

## YES WE CAN: INCLUSIVE SAVING AT TAX TIME

The Tax Season 2009 Savings Bond Pilot



## ***Table of Contents***

---

<i>Page 2</i>	<i>Executive Summary</i>
<i>Page 3</i>	<i>Chapter One, Saving: The Cornerstone of Success</i>
<i>Page 10</i>	<i>Chapter Two, The Tax Season 2009 Pilot - How it Worked, What we Learned</i>
<i>Page 18</i>	<i>Chapter Three, The Upshot</i>
<i>Page 22</i>	<i>Appendices</i>
<i>Page 31</i>	<i>Endnotes</i>

# EXECUTIVE SUMMARY

One clear lesson from the recent economic crisis is that saving matters. As the economy has deteriorated and record numbers of Americans have lost their homes to foreclosure, stories have multiplied of families who have not had adequate savings to protect them from job losses or setbacks, much less buy homes or pay for college, without relying on increasingly scarce sources of credit. Going forward, the national agenda must include measures to help us get our financial house in order; one crucial aspect will be to help all Americans start saving again.

For several years, Doorways to Dreams (D2D) Fund has tested strategies to help lower-income working people direct part of their annual tax refunds to savings. During tax season 2009, D2D and partners around the country offered nearly 40,000 tax filers a chance to buy a U.S. Savings Bond with part of their refunds.

## 2009 Pilot Findings

This paper reports the 2009 pilot results, as well as results from two preceding tax seasons. Among the most important findings, lower income tax refund recipients:

- **Like, trust and want to buy savings bonds, especially for their children**
- **Do not generally know where or how to buy them**
- **Once they buy a bond, are likely to do so again**
- **Are likely to hold on to bonds they purchase for the long term**
- **Are more likely to buy paper savings bonds than buy bonds online**

These findings point to the unique power of U.S. Savings Bonds to re-energize America's historical orientation toward thrift and to help all Americans participate in saving as a hedge against crises and a resource to enable strategic investments, like a home purchase or college education.

The highest-impact, most cost-effective way to capitalize on the work reported in this paper is to return a savings bond purchase option to the federal tax filing process (as was the case in the 1960s). Specifically, the current IRS split refund form, Form 8888, should be modified to allow tax filers expecting a refund to order savings bonds. This change would place a trusted, secure saving product within easy reach of millions of lower and moderate income refund recipients at the one time of the year when they are most able to save.

D2D leads the Savings Bond Working Group (SBWG), a coalition of national and local organizations who share a belief that U.S. Savings Bonds have a unique and profound role to play in helping working Americans save for their own futures. The SBWG strongly supports the tax time proposal and stands ready to help support its implementation nationwide.

# CHAPTER ONE

## SAVING: THE CORNERSTONE OF SUCCESS

*“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.”*

- Student, 2009 Bond Buyer

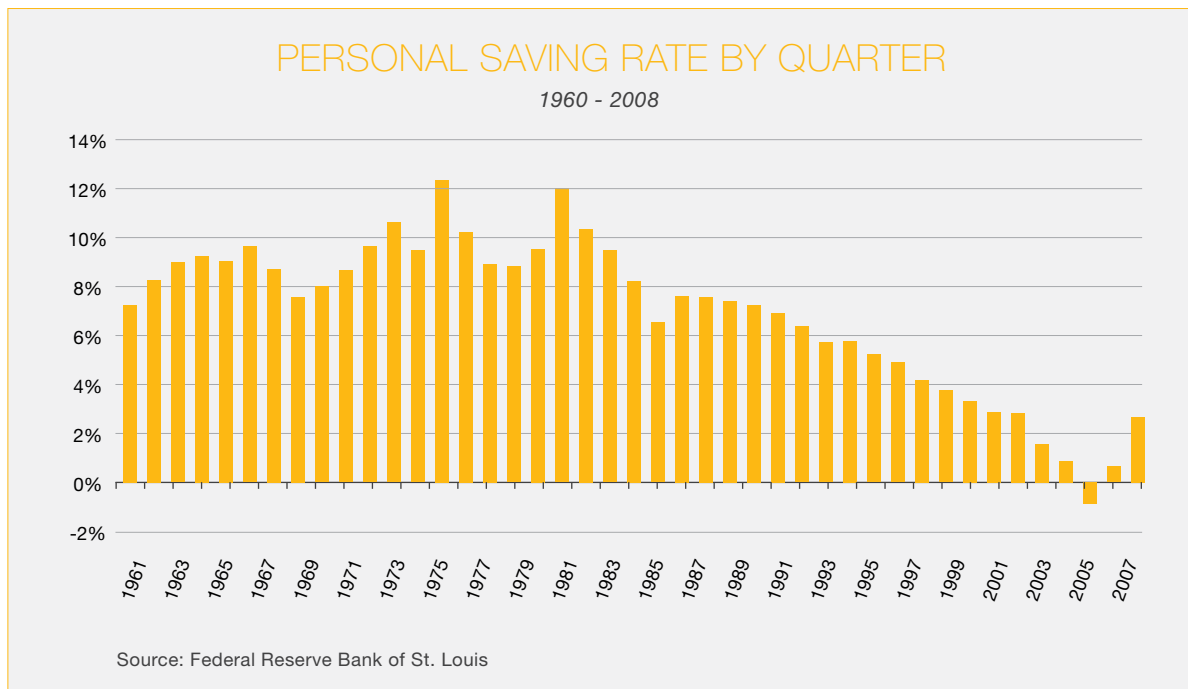
Imagine if all households had reserves - savings built up over the long term, invested to earn interest and grow. Not only would this supply capital to power the economy, it would serve as a resource from which every household could draw when necessary. Savings can be used to pay for long-term investments in families or individuals, like a college education, a house, a car, or a business. These investments will pay dividends later, in the form of better jobs, quality of life, the ability to travel to work or school, and support of entrepreneurship. Savings can also cover emergencies like medical care or paying the mortgage if layoffs occur. A healthy saving rate can help guarantee the upward mobility that has always been one of the hallmarks of our nation.

Historically, Americans have known how to prioritize use of their money. Budgeting living expenses, providing for saving, and curbing impulse spending - spending that pays no future dividend and is often financed by cannibalizing savings or with high-cost credit - are behaviors that Americans have excelled at in the past and can again. There are signs Americans crave this return to a more solid financial footing, as our national saving rate is finally rising and consumers have cut back on nonessential spending.

*“Once you do have the money you’re going to spend it anyway. I bought a pair of gym shoes, or I paid this or did that or bought a pair of jeans The pair of jeans gets worn out, but this is something that could go on for as long as [thirty years].”*

- Church Administrative Assistant, 2009 Bond Buyer

The wisdom, sense of urgency and mechanics of changing financial course in a timely fashion, and the long-term relief that ensues, ought to be available to all Americans, whether high, medium or low income.



## SAVING: IN CRISIS

*"I don't know what tomorrow's going to bring. My mother always said, 'Store away for a rainy day...'"*

*- Schoolteacher, 2009 Bond Buyer*

The harsh spotlight of the current economic crisis is making it impossible to ignore an aspect of our financial behavior that has been obscured for a long time. Since 2005, when the personal saving rate hit minus 1%, Americans' savings rate has hovered around zero. In 2008, the rate began to creep upward. It now stands slightly above 4% – still a third of what it was just a little over a quarter century ago.

We used to be a nation of savers; in the 1980s, the savings rate averaged 8%, spiking to 12% in 1981. In more recent years many Americans have felt themselves to be under financial pressure—and savings rates have suffered. At the same time, an increasing sense of permissiveness with regard to debt at all levels of society – governmental, business and consumer – has become the norm. America has lost ground to other countries on this front.

In our current debt-burdened culture, where the pendulum has swung far away from thrift, too often saving is neither practiced nor particularly valued. Yet saving lies on a continuum with debt, and restoring balance between the two is important for re-establishing financial health for both the nation and individual Americans.

### A WIN AT ALL LEVELS

A good saving rate creates capital, which in turn can encourage the investment needed for healthy long-term economic growth. It may help avoid dependence on foreign investment to fund gaps in the budget. It can help create not just jobs, but better jobs. Saving also helps individuals overcome the wealth barrier of having only today's paycheck to invest in the future or withstand an emergency. And when credit dries up, as is the case in the current crisis, savings can still be drawn on to make necessary large purchases.

***In recent years, the personal saving rate in the United States has fallen sharply, and it is now at a very low level compared either to U.S. historical experience or to the savings behavior of many other industrialized countries. From 1980 through 1994, the U.S. saving rate averaged 8%; thereafter, it fell steeply, and since mid-2000... it has averaged approximately 1%. By contrast, the personal saving rates from 1980 through 2001 averaged 13% in Japan, 12% in Germany, and 15% in France, with no steep declines after 1994... For Canada, the personal saving rate did decline sharply during the latter half of the 1990s, but it is still higher than the U.S. rates, averaging 16% from 1980 through 1994 and 7% since 1994.***

*- Federal Reserve Bank of San Francisco Economic Letter (number 2002-09), March 29, 2002.*

## SAVING FOR ALL

Income levels often define the choices available to us, and this is true of saving and investing options. Middle and upper income families typically have tools to help them build wealth. They can invest in CDs or mutual funds, which usually require substantial minimum initial investments. They can take advantage of tax incentives in the form of employer-sponsored retirement plans, IRAs, or investment credits on itemized tax filings. An entire financial services industry courts them as customers, offering financial advice and planning services. None of this is true for lower-income people. A single parent, working two or three part-time jobs, may have never qualified for a 401(k) plan, has likely never had enough money on hand to open an investment account and certainly doesn't receive invitations to seminars by certified financial planners.

The recent up-tick in savings rates shows some Americans can change financial direction when times dictate. Yet our research indicates that increasing saving is not so easy for the working poor. Lower and moderate income people recognize the need to save just as better-off Americans do, but they may be able to set aside only a few dollars at a time or wonder where to go to find a trustworthy saving product. Fees, for example, can eat away at too-low balances in bank accounts. And tax incentives are no help if you don't owe tax. Further, many banks today will not even open savings accounts for those who have had credit problems.

*"...[N]ot everybody has a bank account. I have a friend who along the way jacked up her credit... no bank wants to deal with her. What about people like her? She doesn't have a bank account. I know others who don't have bank accounts... no bank wants to deal with them."*

- Student, 2009 Bond Buyer

Chart 1: Saving is harder in a down economy. - From 2009 survey of bond buyers

Compared to a year ago, for me saving money is:

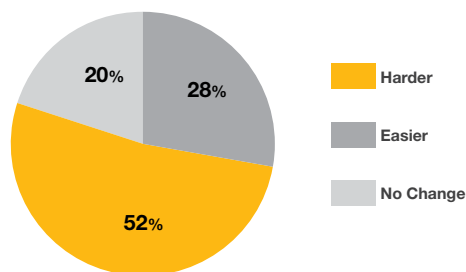
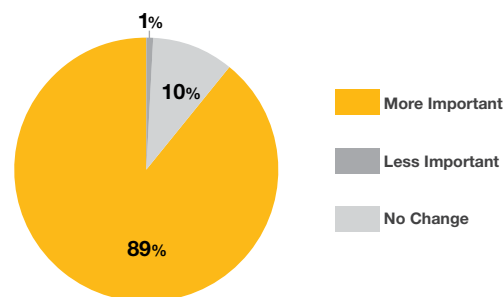


Chart 2: Saving is more important in a down economy - From 2009 survey of bond buyers

Compared to a year ago, for me saving money is:



**However challenging it may be, saving is a behavior lower-income people value.** Over six years (2001-2007), the triennial Survey of Consumer Finances reports that about a third of families in the bottom income quintile saved steadily. By contrast, over the same time period, 81-85% of families in the top 10% were able to save steadily. Equally important, several landmark studies<sup>ii</sup> have found that low-income working people, when presented with a convenient saving opportunity, can and will save a larger portion of their income than higher income people. The challenge is to ensure all Americans, regardless of their income, receive such a convenient, compelling saving opportunity.

**Table 2: Percentage of Families that Saved, by Income Percentile**

<b>Percentage of Families that Saved</b> by income percentile, 2001 - 2007			
Family characteristic Percentile of income <sup>1</sup>	2001	2004	2007
Less than 20	30	34	33.7
20 - 39.9	53.4	43.5	45.1
40 - 59.9	61.3	54.4	57.8
60 - 79.9	72	69.3	66.8
80 - 89.9	74.9	77.8	72.9
90 - 100	84.3	80.6	84.8

<sup>1</sup>In Thousands of Dollars

From the Survey of Consumer Finance, 2001 and 2007

## FINDING A WAY TO OPTIMIZE LOW-INCOME SAVING

Given the demonstrated willingness and ability of lower-income families to save, the question becomes: What could make saving easier for and more accessible to this segment of the population? *Yes We Can: Inclusive Saving at Tax Time* tells the developing story of our attempts to answer this question.

## GOVERNMENT HAS A ROLE TO PLAY

Americans have a long history of using policy to create opportunity and wealth, both strategically and in crisis. The Homestead Act of 1862 granted land at \$1.25 per acre to people willing to settle the west. Social Security has issued over 400 million Social Security numbers since 1936 and has paid out over \$9 trillion, which has served as an effective safety net for millions of families. The GI Bill of 1944, through free education and housing support, fostered a strong middle class, which was instrumental in driving the nation to superpower status, creating, in a couple of short generations, the strongest, most entrepreneurial economy in the world.

Government is uniquely positioned to enact and wield policy to incent and effect such broad positive change, because its mandate is to serve all - not just low-income families, not just philanthropists or wealthy individuals or farmers or youth or the developmentally-challenged - but all its citizens in all their endeavors. In the case of a saving crisis among low and moderate income Americans, our government can use policy as a tool to help citizens build wealth.

And government has a special role to play when the private sector alone is insufficient. Despite decades of carrots and sticks, financial service firms have struggled to find a way to serve lower-wealth customers profitably. Our research suggests that commercial banks and investment companies would agree government must play a role if small savers are to have access to an affordable, high-quality saving option.

But our current economic crisis has placed limits on what we can expect. Federal budgets are stretched thin and deficits are projected far into the future. Unprecedented measures are being taken to save troubled industries, absorbing the time and attention of a still short-staffed new Administration. For government to play a role in driving personal saving, we need a policy proposal that is relatively easy to implement, with almost no price tag. And since immediate action could help prepare the country for economic recovery by getting America saving *now*, we need a proposal that can be implemented quickly.

## REQUIREMENTS OF A PROPOSED SOLUTION TO THE SAVING CRISIS

Researchers who study and track the dynamics of low-income saving, practitioners whose work involves wealth-building in communities, and think tanks focused on these issues have put forth many ideas to address the saving crisis. Their high-level consensus, considering both the population's needs and the multiple current national crises, is that we need an immediate solution with the following characteristics:

**Easy** – both to implement and to explain to savers

**Inexpensive** – requires no new annual appropriations, nor fees for citizens

**Tested** – has precedent; people know and trust it

**Inclusive** – will help all Americans, especially those most in need of and likely to benefit from saving

## A BUILT-TO-ORDER PRODUCT AT A BUILT-TO-ORDER TIME

Professor Peter Tufano of the Harvard Business School has been focusing attention on the U.S. Savings Bond as a product worth a second look if we are to increase Americans' saving rate, especially among low and moderate income people. "Low and moderate income families wanting to save could benefit from a low-risk account with low fees, which delivers a competitive rate of return, with a small minimum balance and initial purchase price, and is available nationally and portable if the family moves from place to place. The product has to be simple, the vendor trustworthy, and the execution easy - because the family has to do all the work. Given those specifications, savings bonds seem like a good choice<sup>1</sup>."

### U.S. Savings Bonds Address the Needs of Low-Income Savers

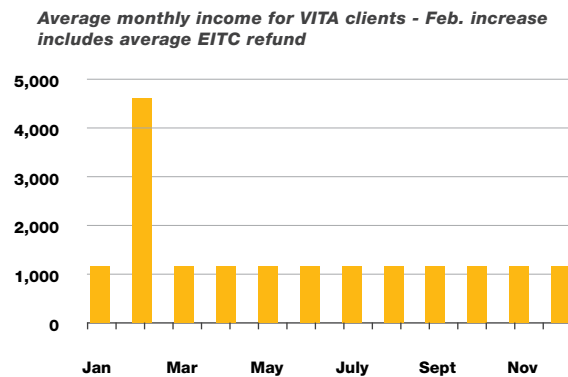
Barriers to Savings for lower income people	U.S. Savings Bond features resolving barriers
Small Balance	Low \$50 minimum
Imperfect credit	No credit screen
Risk averse	Risk free principal
Wary of banks	Government backing
Value sensitive	No fees, solid return
No bank account	Bank account not required
Long-term aspirations, short-term needs	Earn interest for 30 years, access after one year

*"It's a cheaper way of saving, because you can get it for \$50. And then you can get more for \$25 more. Whereas CDs, mutual funds, are all \$250 and up."*

*- Part-time worker, full-time student and mother, 2009 Bond Buyer*

A prerequisite for saving is, of course, having money to save. For everyone, this has become more challenging in the current severe recession. But powered in large part by one of the most successful economic policies of the late twentieth century - the Earned Income Tax Credit (EITC) - tax season has come to represent a major financial opportunity for working families. Many experience a significant spike in income each February or March, often times their largest single lump sum of income all year.

Chart 3: Chart of income with spike during peak tax season (February)



Source: Doorways to Dreams Fund, Tax Season Data, 2008.

At tax time, finances are on people's minds. It is a natural opportunity to highlight suitable saving vehicles so that families can use part of their tax refunds for saving. For those not in the habit of saving, pointing out that saving is a realistic option, something they can do now, often can be a revelation.

*"Spread the word wherever there are people, spread the word. Because a lot of people thought they [bonds] were only available to higher class people who are making a lot more. Let them know it is available to you and you can benefit from it. Put out pamphlets, put up billboards, make commercials. Open it up to small minded people."*

*- 21-year old, 2009 Bond Buyer*

An additional advantage of this time of year is that most Americans use the services of a tax preparer, whether a volunteer, professional or trusted family member. This person can both point out a saving opportunity and serve as an advisor of sorts to recommend or informally give the nod to appropriate saving vehicles, such as U.S. Savings Bonds. And most tax preparers welcome the chance to add value for their clients, to point out an opportunity that a client might otherwise have overlooked.

## WHY NOT ENABLE A QUICK AND EASY SAVINGS BOND PURCHASE AT TAX TIME?

For several years, Doorways to Dreams (D2D) has offered U.S. Savings Bonds to low income taxpayers at tax time on a pilot basis. In partnership with Volunteer Income Tax Assistance (VITA) sites across the country, with the blessing of the Treasury Department and processing support from a national bank, the U.S. Savings Bond Tax Time Pilot has produced eye-opening results. From this work emerged the Savings Bond Working Group (SBWG), a national coalition of not-for-profit organizations, grass roots and community services groups, policy people, and businesses, that helps implement and advise on the pilot and advocates broader use of U.S. Savings Bonds as a national wealth-building tool.

*The positive multi-year results of the U.S. Savings Bonds Pilot inspired the SBWG to propose to the Treasury Department that U.S. Savings Bonds be returned to the tax form as a purchase option. There is precedent: from 1962-1968, Form 1040 included an option for tax filers to buy U.S. Savings Bonds by checking a box. (See Appendix A for the 1962 Form 1040 offering the option of bond purchases.)*

*Between 1962 and 1968, taxpayers could buy U.S. Savings Bonds by checking a box on Form 1040 when filing their taxes. The possibility of splitting a tax refund among several accounts using Form 8888 was not instituted until 2007; therefore, choosing to buy a bond in the 1960s required that the complete refund amount be used to buy bonds.*

*The SBWG has asked the Treasury Department to restore this option as an opportunity all taxpayers would be able to access. Because the Treasury Department has the authority to make this change, no legislation would be required. Although enacting the proposal would involve labor and one-time expenses, the Treasury Department could implement the proposal relatively easily and inexpensively compared to other proposals to stimulate saving. Stimulating saving—and the economic self-discipline it requires – is an essential building block of our long-term economic recovery and health as a nation.*

# THE 10 RULES OF SUCCESSFUL LOW AND MODERATE INCOME SAVING

- 1) **Choose the right time** - Tax time is often the time when low and moderate income people have discretionary cash, some of which it may be possible for them to save.
- 2) **Leverage willingness** - Surveys show that in 2009, 89% of VITA tax filers surveyed believed it was important to save.
- 3) **Make it easy** - Complexity, delayed fulfillment, online transactions, credit checks and the requirement to be fully banked deter many low and moderate income people from saving. Making saving simple, immediate, tangible, and available to anyone is essential to success.
- 4) **Make it accessible** - Saving products that require a lot of research, due diligence, or complicated transactions are off-putting to a population unused to saving and stressed by many hardships. A vehicle such as U.S. Savings Bonds that is generally available in the community, backed by the U.S. Government, and has proven its trustworthiness and efficacy over 70 years, is ideal.
- 5) **Make it tangible** - The ability to hold a U.S. Savings Bond in one's hand, to look at it, to store it where one can get it at any time, or to include it in a birthday or graduation card as a present, is a major plus.
- 6) **Make it safe** - By necessity, most low and moderate income people are risk-averse and would rather venture into saving via a trusted method that is protected against inflation and loss.
- 7) **Make it comfortable** - Familiarity with U.S. Savings Bonds over generations and personal experience with bonds predispose people to say yes to saving.
- 8) **Make it worthwhile** - Solid yields that often exceed those of other common saving products like savings accounts or certificates of deposit are persuasive in encouraging low and moderate income people to save.
- 9) **Offer facilitation** - Many tax clients return year after year to the same tax preparer. They value the fact that someone knows their history and has done well by them in past years. A saving offer coming from such a trusted individual has a good chance of being accepted.
- 10) **Educate and market** - A majority of bond purchasers in the tax time VITA program, even though familiar with savings bonds, had no idea where to get them or how they worked. When asked what one thing the government should do to improve U. S. Savings Bonds, focus group participants consistently mentioned "more advertising" as the single most important activity to increase take-up of savings bonds. Building on past decades' public service announcements, colorful and ubiquitous posters, and bond drives spearheaded by relevant celebrities would help the nation retain and revivify this strong, constructive, but rapidly-withering brand.

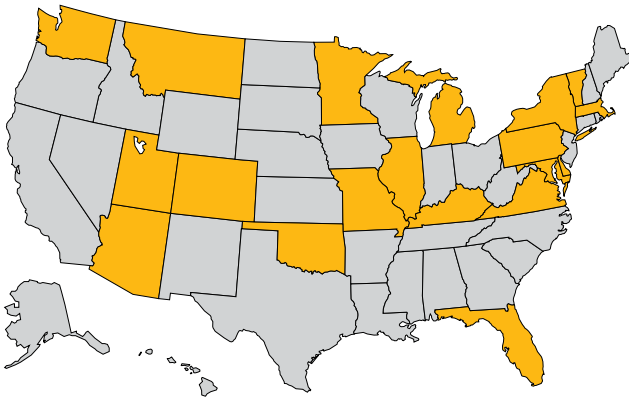
## CHAPTER TWO

# THE TAX SEASON 2009 PILOT - HOW IT WORKED, WHAT WE LEARNED

### SETTING UP THE PILOT

Two thousand nine marked the third year that D2D has worked with partner organizations across the country to offer lower income tax clients an opportunity to buy Series I U.S. Savings Bonds with a part of their federal tax refunds. This year D2D considerably expanded its reach, working with 67 tax sites represented by 26 Volunteer Income Tax Assistance (VITA) organizations in 19 states (up from 32 tax sites in 2008 and 4 sites in 2007). All told, this year more than 50,000<sup>iii</sup> VITA tax clients had a chance to order savings bonds.

*States with participating VITA sites, U.S. Savings Bond Pilot, 2009*



### THE 2009 U.S. SAVINGS BOND PILOT

Operating with a special waiver from the Treasury Department, D2D supports the purchase of Series I U.S. Savings Bonds at tax time with a secure ordering and tracking web-based system (the Savings Bond Portal), training of VITA staff, marketing material and technical support throughout the tax season. Important to the U.S. Savings Bond Pilot were the legions of volunteer tax preparers and staff who each year set up, administer, and staff the VITA sites that offer free services to those making less than \$45,000 a year.

In addition to the Treasury Department, several parties cooperated to address key requirements of the project, including:

**Operations** – H&R Block Bank agreed to receive a portion of bond buyers' tax refunds with which they placed bond orders with the Bureau of Public Debt.

**Tax Preparer & VITA Staff Training** – D2D created on-line computer-based training materials to teach tax preparers and staff at tax sites about savings bonds and pilot procedures.

**Marketing** – D2D produced bilingual brochures, posters and leaflets featuring a "Save Some of Your Refund with U.S. Savings Bonds" tagline and common visual theme (See Appendix C for a sample of marketing material used).

Pilot tax sites offered Series I U. S. Savings Bonds, which are sold at face value and pay interest for 30 years at a rate adjusted every six months by the Treasury (on the basis of inflation over the prior six months, as measured by the Consumer Price Index for all Urban Consumers (CPI-U)). I Bonds ordered during tax season 2009 yielded, at time of issue, a rate of 5.64%. Most banks and credit unions will redeem I Bonds, although, except for special cases,<sup>iv</sup> they cannot be redeemed for at least one year after purchase. Prior to 5 years, redemption carries a penalty of the preceding three months' interest. Paper I Bonds can be purchased for as little as \$50 and in increments of \$25 above \$50. In the pilot, tax clients could purchase I Bonds in their own name, or in their own name *and* that of a co-owner who would have full rights to redeem the bond without requiring the other owner's permission or participation.

## HOW PARTICIPANTS WERE CHOSEN

In choosing partners for 2009, D2D sought VITA organizations with a commitment to helping clients build assets, and the capacity both to offer meaningful numbers of clients a chance to order savings bonds and to support the policy advocacy of the Savings Bond Working Group. There were two types of VITA partners in the pilot:

**Non-Research Sites** – these sites were invited to use D2D’s savings bond ordering infrastructure (including the Savings Bond Portal web site) and were offered training support in the form of online computer-based training modules, webinars, conference calls and, in most cases, at least one site visit by a D2D staff member.

**Research Sites** – a subset of sites also supported D2D’s research agenda by conducting bond buyer surveys, providing client tax data, and in some cases, helping arrange bond buyer focus groups. Research sites received a small stipend to offset the additional burden of research-related tasks, and received extra training and more regular contact with D2D staff.

In all, D2D served 67 VITA sites in 2009, of which 17 were research (see Appendix D for a list of VITA sites that participated in the 2009 pilot). Nearly all research sites and many non-research sites became active in the SBWG, supporting the Group’s policy work, especially its goal to return a savings bond purchase option to the federal tax filing process.

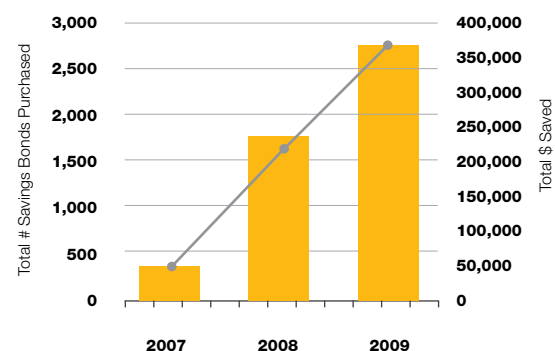
## OVERALL RESULTS: VERY ENCOURAGING

Fifty percent more tax clients ordered savings bonds this year despite an extremely difficult economy. Even more striking, the amount invested in bonds jumped 87%. High-level results for the past three tax seasons are summarized below:

**Table 3: Savings Bond Pilot Results**

Savings Bond Pilot Results	2007	2008	2009
Number of Clients Purchasing Bonds <sup>a</sup>	231	1,086	1,708
Number of Registrants (owners or co-owners) <sup>b</sup>	377	1,810	2,817
Value of Bonds Ordered (in thousands)	\$50	\$202	\$379
Average Amount Used to Buy Bonds per Client	\$185	\$186	\$222
Percent of Bonds Purchased w/ Co-owners (as Gifts)	84%	73%	72%

**Chart 4: Three year bond results growth**



(See Appendix E for results of VITA sites broken down by type: research vs. non-research sites.)

## ACCESSING THE AMERICAN DREAM

One of the things we learned from the pilot is that offering savings bonds at tax time gives more Americans an option to save, thus allowing more of us to take steps towards achieving the increasingly elusive American Dream. Of VITA clients in the pilot, roughly 31,300 tax filers were eligible to buy bonds. Eligible tax filers were defined two ways: those expecting a refund of \$50 or greater (the minimum amount necessary to purchase a bond) and those expecting a refund of \$50 or more and using direct deposit (a necessity in the pilot, in order to have a repository for the refund amount not dedicated to savings bonds). We report take-up against both these populations.

We found the following to be true among research sites in the 2009 pilot:

- 1) Tax clients want savings bonds and bond buyers are pleased with their purchases.
- 2) Buying bonds at tax time is habit-forming; purchasers build year-over-year savings
- 3) Most bond buyers save for the long term.
- 4) Savings bonds are unique in suiting lower-income consumers' saving needs.
- 5) Bonds are a good fit for new and/or small savers.
- 6) Despite their interest in savings bonds, prospective buyers don't know where to get them
- 7) Lower-income buyers strongly prefer paper bonds
- 8) Some low-income bond buyers are open - but not committed - to electronic transactions

## 1) TAX CLIENTS WANT SAVINGS BONDS AND BOND BUYERS ARE PLEASSED WITH THEIR PURCHASES.

D2D and its VITA partners have seen a three-year pattern of growing demand for Series I U.S. Savings Bonds: from tax seasons 2007 through 2009, 3,025 VITA clients have bought 5,004 U.S. Savings Bonds worth \$630,000, resulting in a 3-year take-up of 4% (against those with sufficient refund) to 6% (against those who had sufficient refund and direct deposit). In the 2009 test, sales rose 50% to 87% over 2008. Despite the toughest economic conditions in a generation, take-up is strong. This is especially true when viewed by tax filing status: among taxpayers filing as Head of Household – generally those who both most need and will most benefit from increased saving – take-up is 60% to 100% higher than that of all filers.

*Several of our non-research sites witnessed high take-up rates. While these sites were not required to provide us with return-level data, a few did, and others provided us with aggregate numbers that allowed us to compute take-up. When computed against all clients with refund amounts greater than \$50 and those that used direct deposit, one site, Incarnation Church in Philadelphia had a take-up rate of 13%. Two other Philadelphia sites had take-up rates of 10% each when computed this way, as did the Tempe Schools Credit Union site and the South Everett Square site run by the United Way of Snohomish County.*

**Table 4: Take-up rates**

Clients	All	Filing Status Head of Household
Buyers <sup>vii</sup>	904	494
Take-up (against clients with refund >=\$50)	3%	6%
Take-up (against clients with refund >=\$50 and who used direct deposit)	5%	8%

These results were achieved despite several factors depressing take-up. Tax season 2009 was the first year that revised IRS regulations obligated VITA organizations to collect two separate consents from clients before even discussing service offerings that would utilize personal data collected during tax preparation<sup>viii</sup>. The consents were intimidating and, according to staff at some sites, led many clients to wave off site staff attempting to describe services designed for the clients' benefit. Another dampening factor this year was the increasing number and complexity of service offerings at VITA sites. In many cases, the same staff persons that were describing the savings bond purchase option were also responsible for several other products or services. But a VITA staff person who is helping a client complete a federal student financial aid application, for instance, is unavailable to explain savings bonds for 20 minutes or more. Finally, as noted, 2009 was an extraordinarily tough economic year for Americans, especially the working families served at VITA sites. VITA site staff reported that clients wanted to save, but often described needing every dime for life essentials in the face of reduced work hours, lay-off, or anxieties about how long their jobs would be secure.

## 2) BUYING BONDS AT TAX TIME IS HABIT-FORMING; PURCHASERS BUILD YEAR-OVER-YEAR SAVINGS.

Repeat buyer rates are strong, driven by high buyer satisfaction and a fundamental desire to save for the future when presented a convenient option. Thirty-eight percent (38%) of TS07 (Tax Season 2007) purchasers who were eligible to buy bonds bought bonds again in TS08 (Tax Season 2008), and thirty-two percent (32%) of TS08 purchasers eligible to buy bonds bought bonds again in TS09 (Tax Season 2009). (See Appendix F for repeat buyers by site for TS07-TS08 and TS08-TS09). In a follow-up survey<sup>ix</sup> of 2008 purchasers, 22% reported an additional bond purchase, some occurring outside tax season. Other results from the same survey revealed tremendous satisfaction among last years' buyers as depicted in the tables below.

**Table 5: Buyer Satisfaction 1, from 2008 buyer survey**

Are you glad you bought a savings bond last year? n=163			
Yes, very glad	71%	92%	Satisfied
Yes, mostly glad	21%		
No, kind of wish I hadn't	2%	8%	Not Fully Satisfied
No, really wish I hadn't	0%		
Not sure	6%		

**Table 6: Buyer Satisfaction 2, from 2008 buyer survey**

How likely is it that you will buy savings bonds with the next year? n=160			
Almost certain	36%	72%	Likely to Buy Again
Likely	36%		
Unlikely	16%	28	Buying Again Uncertain
No chance	1%		
Not sure	11%		

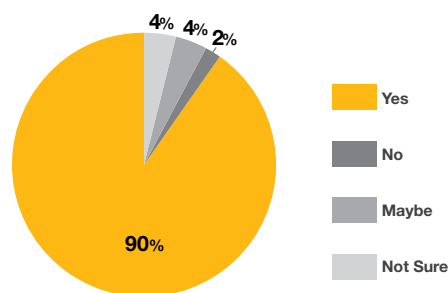
Over 90% of respondents answered "Yes" to the question, "Would you recommend savings bonds to a friend and/or family member?"

*"[Buying a bond] makes you want to add more to it - start a collection. Anything extra, something I would normally spend on a book or a CD, now I would put away for that [savings bond purchase]. Because when you start a collection you don't want to cash it in right away, unless you had an emergency. Savings bonds is like a collection."*

- Police Department employee, 2009 Bond Buyer

**Chart 5: Recommending bonds to friends/family**

**Would you recommend savings bonds to friends/family? 2008 follow-up survey respondents:**



## 3) MOST BOND BUYERS SAVE FOR THE LONG TERM.

Purchasers view savings bonds as savings for the long term - to be put away for a rainy day, a special occasion or the future of their children and grandchildren.

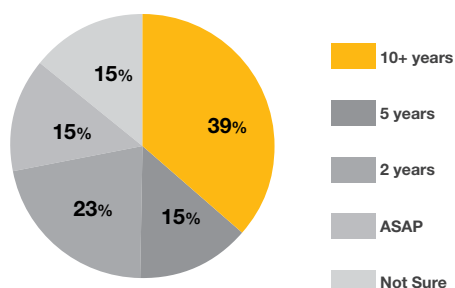
In the follow-up survey of 2008 bond purchasers, only 10% of respondents had redeemed some portion of their bonds. Thirty percent (30%) of TS08 buyers were not even certain if their bonds were redeemable - suggesting they were not anxiously awaiting the day they could rush out to cash in their bonds. Redemption rates among TS07 and TS08 pilot bond purchasers are strikingly close to national redemption rates, as seen in the chart below (source: the Bureau of Public Debt).

**Table 7: Redemption rates of pilot bond purchasers vs. National redemption for Series I U.S. Savings Bonds, Source: Bureau of Public Debt, May 26, 2009**

	Paper Bonds Issued	Redemption (as of April 2008)		Redemption (as of April 2009)	
		Bonds	Percent	Bonds	Percent
Tax Refund Bonds* (Jan-Apr 2007)	960	108	11%	246	26%
Total Series I Bonds <sup>id</sup> (Jan-Apr 2007)	2,244,000	226,000	10%	587,000	26%
Tax Refund Bonds (Jan-Apr 2008)	2,239			265	12%
Total Series I Bonds (Jan-Apr 2008)	2,138,000			223,000	10%

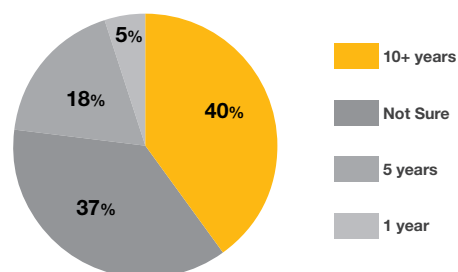
**Chart 6: Saving for 10 years or more: 2007**

**How long do you plan to hold on to your savings bonds before cashing them in? 2007 Respondents from follow-up survey of buyers:**



**Chart 7: Saving for 10 years or more: 2008**

**When do you plan for the bonds you bought today to be cashed in? 2008 Respondents:**



Lower income tax filers view investing in savings bonds as a saving strategy for longer-term goals that support life aspirations. In buyer surveys of two consecutive pilots (TS07 and TS08), respondents exhibited a strong preference for saving for long term goals (education, retirement and the future of children and grandchildren).

#### 4) SAVINGS BONDS ARE UNIQUE IN SUITING LOWER INCOME CONSUMERS' SAVING NEEDS.

Savings bonds are safe, trustworthy and the only government-backed saving product available to average consumers. Consequently, purchasers believe they can invest in bonds without fear of being exploited by perpetrators of financial fraud. Further, \$100 bond buyers recognize that they receive the same terms and conditions—and earn the same rate of return – as someone who buys \$5,000 of savings bonds. In that sense, the product is democratic and attractive to a population accustomed to paying more for financial services and getting less value in return than middle and upper income Americans.

*“Knowing that he’s on the way, I wanted something he could have a number of years from now whether it’s for college or he wants to put it towards buying a house in the future. The thought is to get one with the refund, then once he’s born, and then once again later in the year during Christmas time.”*

*- Expectant mother, 2009 Bond Buyer*

More than any other savings product, savings bonds are suitable for giving as gifts to others. During the pilot, tax filers had the choice of purchasing bonds for themselves only; for others only as co-owners; and for themselves and others. Of the 1,708<sup>xii</sup> purchasers, 66% bought bonds for others as co-owners, and they spent 65% more on savings bonds, on average, than those who bought only for themselves. The attractiveness of gifting has been a consistent finding in all three pilots, 2007-2009, as seen from data of actual savings bond orders.

#### 5) BONDS ARE A GOOD FIT FOR NEW AND/OR SMALL SAVERS.

Features of the savings bond, especially the low minimum required to begin saving and the government backing, are attractive to both new and small savers. In two consecutive surveys, respondents said that buying the bond at tax time was the first time they’d saved a portion of their refunds.

For buyers with average Adjusted Gross Income (AGI) of \$21,000 who had bills to pay off and debt to pay down, saving is a significant step toward securing the future, and is easier to do when saving is made convenient and accessible. This is borne out by the TS07 and TS08 purchaser surveys, where 57% (TS07) and 51% (TS08) of respondents said they would have saved less of their refund if they had not bought a savings bond at the time.

**Table 8: Long-term Savings, Survey of Tax Season 2007 buyers**

What is your (and your spouse's) most important reason for savings or investing?		
	Percent	Count
<b>Children/Family</b>	<b>27%</b>	<b>80</b>
<b>Education</b>	<b>23%</b>	<b>70</b>
<b>Retirement</b>	<b>18%</b>	<b>55</b>
Housing	5%	14
Car	1%	3
To get ahead	6%	18
Emergencies	10%	29
Everyday household expenses	1%	3
To enjoy life	2%	6
Appliances or electronics	0%	20
Multiple Answers	7%	4

## 6) DESPITE THEIR INTEREST IN SAVINGS BONDS, PROSPECTIVE BOND BUYERS DON'T KNOW WHERE TO GET BONDS.

The mismatch between lower-income tax filers' appetite for savings bonds and their knowledge about where and how to buy them is striking. Bonds would seem to be effectively inaccessible to a large portion of the audience that could most benefit from using them. In the 2009 buyer survey, 61% of respondents (499 out of 824) answered "I was unsure where to buy savings bonds" when asked to complete the sentence "Before coming to the tax site today..." Another 8% indicated that they knew where to buy bonds, but that it was not convenient for them.

## 7) LOWER-INCOME BUYERS STRONGLY PREFER PAPER BONDS.

Purchasers do not view the government's preferred method of savings bond purchase - online at **www.treasurydirect.gov** - as a particularly convenient or comfortable option. Eighty-six percent of 2009 bond buyers surveyed preferred paper bonds. Of note, 55% said that they preferred paper (rather than electronic) bonds because they "like seeing and holding paper bonds," suggesting a preference for paper is not rooted in lack of awareness of the advantages of electronic purchases. In a follow-up survey of 2008 buyers, 58% chose "Absolutely Not" or "Probably Not" when asked "Are you interested in converting your paper savings bonds to electronic form?"

## 8) A SEGMENT OF LOW-INCOME BOND BUYERS IS OPEN, IF NOT COMMITTED, TO ELECTRONIC TRANSACTIONS.

There is potential to increase use of Treasury Direct to buy savings bonds (or use other electronic means to do so) over the longer term. Low income bond buyers are somewhat comfortable with secure online transactions: 34% of 827 respondents in the 2009 bond buyer survey said they used the Internet to bank online, and another 36% said they used the Internet to buy things. Eighteen percent of respondents in the 2008 buyer follow-up survey, when asked "Are you interested in converting your paper bonds from paper to electronic form?" responded "Yes" while another 18% said "Maybe." While not overwhelming, these responses indicate that some purchasers are open to conversion, and perhaps view it as inevitable in the future. Similarly, they are open to learning more about a hypothetical savings bond stored value card, which was described as allowing customers to hold savings bonds without paper certificates.

## BUYER PROFILE: WHO BUYS BONDS?

Bond buyers are overwhelmingly women (79% of respondents in the 2008 buyers survey), parents (70% of 2009 respondents), and a majority file as Head of Household (HH).

Fifty-six percent (56%) of buyers are HH filers versus twenty-five percent (25%) of all those offered bonds.

The average Adjusted Gross Income (AGI) among TS09 purchasers is \$21,528, with an average age of 39 years and 2.3 members per household.

The average Earned Income Tax Credit (EITC) among those who received it was \$2,337 and average refund size was \$3,400.

Compared to non-buyers, buyers are younger with slightly higher average AGI, EITC and refunds.

Finally, 53% of all buyers are African American, versus 43% of all those offered bonds.

*(See Appendix G for a detailed look at buyer and non-buyer characteristics.)*

## CHAPTER THREE: THE UPSHOT

With three years' field experience, D2D and the Savings Bond Working Group have had ample opportunity to gather and analyze data about whether low and moderate income people would be interested in buying U.S. Savings Bonds if the process were made easy and convenient. In the course of events, we have met thousands of tax clients, and hundreds of VITA volunteers and managers, community resource staffers, business people, interested policy makers, legislators, and like-minded thinkers. Almost without exception the reaction to our proposal to return a savings bond purchase option to federal tax forms is the same: *That makes so much sense.*

Table 9: Long-term Savings, Survey of Tax Season 2008 buyers

What do you hope the bonds you bought today will one day be used for? n=689		
	Percent	Count
<b>Education</b>	<b>62%</b>	<b>426</b>
<b>Retirement</b>	<b>16%</b>	<b>110</b>
Emergencies	19%	129
Not Sure	18%	125
Other	6%	43

This is not to say that questions have not been raised, but the universal response is positive. From clients to lawmakers, people think Americans should be able to save and invest in their country easily and comfortably at tax time.

*"[What convinced me to buy a bond was] just knowing those savings bonds are going to help out 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..."*

- Administrative Assistant, mother of three, 2009 Bond Buyer

We've also learned that government officials, as well as grass roots service providers, are keenly interested at this time in expanding saving opportunities for all and ensuring that low and middle income families are well-supported as they turn onto the path of wealth-building.

The time is right for a change toward saving and investment, away from borrowing and spending. The Treasury Department officials, members of Congress and Administration staffers we have communicated with over the course of the pilot seem to agree. As a result of our evidential experience, we have some recommendations to help officials increase saving among Americans in general and low and moderate income people in particular.

### HOW WE CAN HELP LOWER-INCOME FAMILIES SAVE USING U.S. SAVINGS BONDS

Encouraged by the results from the last three years' pilots, D2D recommends that the Treasury Department institutionalize the success of the savings bond pilot by returning to the tax form the option to purchase savings bonds at tax time for all Americans. To implement this recommendation D2D suggests the purchase option be made easily available directly via IRS Form 8888 beginning in Tax Season 2010.

Table 10: Government backing: from the 2009 buyer survey

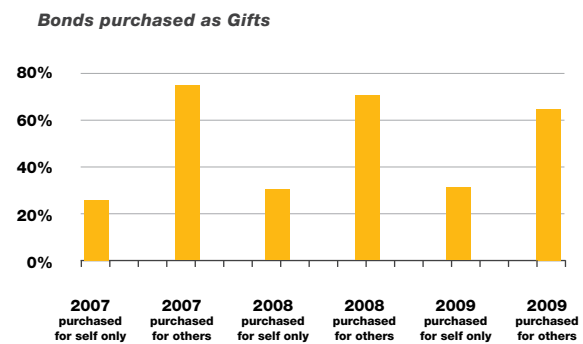
How do you feel about U.S. backing of government savings bonds? n=824	
Makes me feel that my money is safe	70%
Gives me pride that I am supporting my country	20%
Worries me because I do not trust the government	7%
Makes no difference to me	14%

The infrastructure to effect this change already exists. Starting with Tax Season 2007, the IRS implemented Form 8888 to allow refund recipients to split their refunds into as many as three bank accounts. D2D proposes that this form be enhanced to specifically offer an option to purchase savings bonds. (See Appendix B for a Form 8888 rendition that could be used in this way.) Our proposal makes sense from an organizational perspective as well, since the Treasury Department oversees both the IRS - generators of tax refunds - and the Bureau of Public Debt (BPD) - issuers of U.S. Savings Bonds. This would mean that funds invested at tax time in bonds would in effect never leave the Treasury Department. After the bond is ordered, the IRS would split the taxpayer's refund and direct part of the amount straight to the BPD, who would issue and mail a bond to the taxpayer.

We believe this proposal is the single highest-impact change the Treasury Department can make to use savings bonds to drive saving by Americans across the income spectrum; however, the savings bond program is rich with potential, and we encourage policy makers to consider several other proposals:

**Build on and expand savings bonds' impressive brand through vigorous and tailored marketing efforts to bring demand to scale.** Research about marketing to lower income consumers shows that they view saving differently from consumers in higher economic strata. A customized, more tailored approach to marketing is necessary. For example, research from one D2D-commissioned study<sup>xiii</sup> suggests that parents, especially women, are motivated to save for their children (incidentally corroborating separate findings in the savings bond field tests). Marketing strategies such as a savings bond spokesperson(s) that appeal socially and culturally to this population segment and subgroups within it—bond purchasers of a particular race or ethnicity, first-time parents or new (or lapsed) savers - would further strengthen the brand, and help give savings bonds a new lease on life in the 21st century.

**Chart 8: Percentage of buyers that purchased bonds for themselves only, and for others in 2007, 2008 and 2009.**



**Create incentives to save using savings bonds.** Incentives have a proven track record of spurring saving, from employer matches in 401(k) plans to the tax deferral offered by IRAs. Similar incentives should be offered for a tool that appeals to small savers and those with no access to employer plans. For example, policy makers should consider:

*Expanding the current Saver's Credit so it applies to purchases of savings bonds. The Saver's Credit already rewards lower-income taxpayers who set aside money in an IRA, 401(k) or other retirement plan. Adding savings bonds to this list would help many more working people access this credit, especially those who are not in a position to open a product requiring a higher minimum investment or, often, a more intimidating investment choice.*

*Offering savings bonds at a discount to eligible buyers at tax time. The information collected on tax returns is already used to target tax credits, such as the Earned Income Tax Credit (EITC), and could be used to determine eligibility for a savings bond discount. The discount could be applied to an existing series of bonds, such as I Bonds, or to new bond series, such as the proposed R Bond. D2D and members of the SBWG have experience with the powerful effect of discounted or incentivized savings bonds. In 2007, D2D's partner in Tulsa offered savings bonds at a discount to their VITA clients with strong results<sup>xiv</sup>. In 2009 VITA clients in Tempe, Arizona were offered a \$50 match against their savings bonds orders<sup>xv</sup>, and the Women's Institute for a Secure Retirement (WISER) offered simulated R Bonds to some West Virginia small-business people.<sup>xvi</sup>*

Following these successful experiments, a special incentive bond could be initiated. It could be offered at a discount to low-income tax filers, funded directly by tax refunds and made available on Form 8888. Or bonds could be offered as a match to tax filers that contribute to savings on their tax return. In fact, pending legislation - the Saver's Bonus Act of 2008 - already incorporates this idea.

**Table 11: New savers, 2009 and 2008**

	<i>Before today, other than the value of your home, did you have any money saved or invested? (Tax Season 2009) n=823</i>	<i>Do you (or your spouse) have any money saved or invested (please do not include the value of your home)? (Tax Season 2008) n=678</i>
Over \$1,000	17%	16%
Under \$1,000	83%	84%
Under \$100	55%	64%
Zero	36%	64%

### **Eliminate disincentives by tailoring savings bond regulations so they are more appealing to lower income purchasers.**

*Reform asset limits - Many lower income families use public assistance benefits to meet basic subsistence needs. These programs require that a family's total assets remain below a certain threshold, to ensure that the programs target and reach the neediest. But this is also a disincentive to save. Anecdotal evidence from pilot participants and VITA site staff suggest that asset limits negatively impacted take-up of bonds - ironically, a product originally designed to help all Americans, even the poorest, save.*

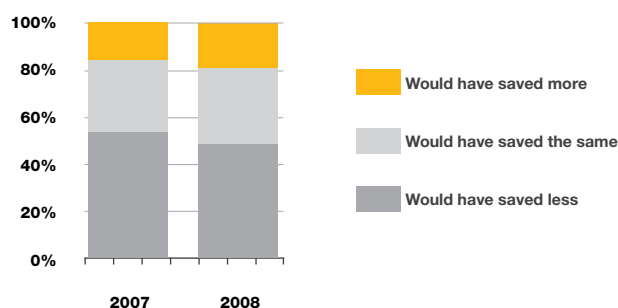
*Clarify, expand and publish the emergency redemption policy - Many low-income bond purchasers need liquid emergency funds. The current policy regarding emergency redemption of bonds within the first year of purchase is unclear and not well-documented. The Treasury Department, through its Bureau of Public Debt, should clarify and publish the circumstances under which a bond can be redeemed before the one-year holding period. Such crises as job loss, home foreclosure, sudden medical disability or death of a family member, as well as other life-changing circumstances, should be included in the published circumstances.*

*Restore the holding period from one year to six months. Long-term saving is important, and many low income purchasers are buying bonds for the long term. However, we believe that take-up by low income consumers would be higher if the holding period for bonds was shorter.*

**Retain the option to purchase paper savings bonds for the foreseeable future.** Pilot buyers prefer paper bonds because they are satisfyingly tangible and near at hand; they appear to evoke an emotional response in purchasers, as paper bonds represent a physical manifestation of their savings. Paper bonds are more suited to gift giving because they can be enclosed in birthday cards and the like; this is important as a significant percentage of our buyers purchase bonds for others as gifts, mostly for their children and grandchildren.

**Chart 9: Saved Less if they Didn't Buy Bonds (2007-08)**

***"If you had not bought a bond today, would you have saved more, the same, or less of your tax refund?"***



***Plan and implement the systematic migration of bond buyers from paper to electronic bonds (or to alternative technologies like bond cards) over a period of time.***

A deliberate effort to educate, inform and engage current holders of paper bonds about the positive aspects of buying bonds online would fill an important unmet need. A solid degree of interest in migrating to electronic bonds is routinely expressed in our surveys (along with a comparable expression of mistrust in online purchases). To address these apparently contradictory inclinations, it is important that the Treasury Department optimize the online experience for lower income users buying bonds online. It is not just the case that lower income consumers don't want to use or don't have computers; there is also deep mistrust of online transactions and concern about fraud and identity theft, along with a perception that once one's personal information is out in the ether it is likely to be misused by the government, banks, or others in some way. In addition, many feel a strong negativity toward buying bonds online due to frustration with the complexity of Treasury Direct. Introducing a simplified, customized version of Treasury Direct geared specifically towards buying bonds and targeted to low-income buyers would help in addressing this concern. A sizeable percentage of refund recipients say they will buy bonds electronically under the right circumstances. Purchase options such as stored value cards or gift cards, easy to incorporate into web-based systems, can be explored as alternatives for those who are not comfortable relying exclusively on web-based purchase and delivery. A stored value card, for example, would hold the value of a bond in electronic form and allow incremental bond purchases at point of sale locations.

**WITH THE RIGHT SUPPORT,  
ALL AMERICANS WILL SAVE**

**Lower-income consumers are currently underserved when it comes to saving, but can and will save when supported appropriately.** Our research indicates this support would be most effective in the form of a studied policy response to the expressed saving preferences of lower income savers and would-be savers. Such a policy should create easy, accessible saving opportunities.

**The Series I U. S. Savings Bond fills a long standing need for a long-term and appealing saving vehicle among this population. This is due to the bond's unique characteristics, not least of which are its well-established brand and longevity;** the security of its government backing; its low entry minimum; and its portability and giftability. Returning the option to purchase U.S. Savings Bonds to the tax form will utilize existing products, infrastructure and precedent to meet this need. Evidence from a three-year field pilot demonstrates the effectiveness of such a program.

**Lack of attention to U. S. Savings Bonds is causing a strong national asset to wither.** Vigorous renewed marketing, promotion and education efforts will go a long way towards ensuring that inclusive saving for Americans of all income levels is not only available, but successfully achieved. Tax time is the optimum time to focus on and encourage saving efforts, as it is the one time each year when lower income tax filers are likely to have some discretionary income; further, organizing saving around an annual event will encourage the activity and help build saving habits.

**The characteristics of U. S. Savings Bonds make them especially attractive to first-time and small savers who are not well served by other savings vehicles.** People in our study frequently bought bonds for their children or grandchildren, and D2D and its partners believe that policy should optimize and incent saving for offspring.

Policies that support saving and wealth-building for all Americans strengthen and stabilize families and communities, contributing to an overall robust society as well as helping America return to financial health.

*“I would say, educate people. Educate people about savings bonds. I think something like this should be taught in the schools. There’s not enough information about how the financial system works in this country.”*

*- Young father and student, 2009 Bond Buyer*

## Acknowledgements

*D2D Fund would like to thank the U.S. Department of Treasury, H&R Block, H&R Block Bank, the Rockefeller Foundation, the Annie E. Casey Foundation and the Ford Foundation for their support of the Tax Season 2009 savings bond pilot project. The Department of Treasury granted D2D a waiver of Treasury electronic funds transfer rules in order to allow this pilot test to occur, and supported D2D with feedback and input throughout the planning and execution of the study. Scott McBride of H&R Block oversaw and supported this project tirelessly. Jeremy Ellsworth of H&R Block Bank processed over 1,700 bond orders, in a timely and professional manner, and helped resolve many order exceptions. D2D also thanks Jim Johnston and Cena Rich of Sogetti USA who developed and coded the Savings Bond Portal and Heather Robb for creating all the charts used in Chapter Two. Immense gratitude is also due to the VITA sites that participated in the pilot and gave generously of their time to make it a success, and continue to be advocates of US Savings Bonds as a valuable savings instrument for VITA site clients. Other members of the VITA community contributed valuable ideas and generally have been supportive of D2D's efforts to expand saving opportunities at tax time.*

## LIST OF APPENDICES

- A) Form 1040 from 1962
- B) Proposed Form 8888
- C) Marketing Materials Sample
- D) List of VITA sites that participated in the pilot
- E) Results of VITA sites broken down by type:
  - research vs. non-research sites
- F) Repeat buyers by site for TS07 and TS08
- G) TS09 Buyer vs. Non-buyer characteristics
- H) Data Sources and Exceptions List

APPENDIX A: FORM 1040A  
FROM 1962

**Form 1040A U. S. INDIVIDUAL INCOME TAX RETURN (Less than \$10,000 total income) 1962**

Please print →

1. Name (If a joint return of husband and wife, use first names and middle initials of both) \_\_\_\_\_  
 Home address (Number and street or rural route) \_\_\_\_\_  
 City, town, or post office \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

2. Your Social Security Number \_\_\_\_\_  
 3. Wife's Social Security Number \_\_\_\_\_

4. Check one:  
☐ Single; ☐ Married filing joint return (even if only one had income);  
☐ Married filing separate returns—if wife or husband also filing separately, give name \_\_\_\_\_

5. WAGES SHOWN ON FORMS W-2 AND OTHER INCOME \_\_\_\_\_  
 FEDERAL INCOME TAX WITHHELD \_\_\_\_\_  
 EMPLOYER'S NAME, Where employed. Write (W) before name of each of wife's employers \_\_\_\_\_

If item 5 is \$10,000 or more, or if item 6 is over \$200, use Form 1040.

6. INTEREST, DIVIDENDS, AND OTHER WAGES  
 Yours \_\_\_\_\_  
 Wife's \_\_\_\_\_

7. Total Federal income tax withheld  
 ↓

8. If you had an expense allowance or charged expenses to your employer, see instruction 8 and check here ☐ if appropriate.  
 Enclose Form W-2, Copy B. If your income was \$5,000 or more, you must compute your tax. However, if your income was less than \$5,000, you may have the Internal Revenue Service compute your tax by omitting items 10, 11, and 12. If you compute your own tax, \_\_\_\_\_

9. TOTAL INCOME → \_\_\_\_\_

10. Enter tax from Tax Table or from tax computation schedule → \_\_\_\_\_

11. If item 10 is larger than item 7, enter balance due → \_\_\_\_\_

12. If item 7 is larger than item 10, enter refund → \_\_\_\_\_

● Check here ☐ if you want refund applied to U.S. Savings Bonds.

# FORM 8888 MOCK-UP TO INCLUDE SAVINGS BOND PURCHASE OPTION

Yes We Can: Inclusive Saving at Tax Time 27

APPENDIX C:  
MARKETING MATERIAL SAMPLES

**You decide what to save  
and what to  
spend!**

**Save  
Some** *Start Saving today with US Savings Bonds*

"We used part of our refund  
to buy a Savings Bond for each of our children"



*Ask your tax preparer!*

**Spend  
Some** *Spend some for your expenses*

*Save Some of your Refund with*  
**U.S. Savings  
Bonds**

*Start Saving today with US Savings Bonds* **Save  
Some**

- Start with as little as \$50
- No Fees
- Fast



**Spend  
Some** *Spend some for your expenses*  
*Ask your tax preparer!*

## APPENDIX D:

### LIST OF ORGANIZATIONS THAT PARTICIPATED IN THE PILOT.

(\*Those with an asterisk had at least one research site.)

**Baltimore, MD:** Baltimore CASH Campaign\*

**Boston, MA:** Boston EITC Campaign\*

**Burlington, VT:** Burlington CASH

**Chicago, IL:** Center for Economic Progress\*

**Cumberland, MD:** Allegany County Human  
Resources Development  
Commission

**Denver, CO:** Denver Asset Building Coalition\*

**Detroit, MI:** Accounting Aid Society

**Duluth, MN:** Community Action Duluth\*

**Everett, WA:** United Way of Snohomish County

**Fairfax, VA:** Fairfax County Department of Family  
Service

**Great Falls, MT:** Tax Help Montana / Rural  
Dynamics\*

**Hollywood, FL:** Hispanic Unity of Florida

**Holmes, PA:** PathwaysPA

**Lawrence, MA:** Lawrence Community Works, Inc

**Louisville, KY:** Louisville Asset Building Coalition

**New York City, NY:** The Financial Clinic

**New York City, NY:** SEEDCO\*

**Philadelphia, PA:** Campaign for Working Families\*

**Rochester, NY:** Rochester CASH\*

**Seattle, WA:** United Way of King County\*

**Salt Lake City, UT:** Utah Gain Coalition

**St. Louis, MO:** Gateway EITC Community Coalition

**Tempe, AZ:** Tempe Community Council

**Tucson, AZ:** United Way of Tucson and Southern  
Arizona and Pio Decimo\*

**Tulsa, OK:** Community Action Project of Tulsa  
County\*

**Washington, DC:** Capital Area Asset Builders

**Wilmington, DE:** Nehemiah Gateway Community  
Development Corporation\*

## APPENDIX E:

### RESULTS BY RESEARCH AND NON-RESEARCH SITES

<i>Number &amp; Dolar Value of Bond Orders</i>	<i>Reseach Sites (17)</i>	<i>Non-Research Sites (50)</i>	<i>All Sites (67)</i>
<i>Bond Buyers</i>	926	782	1,708
<i>Value of Bonds Ordered</i>	\$201,325	\$177,425	\$378,750
<i>Registrants</i>	1,546	1,271	2,817
<i>Average Value of Bond(s) Ordered per Buyer</i>	\$217	\$227	\$222
<i>Average Number of Registrants per Buyer</i>	1.7	1.6	1.65

## APPENDIX F:

### REPEAT BUYERS FROM TS08-TS09 AND TS07-TS08

	Totals	Baltimore	Boston	Chicago	Delaware	Denver	Philadelphia	Rochester	Seattle	Tulsa
<i>Savings Bond Repeat Buyers, 2008 to 2009</i>										
<i>2008 Buyers Who Returned a Tax Site Offering Bonds in 2009</i>										
<i>... and had a refund of \$50+</i>	453	53	45	74	17	18	47	61	38	100
<i>... and bought a bond in 2008</i>	145	24	20	18	4	2	16	22	6	33
<i>Repeat Rate</i>	32%	45%	44%	24%	24%	11%	34%	36%	16%	33%

	Totals	Baltimore	Boston	Denver	Tulsa
<i>Savings Bond Repeat Buyers, 2007 to 2008</i>					
<i>Bond Buyers in 2007</i>	298	81	49	34	134
<i>'07 Buyers Who Returned to a Tax Site Offering Bonds in '08</i>					
<i>...and had a refund of \$50+</i>	205	46	35	24	100
<i>...and bought a bond in 2008</i>	78	25	12	8	33
<i>Repeat Rate</i>	38.0%	54.3%	34.3%	33.3%	33.0%

*Note: Twenty-four buyers who bought bonds in TS07 also bought in TS09. Of these, fourteen buyers bought bonds in all three pilots: TS07, TS08 and TS09*

## APPENDIX G: BUYER AND NON-BUYER CHARACTERISTICS

*Tax Season 2009*

<i>Characteristics (all figures are averages)</i>	<i>Buyers (n=888)</i>	<i>Non-buyers (n=35,423)</i>
<i>AGE</i>	39	43
<i>Number of Dependents</i>	1	1
<i>Adjusted Gross Income (AGI)</i>	\$21,528	\$18,123
<i>Household Head Count</i>	2	2
<i>AGI per Household Member</i>	\$10,118	\$11,036
<i>Federal Tax</i>	\$1,384	\$1,432
<i>Earned Income Tax Credit (EIC)</i>	\$2337	\$1,465
<i>Child Care Tax Credit</i>	\$335	\$418
<i>Child Tax Credit</i>	\$1,235	\$1,143
<i>Education Tax Credits (Hope, Lifetime Learning)</i>	\$573	\$599
<i>Unemployment Income</i>	\$2,711	\$3,699
<i>Saver's Credit</i>	\$122	\$133
<i>Taxable Interest Income</i>	\$159	\$562
<i>Non Taxable Interest Income</i>	0	\$1,034
<i>Dividend Income</i>	\$212	\$527
<i>Refund</i>	\$3,400	\$1,333

## APPENDIX H: DATA SOURCES AND EXCEPTIONS

The following data sources were used in completing the analysis reported in this paper:

- **Tax return data from research sites.**
- **Buyer surveys from the last three years' pilots: TS07, TS08 and TS09.**
- **The last two years' bond order data from the Savings Bond Portal.**
- **Focus groups conducted in Chicago and Philadelphia in April 2009.**

Following are data exceptions encountered during data collection, processing, and analysis.

- **Tax Wise Online related exceptions:**

- Because of the lack of availability of the necessary reports with Tax Wise Online (TWO), we were unable to determine the number of returns that used direct deposit information for two of our research sites that used TWO this year: Philadelphia and Delaware. The take-up rates against returns that had a refund > \$50 AND direct deposit (Chapter Two) therefore do not include these sites.
- Because of errors in the TWO report used to get tax return data "Tax Form by Filing Status", refund data for the same two sites was incorrect in some cases. Therefore refund average calculations for buyer and non-buyer characteristics (Appendix G) do not include these sites
- The average calculations of all tax credits (except for the Earned Income Credit), unemployment income, taxable and non-taxable income and dividends in the buyer and non-buyer characteristics (Appendix G) do not include these sites because the data was not easily available from TWO.

- **Of the 926 buyers from research sites, 24 were excluded for the analysis for the following reasons:**

- Seventeen buyers from one site were not reflected in the Tax Wise data obtained from the site
- Seven buyers were not included because they were friends/family/volunteers that had more than \$50,000 in Adjusted Gross Income

- **Race/Ethnicity does not include data from the following research sites: Boston, Delaware, Denver, and the two Great Falls sites.**

## ENDNOTES

<sup>i</sup>Tufano, Peter, and Daniel Schneider. Reinventing Savings Bonds, Tax Notes, October 31, 2005, p. 6.

<sup>ii</sup>In one saving study conducted in the early 2000s, 48% of participants below 50% of the poverty line were savers, while 56% of participants above 150% of the poverty line were savers. Further, the study found that not only did the lowest-income participants save, they saved at a rate almost twice as high as higher-income participants.

- *Can the Poor Save?* Schreiner, Mark, and Michael Sherradan. Transaction Publishers, 2007, p. 282.

<sup>iii</sup>In all, approximately 38,546 clients flowed through the research sites; for non-research sites, we estimate conservatively that at least 300 clients on average flowed through each non-research site.

<sup>iv</sup>Although it is not widely known, the Bureau of the Public Debt will consider hardship requests for redemption before one year on a case by case basis.

<sup>v</sup>These numbers include bond buyers from both research and non-research sites; for instance, the 2009 total includes both 926 buyers from research sites and an additional 782 from non-research sites (who did not complete buyer surveys).

<sup>vi</sup>Registrants are individuals for whom bonds were purchased; they are also known as owners and co-owners

<sup>vii</sup>Twenty-four of the 926 research site buyers are excluded in the analysis due to data issues encountered during the data collection process. See Appendix H for details on this and other data exceptions.

<sup>viii</sup>IRS regulation 7216 is designed to safeguard tax client personal data; a revised interpretation of the rule in late 2008 led the IRS to advise VITA sites of a new obligation to collect one consent from clients before their personal data could be used by a third party (such as D2D and H&R Block Bank in fulfilling savings bond orders) and another before it could be disclosed to a third party.

<sup>ix</sup>Between April 15 and May 15, 2009, VITA sites that participated in both the 2008 and 2009 pilots conducted a telephone survey of 2008 bond buyers to understand their feelings and behavior one year in to savings bond ownership.

<sup>x</sup>This was the entire number of Series I bonds bought by the general public in the time period.

<sup>xi</sup>This was the entire number of Series I bonds bought by the general public in the time period.

<sup>xii</sup>This finding is based on data from the Savings Bond Portal on all 1708 purchasers, not just the 926 that were part of the research study.

<sup>xiii</sup>Zaltman Metaphor Elicitation Technique (ZMET) Female Parent Children's Financial Security Study

<sup>xiv</sup>During the Tax Season 2007 U.S. Savings Bond pilot, 431 tax filers at CAPTC in Tulsa participated in an Incentive bond offer to test the take-up rate for bonds offered at a 20% discount for one week. The test found that the response to the 20% discounted bonds was strong, with a take-up rate of roughly 50% more compared with a take-up rate for IRAs in a similar test.

<sup>xv</sup>During this past tax season, D2D's VITA partner in Tempe, the Tempe Community Council, offered a match of a \$50 bond to each of the first 50 bond purchasers. The site was not part of our research study, but according to site personnel, a majority of the sales (the site sold a total of 58 bond orders) occurred when the match was being publicized.

<sup>xvi</sup>An ongoing rural retirement demonstration project in Maxwelton, West Virginia - Women's Institute for a Secure Retirement (WISER) - whose objective is to gauge the value of financial education, savings incentives and savings plans, particularly U.S. Savings Bonds, for rural female workers.

About D2D Fund, Inc.

D2D Fund, Inc. [www.d2dfund.org](http://www.d2dfund.org) is a non-profit organization that expands access to financial services, especially asset-building opportunities, for low-income families by creating, testing and deploying innovative financial products and services. D2D works with the financial services industry, public policy organizations, national non-profit groups, and grass roots community agencies to generate promising ideas, pilot test systems and programs, build awareness of the needs and potential of low-income communities, and advocate progressive social and economic policy.

This working paper was prepared by Preeti Mehta, Christina Kasica and Timothy Flacke. Questions, comments and suggestions are welcome at [info@d2dfund.org](mailto:info@d2dfund.org)

Design and layout by Daniel Luzier ([dadalu.net](http://dadalu.net)).

Cover art courtesy of Citizens Equity First Credit Union (CEFCU).



**D2D FUND**

1127 Harrison Ave.  
Roxbury, MA 02119  
877.642.3167  
[www.d2dfund.org](http://www.d2dfund.org)

*Copyright 2009, D2D Fund, Inc.*