. Connecticut Association for Human Services promotes financial education classes (that feature *Your Money, Your Goals* information and tools) that take place at the site or nearby.

education classes which usually predated their involvement in the tax time savings work. Programs that provided additional financial services saw the need for a holistic approach with taxpayers. Since clients often discussed other financial issues when filing taxes, some focus group participants felt it made sense to meet these clients' needs with financial coaching and education services, access to financial institution representatives, and connections to local resources (e.g., a credit report service).

One focus group participant discussed using the *Your Money Your Goals* toolkit, which was implemented through workshops that taxpayers attended later (not tied to their VITA appointments). This participant indicated that the primary challenge was attendance, since the workshops took place during the work day hours. Focus group participants did not perceive that tax time saving efforts conflicted with their other financial services goals or resource allocation. One participant felt that their efforts are well-aligned because asking a tax filer to go over their financial goals is a natural conversation starter in the context of tax preparation. After getting a picture of a tax filer's entire financial situation, site staff and volunteers are better able to discuss appropriate saving goals.

Ensuring that tax filers are provided with information about saving at the right moment is a key aspect of effectively supplementing saving efforts with other financial capability services. For example, one site had a question for tax filers on the intake form regarding saving services in which they were interested. A budget coach was always on site, ready to speak to tax filers immediately regarding any services in which they were interested. Another program provided job-seeking services to clients who may have recently become unemployed. In this program, flyers regarding tax time saving and financial coaching were distributed to the clientele, since they may be more open to support services while looking for work. This served as a way to strategically promote saving information based on what is known about the tax filer's situation (unemployed and perhaps concerned about saving money).

5 New tools and resources to help programs plan more effectively

The Bureau, in collaboration with its contractor ICF International, concluded from feedback by cohort participants in prior years that VITA programs had varying levels of project planning capacity and experience. Many cohort participants said they needed basic tools to plan and prioritize their tax time saving initiatives. In response, ICF created a set of simple, user-friendly planning tools. These tools—**Messaging Triangle, Taxpayer Experience Map, the Ideas to Practice tools, and the Guide to More Effectively Measure Savings Activity at Tax Time**—not only assisted programs with limited capacity, but also filled gaps for more advanced programs.

Messaging Triangle

This tool is helpful for uniting staff and volunteers behind a central message, which can help provide focus during a busy tax season. The message triangle also provides users an opportunity to be strategic about rolling out the messages that they produce. Users found that it may be helpful to first share the messaging guidance with staff members and volunteers who are most comfortable with it and then rely on them to disseminate the message to a broader audience of staff and volunteers.

Taxpayer Experience Map

Optimized customer experiences, regardless of the service offered, are designed with the end user in mind. The Taxpayer Experience Map helps programs to better understand how their customers experience their current program design and flow, including the needs and perceptions that the customers have at different stages. Then the programs can reflect on that customer experience and make changes to their service modalities to better meet

Customer journey mapping is a method of documenting how people experience interactions with a brand, program, product, or organization. The *Taxpayer Experience Map* applies that method to the context of a community tax program. It helps you to experience your program from your customers' points of view.

customer's needs and expectations, and achieve the goals of the consumer and of the organization.

Ideas to Practice

The Ideas to Practice tools are helpful for brainstorming how to make the program more efficient and effective, and to leverage creative ideas by providing direction for the program going forward. The Ideas to Practice toolkit includes an Effort-to-Impact matrix, and two planning tools, one to outline the plan of action, and then, once agreed upon, a second tool to map out the details of implementation.

Guide to More Effectively Measure Saving Activity at Tax Time

The guide outlines four additional metrics to better measure saving activity. When combined with information available from standard return preparation software reports (most commonly generated by TaxSlayer[20]) these metrics can provide sites with a more complete picture of savings activity at tax time. The guide offered three approaches for collecting this information during the filing season and described the advantages and disadvantages of each. Finally, the guide provided suggestions for integrating this additional collection of data into the tax preparation process to minimize the burden on taxpayers, tax site staff, and volunteers.

6 Conclusion

The benefits of having even a small amount of savings include increased resiliency (the ability to bounce back financially), reduced risk of debilitating financial shocks,[21] reduced household

[20] TaxSlayer is tax preparation software product provided by the IRS to all VITA programs. Through a contract with the IRS, TaxSlayer provides software training, technical assistance and other support services at no charge to the Programs. For more information go to https://www.irs.gov/pub/irs-utl/factsheettransitiontotaxslayer05052016.pdf

[21] The Pew Charitable Trusts. *The Role of Emergency Savings in Family Financial Security How Do Families Cope With Financial Shocks? P.2, 2015.* http://www.pewtrusts.org/~/media/assets/2015/10/emergency-savings-report-1_artfinal.pdf

stress,[22] and increased financial well-being.[23] However, many consumers have no savings whatsoever and 40% of all consumers could not easily come up with even $400 to fund an emergency expense.[24] Tax time represents a unique opportunity for many consumers, particularly consumers with lower incomes, 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 target communications for saving, utilize effective strategies to help tax filers understand their choices and set and reach their savings goals. The Bureau's work over the past six years has demonstrated that there are certain practices and approaches that tax assistance providers can employ that will help educate consumers about the opportunity to save while filing their tax return. These include delivering a consistent message about the benefits 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.[25] A number of the practices the Bureau has identified in this paper reinforce those approaches. Taking advantage of the tax-time moment to encourage saving linked to financial goals, and assisting tax filers in following through, can help millions of consumers who may be asset-poor to begin to build wealth and to increase their financial security and resiliency.

Equally important is to better understand and to measure results of consumer actions during and after the tax filing process to manage their tax refund by paying down debt, and saving for medium and long term goals. There is a growing body of evidence that, while a relatively small number of consumers save portions of their tax refund in formal, traditional and easily

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[22] Rothwell, David W. and Han, C.K. *Exploring the Relationship between Assets and Family Stress Among Low-Income Families*, P.397, 2010. https://onlinelibrary.wiley.com/doi/full/10.1111/j.1741-3729.2010.00611.x

[23] Bureau of Consumer Financial Protection. *Financial Well-Being in America* P.6. 2017. https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-america/

[24] Board of Governors of the Federal Reserve System. Survey of Household Economics and Decision-making (SHED) P.21, 2017. https://www.federalreserve.gov/consumerscommunities/shed.htm

[25] Sondra Beverly, Daniel Schneider and Peter Tufano; Splitting Tax Refunds and Building Savings: An Empirical Test, P.12, 2005. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=814007

measurable ways, that many more are using less traditional and measurable methods to improve their household balance sheets.[26]

To advance toward our long term goal of making savings outreach and education to consumers at tax time available to all and to test and refine promising practices for achieving that goal, the Bureau will continue to collaborate with both VITA programs and commercial tax preparers in the coming years. The Bureau will also work with other government agencies, nonprofit intermediaries and experts in the field to provide tools, resources and training to tax assistance providers to help them with their savings initiatives. Finally, the Bureau will collaborate with researchers to better understand consumer intent to save and the downstream effects of saving on consumer financial wellbeing.

[26] Center for Social Development, Washington University in St. Louis. Refund to Savings; Evidence of Tax Time Saving in a Nationally Randomized Control Trial, 2013. https://csd.wustl.edu/OurWork/FinIncl/financialbehavior/R2S/Pages/Refund-to-Savings1.aspx

Appendix 1: 2018 Tax Time Saving Cohort Members

Organization	City	State
Alabama Asset Building Coalition	Birmingham	AL
Southern Bancorp Community Partners	Little Rock	AR
Pio Decimo Center	Tucson	AZ
Building Skills Partnership	Los Angeles	CA
County of LA Dept. of Consumer and Business Affairs	Los Angeles	CA
Koreatown Youth & Community Center	Los Angeles	CA
MAOF Mexican American Opportunity Foundation	Commerce	CA
Orange County United Way	Irvine	CA
San Francisco Housing Development Corporation	San Francisco	CA
United Way Bay Area	San Francisco	CA
United Way of Wine Country	Santa Rosa	CA
Community Renewal Team	Hartford	CT
Connecticut Association for Human Services	Hartford	CT
HRA of New Britain	New Britain	CT
LifeBridge Community Services	Bridgeport	CT
The Village of Families and Children	Hartford	CT
AARP Foundation Tax-Aide	Washington	DC
American Bar Association-Tax Section Adopt-a-Base Program	Washington	DC
Florida Prosperity Partnership	Sanford	FL
The Lion Foundation	Kissimmee	FL
United Way of Marion County	Ocala	FL
United Way Suncoast	Tampa	FL
Catalyst Miami	Miami	FL
University of Georgia	Athens	GA
Community Foundation of Dubuque	Dubuque	IA
New View Community Action Agency	Dubuque	IA
Ladder Up	Chicago	IL
United Way of Bartholomew County	Columbus	IN
United Way of Central Indiana	Indianapolis	IN
Human/Economic Appalachian Development Corp (HEAD)	Berea	KY

Organization	City	State
Louisville Asset Building Coalition	Louisville	KY
Capital Area United Way	Baton Rouge	LA
Berkshire Community Action Council (BCAC)	Pittsfield	MA
Boston Tax Help Coalition	Boston	MA
Community Action Pioneer Valley	Greenfield	MA
MA Association for Community Action	Boston	MA
CASH Campaign of Maryland	Baltimore	MD
Prince George's Community College	Largo	MD
United Way of Frederick County	Frederick	MD
Unity Economic Development Corporation	Suitland	MD
CASH Maine	Onoro	ME
Asset Independence Coalition	Lansing	MI
Wayne Metropolitan Community Action Agency	Detroit	MI
Jackson County Civic Action Committee	Moss Point	MS
Rural Dynamics	Great Falls	MT
United Way of Greater Greensboro	Greensboro	NC
Granite United Way	Manchester	NH
Catholic Charities Camden	Camden	NJ
United Way of Central New Jersey	Milltown	NJ
United Way of Northern NJ	Cedar Knolls	NJ
Nevada Free Taxes Coalition	Las Vegas	NV
ARIVA	Bronx	NY
Food Bank of NYC	New York	NY
The Upstate Institute	Hamilton	NY
Community Action Partnership of Greater Dayton Area	Dayton	OH
Cuyahoga EITC Coalition - Enterprise Community Partners	Cleveland	OH
Goodwill Industries of Tulsa	Tulsa	OK
Office of Disability Concerns	Oklahoma City	OK
CASH Oregon	Portland	OR
Campaign for Working Families	Philadelphia	PA
United Way of Lancaster County	Lancaster	PA
AARP-VITA (TX)	Paradise	TX
Community Development Corporation of Brownsville	Brownsville	TX
Foundation Communities	Austin	TX
Foundation Communities - Dallas Community Tax Centers	Dallas	TX

Organization	City	State
People Inc.	Abingdon	VA
Rappahannock United Way	Fredericksburg	VA
Associated Ministries of Tacoma-Pierce County	Tacoma	WA
Spokane County UW	Spokane	WA
United Way of King County	Seattle	WA
United Way of Kenosha County	Kenosha	WI