

# EVERYONE CAN SAVE: BUILDING SAVINGS ONE BOND AT A TIME

Purchasing bonds for my children is a great way to secure their future financial independence.  
-RM

believes in dreams

Compro Bonos por que es una buena manera de ahorrar. Se que el dinero no lo voy a gastar. Ademas pienso que en un futuro le seran de mucho usa a mis hijos. - Lucy

believes in dreams

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

believes in dreams

I CHOSE TO PURCHASE A BOND IN ORDER TO HAVE MONEY SET ASIDE FOR MY CHILDRENS & MY FUTURE.

-TYNISA  
believes in dreams

Want something nice for my kids so I choose to invest in they future -Lyne

believes in dreams

I bought a savings bond because it was the easiest way for me to save. -Roger

believes in dreams

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

believes in dreams

I BOUGHT MY SAVING BONDS BECAUSE IT IS A GREAT WAY TO SAVE FOR MY RETIREMENT AND IT IS A GREAT INVESTMENT.

believes in dreams

For my grandson's future. -Wandi

believes in dreams

## Acknowledgements

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### About D2D Fund, Inc.

D2D Fund, Inc. [www.d2dfund.org](http://www.d2dfund.org) is a national 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 paper was prepared by the Doorways to Dreams Fund. Questions, comments and suggestions are welcome at [info@d2dfund.org](mailto:info@d2dfund.org)

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## CHAPTER ONE: INTRODUCTION

***“We have to revive this economy and rebuild it stronger than before. And making sure that folks have the opportunity and incentive to save... is essential to that effort.” - President Obama, September 5, 2010***

On a quiet Saturday morning in September, 2009, President Obama delivered a modest speech with a profoundly important message. In announcing a new initiative to help working Americans save money, the President reminded us that all people should have the tools they need to build economic security and the freedom it bestows, and that government has an essential role to play in helping citizens save for the future. President Obama’s message came at an opportune time. In the past few decades, many Americans – once thrifty, self-reliant, and financially prudent – have struggled to build financial reserves as a foundation for a secure, prosperous future.

Lower-income Americans and those underserved by mainstream financial institutions have been particularly vulnerable. Tens of millions do not have a bank account or access to saving opportunities, such as employer-based retirement plans. Savings options that work well for middle and upper-income consumers are often impractical for lower-income Americans: minimum balances, credit checks, and high fees render them inaccessible. Lower income people work just as hard as middle-and-upper income folks and have the same dreams for their children. It is good policy and common sense to ensure that the same opportunities to save and build bright and stable futures are available for everyone. Ultimately, we all benefit when more Americans set aside some of their income, and more families have established a solid financial foundation.

Unless we guide public discourse back to a focus on thrift and economic security, millions of children born into lower income families are likely to remain stuck in the same position as their parents – or be less well off. Imagine if every adolescent watched an adult in his or her life set aside money every year for the future. Imagine if all parents could confidently suggest to their children at least one safe and reliable saving product. Imagine if all children knew they had a modest nest egg to pay for school or rent an apartment, and had experienced firsthand the benefits and stability brought by household savings.

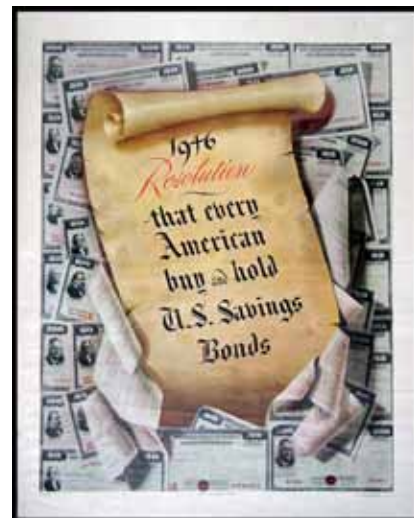


Photo courtesy of the UNT Digital Libraries and the UNT Libraries Government Documents Department

***“More than 50% of Americans who start out in the lowest income bracket remain there if their parents had low savings, but only 29% remain there if their parents had high savings.”***

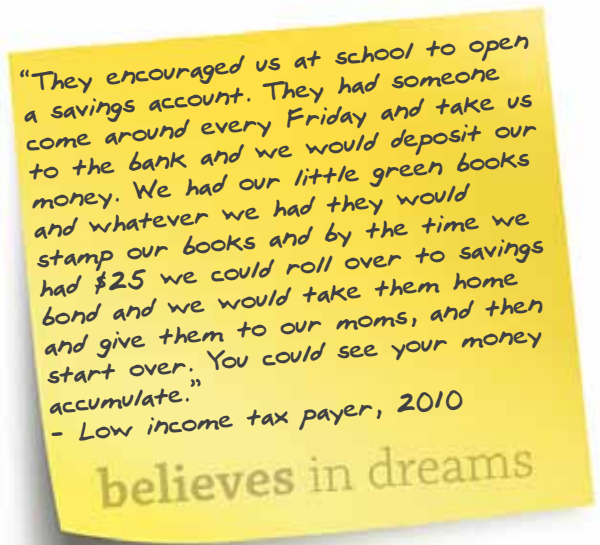
Source: “A Penny Saved is Mobility Earned: Advancing Economic Mobility through Savings”, Pew Charitable Trusts Nov 2009

Financial security is on every American's mind. From declining balances in their own bank accounts to the constant media coverage of the economic crisis, it is hard for families to take a break from worrying about money and their financial health. But financial security is not just a household issue: families' finances have larger economic implications. The foreclosure crisis illustrates the point. As property values decline, homes are abandoned, crime increases, more people leave a neighborhood and property values fall further. In turn, governments collect less property tax and municipalities must cut back on public services. Then property values fall further, impacting everyone in a community, a region, or a state. From the housing market to retirement opportunities, our financial futures are tied together.

Fortunately, we know what to do to improve our financial futures. Saving money is a time honored way to prepare for tomorrow and force careful spending choices today. And most Americans value saving, even if they struggle to live up to their values. To help people act on their natural desire to build stable financial futures, we need easy, concrete, and safe ways for people to begin saving money, to establish a saving habit, and to accumulate a modest savings balance.

	% report losing sleep	% report worsening health	% report losing productivity at work
(< \$500 in emergency funds)	68%	50%	29%
(> \$500 in emergency funds)	40%	19%	14%

Source: "Understanding the emergency savings needs of low-and-moderate-income households: a survey-based analysis of impacts, causes and remedies," Stephen Brobeck, Consumer Federation of America (November 2008), data from a survey of 1000 low-income women.



An historic opportunity to help all Americans take action to save and strive toward economic independence is now available. The new savings policy the President announced in 2009 takes advantage of the form nearly every American must interact with every year – the federal tax form – and creates a new savings opportunity accessible to the 100 million people who get a tax refund every year. The savings product is a U.S. Savings Bond – a safe, universal, familiar, trustworthy, government-issued savings instrument especially well suited for the small saver, but available to all. Series I U.S. Savings Bonds are now offered at tax time and are available on the tax form, when many Americans have money to save.

While America gradually recovers from the economic crisis millions of workers still suffer from its impact. The effects of the downturn on these households will likely linger for years. But the cloud of the recession may have one important effect: it provides an occasion to reset priorities and refocus on what is important. Savings is clearly among the most essential financial priorities. The data is beginning to demonstrate this, as the nation's long-dismal savings rate begins to rise and the country slowly moves from unchecked consumption to thrift.

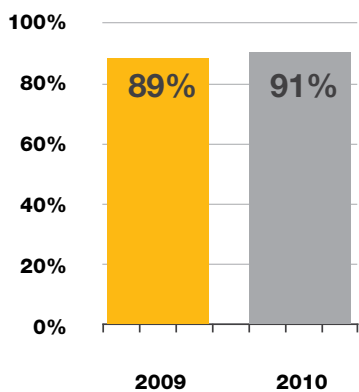
But saving is still difficult. The process of saving money requires people to think about the future, to make difficult choices between spending and saving, and to engage in fiscal self-discipline. The Administration's new policy recognizes these challenges by linking to a "savable moment," when lump-sums of money are available, and by allowing families to save on behalf of their most cherished asset, their children.

With the policy in place, Americans can increase their saving and change their behavior, such that saving at tax time is one day a social norm. With the economic downturn front and center in Americans' minds, we have a window of opportunity to encourage thrift. Capitalizing on this moment requires urgent action to create maximum impact for the greatest number of people.

The most important step is to build public awareness of the new policy, its existence, its benefits, and when and how to take advantage of it. Advocates of economic security must embrace this cause over the next few years, using traditional and social marketing tools to create national awareness. To begin, there are roughly 40 million taxpayers with incomes under \$47,000 a year<sup>1</sup> who could benefit from this policy immediately.

This report is a call-to-action for all Americans to seize this historic moment, transform tax time into a savings event each year and to invest in U.S. Savings Bonds, thus encouraging Americans to embrace saving once more and prioritize thrift over spending in financial preparation for the future.

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



<sup>1</sup> Per 2007 IRS data

***Whom does the policy target?***

***The tax time savings bond purchase option is available to roughly 100 million tax payers who receive federal refunds every year. An enhancement in 2011 will allow tax payers who do not use direct deposit to order bonds, extending a tax time savings opportunity to millions of unbanked or under-banked taxpayers for the first time. In pilot tests, tax time savings bond buyers were often single parents (mostly mothers) who were due a significant refund. The majority of buyers were motivated to buy bonds for others, primarily their children and grandchildren.***



# CHAPTER TWO: THE STORY AND THE BACK STORY

## Why is tax time a good time to save?

	Family 1	Family 2
Annual Income of family with two children:	\$32,000	\$10,000
Total Refund (including Earned Income Tax Credit):	\$2,600	\$3,235
Percent of Income:	8%	32%

### Typical Uses for Refund:

- ✓ Repay Debt
- ✓ Purchase large goods (furniture)
- ✓ Advance pay monthly expenses (childcare, rent)
- ✓ Save???

For millions of American families, tax time is a golden saving opportunity because so many receive substantial refunds from a combination of tax credits and over-withholdings. In 2007<sup>2</sup>, more than 106 million tax filers received more than \$246 billion in federal tax refunds. This is especially true for lower-income families. For example, in the same tax year, over 67 million tax filers with annual incomes under \$40,000 received more than \$120 billion in refunds, an average \$1,780 per filer. For many filers, the refund check is the largest check they receive all year and presents them with a real opportunity to choose to save. However, taxpayers must manage competing uses for the refunds, which are often pre-committed for household expenses or big purchases that stores purposefully promote around tax season. Some retailers even entice taxpayers with free tax preparation so they will use their refunds to buy store products.

2 Data from the Internal Revenue Service (<http://www.irs.gov/pub/irs-soi/07in33ar.xls>)

## Why Savings Bonds?

The past five years of pilots and evaluation conducted by Doorways to Dreams Fund (D2D) and its partners have supported what Harvard Business School professor and Associate Dean Peter Tufano and others have believed about the unique savings opportunity with Series I Savings Bonds. In “Reinventing Savings Bonds”, Tufano and Schneider advance several reasons why savings bonds are particularly well suited for the low to moderate income (LMI) saver<sup>3</sup>:

**Low minimum & high return** – Series I Savings Bonds may be purchased for as little as \$50, but offer a rate of return in line with or exceeding that offered by Certificates of Deposit, most of which require a substantially higher minimum investment.

**No fees** – There are no fees to buy, maintain or redeem savings bonds.

**Simple purchase** – Bond buyers need not comply with financial institution Patriot Act or Know Your Customer requirements. This means bond applications can be accepted by tax preparers, at community based organizations, or at other venues.

**Universal access** – Bond buyers are not subject to the industry standard credit and debit screening for new deposit account holders and therefore are open to any consumer. Moreover, savings bonds are the first savings product to be offered universally through tax forms. With this policy, every single federal tax filer receiving a refund has the opportunity to choose to save.

Savings bonds also support long-term savings. Unlike bank accounts, bonds offer an “out-of-sight and out-of-mind” quality, as holders receive no monthly statements and are not tempted to withdraw funds at ATMs.

3 Tufano and Schneider. “Reinventing Savings Bonds” Tax Notes (October 31, 2005).

"You can access a savings account. You can't cash in a savings bond. And I'm glad, because I can suffer through hard times and go without. But if I had the choice to access that money, I would probably do it. And I would do it just spur of the moment and regret it later".  
- 2010 Bond Buyer

believes in dreams

## The tax time U.S. Savings Bonds policy

President Obama announced the tax time policy as part of a set of policies to increase retirement savings<sup>4</sup>. Specifics of the policy include:

- Taxpayers due a refund have the option to purchase savings bonds using IRS Form 8888
- Taxpayers can buy between \$50 and \$5000 worth of savings bonds.
- Buyers receive a paper savings bond in the mail to the address on their tax returns.
- Taxpayers were able to purchase bonds in their own names beginning in 2010. In 2011, the policy will expand to include purchasing with co-owners such as children or grandchildren. This is a particularly important new feature as many tax filers, especially lower-income tax filers, are interested in "purchasing" savings for their children.

<sup>4</sup> During President Obama's weekly radio address on September 5, 2009, he announced new steps to make it easier for American families to save for retirement. In addition to saving at tax time through savings bonds, the initiatives included: expanding opportunities for automatic enrollment in 401(k) and other retirement plans; enabling workers to convert their unused leave into additional retirement savings; and improving decision-making around retirement plans by providing a simple and clear "road map" of options for rollovers and other withdrawals.

- Taxpayers without a bank account could not buy bonds in 2010. In 2011, taxpayers will be able to purchase bonds without using direct deposit for the remainder of the refund. This feature will expand the savings opportunity to unbanked taxpayers.
- Taking advantage of the policy is simple, requiring a tax filer to complete four boxes, and does not require the purchaser to have a bank account or an online Treasury account.

## How it came about

For the past five years, D2D worked closely with the U.S. Treasury Department, the Bureau of Public Debt (BPD), and the Internal Revenue Service (IRS) to test what researchers had suggested – that savings bonds are a good financial instrument for tax time savings and, if available, would generate significant consumer demand. This was not a completely new idea. From 1962 through 1968, the IRS 1040 form included the option to direct all of a taxpayer's refund into savings bonds. The option was removed in 1968, and it took until 2007 for the critical tools to reappear in the form of the Split Refund Form (IRS Form 8888). With the creation of Form 8888, tax filers were able to split their refunds into up to three designated accounts. This created the opportunity to once again offer savings products on the tax form – this time, however, tax filers could save just a portion into a bond rather than their entire refund. This change made the option more accessible to potential savers, particularly those with lower incomes. The combined impact of pilot results, advocacy of the Savings Bond Work Group<sup>5</sup>, the infrastructure of Form 8888 in place, and a federal government with a clear interest in savings led to the September 5, 2009 announcement of the U.S. Savings Bonds Policy.

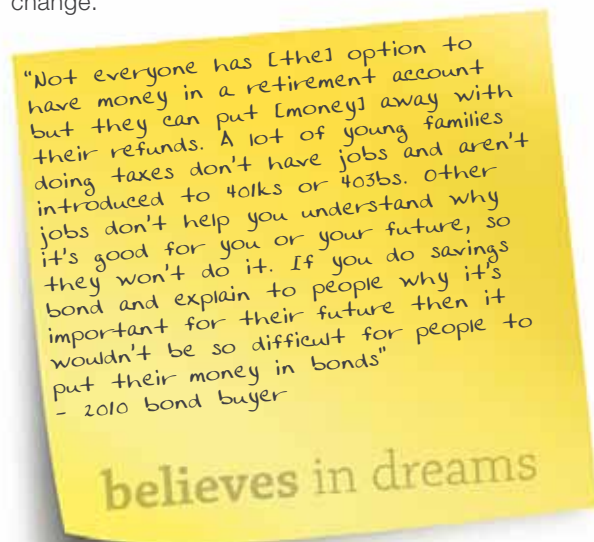
<sup>5</sup> In 2008, the Savings Bond Working Group (SBWG) emerged as a national coalition of not-for-profit organizations, grass roots and community services groups, policy advocates, and businesses that work together to promote savings options through saving bonds. See appendix III for list of Savings Bond Working Group members.

### **D2D National Tax Time Savings Bonds Pilots**

For several years, D2D has studied the use of U.S. Savings Bonds as a tool to help lower income families save part of their tax refund. From 2007-2010, in cooperation with H&R Block, H&R Block Bank and 32 partner organizations throughout the U.S., D2D offered U.S. Savings Bonds to more than 125,000 lower income tax clients in commercial tax preparation offices and Volunteer Income Tax Assistance (VITA)<sup>6</sup> sites. This work, which required special waivers from the Treasury Department and support from a national bank, demonstrated that low income tax filers could in fact save and that savings bonds suited their needs.<sup>7</sup>

### **The Savings Bond Working Group (SBWG)**

The SBWG advocated broader use of U.S. Savings Bonds as a national wealth-building tool. Drawing policy opportunities from the pilot results, the SBWG met with Treasury officials and legislators to share the success of the pilot work and the potential for positive impact on savings if the savings bonds pilot was brought to scale. The SBWG asked the U.S. Treasury Department to add the option to purchase savings bonds through the tax form so that all taxpayers would have easy access to a high quality saving option. The policy required no legislative approval – the Treasury Department had the authority to make the change.



<sup>6</sup> VITA sites are free tax preparation sites sanctioned by the IRS in communities throughout the U.S.

<sup>7</sup> See Appendix I for a list of all community organizations who participated in the pilots, and Appendix II for the pilot results.

### **Impact**

Beginning in 2010, 100 million households had easy access to a simple and solid savings option at tax time. Despite its very late launch, the policy demonstrated great promise in its first year, helping more than 22,000 taxpayers save \$10.5 million. Five times as many taxpayers saved ten-and-a-half times more in the first year of this policy than in all four years of the D2D pilot demonstrations combined. Moreover, these 22,000 tax payers purchased bonds despite limitations in year one policy and a very short window of time for promotion and marketing.<sup>8</sup>

This is not the first time the U.S. Government has played a critical and successful role in using policy to create the tools Americans need to pursue economic security. In the case of savings bonds, the policy fits well into an agenda that includes promoting financial security for all Americans, regardless of income. It was announced with a set of new policies to promote retirement savings. While the bond policy is still very new and will expand to include new features for 2011, early success makes the case for more innovation and creative thinking about how to promote financial security for vulnerable Americans generally and use savings bonds towards specific financial goals, such as retirement. Moreover, while the current economic crisis may limit how much people are able to save, this policy demonstrates that easily implemented, low-cost policy proposals to promote saving can be found – and can make a critical difference.

<sup>8</sup> In 2010, the bond purchase policy was open only to tax filers willing and able to use direct deposit; in addition, there was no time to implement the most popular savings bond feature in pilot testing – the ability to save on behalf of someone else through bond co-ownership – for tax season 2010.



## *U.S. Savings Bonds – Key Points in History of Policy*

*1941-1945: 85 million bond holders buy \$54 billion of U.S. Savings Bonds to support America's World War II efforts<sup>9</sup>.*

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*1962-1968: IRS Form 1040 includes option to direct taxpayers' refunds into savings bonds.*

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*2003: The U.S. Savings Bond marketing budget is zeroed out of the Treasury Department budget.*

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*2004: Congresswoman Marcy Kaptur introduces a bill to allow continuation of the option to buy paper savings bonds.*

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*2005: Peter Tufano generates interest in the Series I Bonds in "Re-inventing Savings Bonds."*

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*2007: IRS implements Tax Form 8888 which allows for splitting federal tax refunds and creates the necessary "plumbing" to allow for tax time savings bond purchases.*

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*2007: Professor Tufano and D2D organize a savings bond pilot at H&R Block tax preparation sites in Boston and Chicago; D2D launches its first savings bond pilot in four volunteer tax sites.*

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*2007-2008: Savings bonds featured in legislation (the New Saver's Act – S.1967 and the Saver's Bonus Act--S.3372).*

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*2008: Savings Bond Working Group formed to advocate a tax time savings option through savings bonds on the tax return.*

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*2009: Treasury Secretary nominee Geithner expresses support for savings bonds during his confirmation process.*

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*2010: Treasury Department launches savings bonds on the tax return and D2D concludes pilot tests; four thousand, two hundred and twenty-four (4224) low-income tax filers order almost one million dollars of bonds in pilot programs.*



<sup>9</sup> A History of the United States Savings Bond Program, 1991, Page 28 [http://www.treasurydirect.gov/indiv/research/history/history\\_sb.pdf](http://www.treasurydirect.gov/indiv/research/history/history_sb.pdf)

## CHAPTER THREE: U.S. SAVINGS BONDS AS A TOOL TO BUILD SAVINGS AND FINANCIAL SECURITY

In this first year of the policy, 22,000 taxpayers bought Series I U.S. Savings Bonds and saved \$10.5 million using the new tax form option. This is an average of \$477 per bond purchaser and 15% of the average direct deposit refund amount in 2010.<sup>10</sup> It is significant that these numbers were achieved given the late launch of the policy and with little no marketing by Treasury and the IRS. It is also noteworthy that the majority of the 22,000 purchasers were not specifically asked about savings bonds at point of sale, at the moment when they knew about their refunds.<sup>11</sup> In 2010, tax payers were able to buy bonds for themselves and/or their spouses, but not for others, such



as their children or grandchildren. In view of pilot results that show most buyers save for others, coming policy enhancements for 2011, which will allow tax filers to order bonds for others, should help realize the policy's full potential.

### Profile of tax filers who saved using savings bonds at tax time

Nine thousand, two hundred and seventeen (9,217) of the IRS 22,000 bond buyers purchased bonds in February, the busiest bond-buying month of the season. Thirty-one percent (31%) of purchasers were between the ages of 25 and 34 and 35% had adjusted gross incomes below \$25,000. D2D pilot data has shown that many bond buyers come from households<sup>12</sup> headed by a single parent, usually female and with at least two dependents, with an average Adjusted Gross Income (AGI) of roughly \$20,000. The typical bond buyer in the D2D pilots has been African American; however this ethnicity is overrepresented in test sites among both buyers and non-buyers. In the last two years of pilots, D2D has noted an increase in the number of bond buyers of two other ethnic groups: Latinos and Chinese-Americans.

### Removing Barriers to Saving through Savings Bonds

One of the biggest challenges to increasing saving and financial security for lower-income American families is a lack of adequate income. In the 2010 pilot, 53.7% of respondents said that finding money to save was the hardest thing about saving money. Despite this, these buyers saved in U.S. Savings Bonds on average \$276, or 9% of their anticipated refunds<sup>13</sup>. While they indicated that finding money was difficult, demand for bonds makes clear that there is opportunity to encourage savings at a time when a large amount of available money and an appropriate product are both available.

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<sup>10</sup> Per IRS reported 2010 Tax Filing Season statistics, week ending 4/30/2010. See <http://www.irs.gov/newsroom/article/0,,id=220953,00.html>

<sup>11</sup> Only a small percentage of the 22,000 bond orders originated at volunteer tax preparation sites where tax filers were more likely to have been asked to buy bonds and heard a description of the benefits of doing so. Most commercial tax preparers learned about the new policy too late in the year to incorporate it into their tax professional training prior to the start of the 2010 tax season. Through advocacy efforts of the Savings Bond Working Group, a few commercial tax preparation software vendors were able to incorporate the policy into their products.

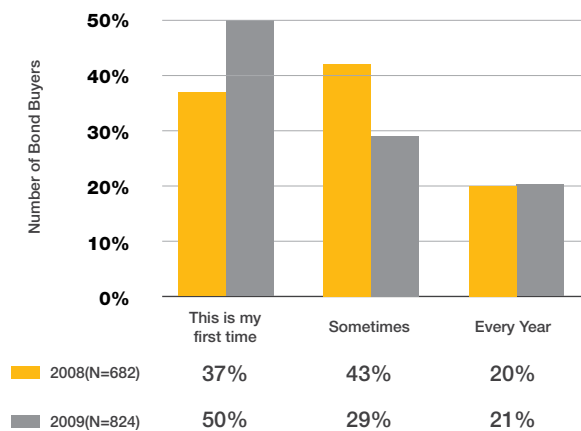
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<sup>12</sup> These were single parents, most often mothers, who filed taxes as "Head of Household"

<sup>13</sup> 2010 D2D pilot

For lower income tax clients accustomed to using their refunds to catch up on overdue bills, repay debt or pay other expenses, the choice to direct some funds to limited liquidity savings represents a significant leap of faith. Because there was very little advance marketing of the new tax time bond policy, most taxpayers made the decision to save at the moment they heard about their refund at a tax site – i.e. many presumably made an impromptu saving decision. In a survey of tax filers that participated in a 2006 D2D pilot<sup>14</sup>, nearly half (48%) of tax filers made the decision to save a portion of their refunds after they came to the tax site. In two consecutive surveys, more than a third (37%) and 50% respondents said that buying a bond at tax time was the first time they'd saved a portion of their refunds.

*In the past, how often have you saved part of your refund*



While challenges to saving exist, the convenience and access to a tax time savings product that meets the needs of low and moderate income consumers has the potential to make saving an easier decision for households to make. Once they have tried it they are more likely to try it again (See sidebar Impulse Savings at Tax Time: Building a savings habit?).

### *Impulse Saving at Tax Time – Building a savings habit?*

*Much has been written in the Behavioral Economics literature about “nudging” people into saving via defaults and other mechanisms. Automatic enrollment of employees into workplace based retirement plans is the most well-known example<sup>15</sup>. During four years of pilot studies, D2D observed a related phenomenon: offering savings bonds at tax time allows tax filers the opportunity to “impulse buy” savings with their refunds. Taxpayers may walk into a tax preparation site without a savings plan, but it’s very likely that they will make a decision to save without having planned ahead if someone suggests buying a bond and explains its benefits. Lowering the entry barriers to saving increases the odds of a spontaneous decision to try it; in turn, a one-time impulse experience can create familiarity with the concept of saving and the specifics of savings bonds at tax time. Ease and accessibility at an opportune time of year – and the same time every year – can move people from an initial impulsive act towards a regular savings habit.*

*Survey data on buyers who bought bonds at least twice<sup>16</sup> in four years of pilot provides insight into the potential to create savers from an initial impulsive act. More than 500 individuals bought savings bonds in at least two of four tax seasons. Roughly 41% of these individuals had never saved a portion of their refunds before they first bought bonds and 52% had never saved at all<sup>17</sup>. Each set of individuals saved \$556 and \$534 respectively in U.S. Savings Bonds.*

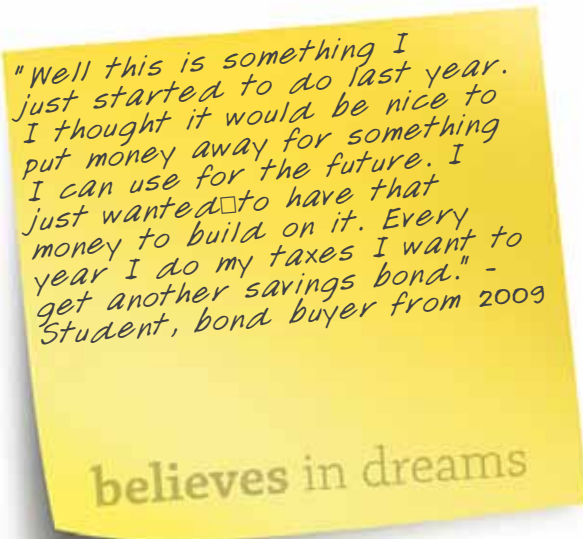
*This change in savings behavior at tax time of repeat buyers shows the potential of helping transition first-time savers into repeat savers at tax time.*

<sup>15</sup> See for example, pgs. 110-111 in *Nudge Improving Decisions about Health, Wealth and Happiness*, by Richard H. Thaler and Cass R. Sunstein

<sup>16</sup> Repeat Buyers

<sup>17</sup> Survey data is not available for all 514, so these percentages applies only to those for whom survey data is available

<sup>14</sup> The pilot to test demand for refund splitting took place in OK, IL, TX, NY, CO, IA



### There is continued demand to save through Savings Bonds at tax time.

Several bond product features combine to create and sustain demand for savings bonds at tax time. In fact, demand remained consistent and strong despite the recession underway in tax seasons 2009 and 2010. The take-up rate in 2010 ranged from 3% to 11%<sup>18</sup> with an overall average 6%. In a follow-up survey of 2008 purchasers conducted in 2009, 90% of bond buyers said that they would recommend bonds to their friends and family, and 92% were very or mostly glad they bought bonds (72% were very glad).

**90%**  
The percent of 2008 bond buyers that said that they would recommend bonds to their friends and family

<sup>18</sup> These take-up numbers were calculated using for the denominator all tax filers that flowed through our Research to Assets (R2A) sites and who were eligible to buy bonds: i.e., they had at least a \$50 refund and used direct deposit for the remainder of their refunds. R2A sites were pilot sites that received a small stipend to conduct surveys, and provided D2D with anonymous tax return data to complete the evaluation. Most R2A sites used the portal to order bonds. Only the two R2A sites in Seattle ordered a significant number of bonds using the new option on Form 8888. Data from Rural Dynamics, Great Falls, MT are not included in this analysis

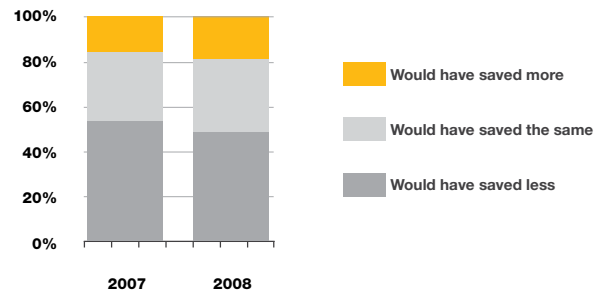
### Offering savings bonds at tax time motivates non-savers to become first-time savers

Pilot findings suggest that bonds hold special appeal for tax filers with little or no savings. As such, bonds may have a special role to play as a starter product that encourages low-to-moderate income tax filers to begin saving. Features of the savings bond, especially the low minimum required to begin saving and government backing are attractive to new and small savers. In 2007, 57% of survey respondents and in 2008, 51% of respondents said they would have saved less of their refund if they had not bought a bond. Further, in 2008 and 2009, 64% of buyers and 55% of buyers, respectively, reported having less than \$100 saved or invested prior to purchasing their saving bonds.

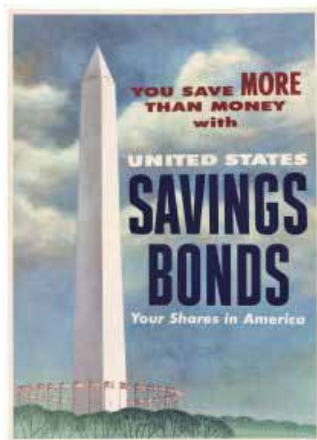
### Saving for others is a significant motivator.

*"I always tell them [my daughters] their dreams could come true no matter what they do. [It is]Something to let my kids know you can always save a little. It accumulates over the years. Maybe not a whole lot but something. With children and expenses of college this is something the kids can roll over at any point to help them through college." - Bond buyer 2010, mother of two daughters*

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



The U.S. Savings Bond easily allows people to “purchase savings” for others, particularly children, and ordering a bond for someone else is an easy, one-step process requiring only the name of the recipient. Pilot bond buyers indicate that they are purchasing bonds for their children or grandchildren’s education or other long-term saving goal. In the 2007-2009 pilots, between 66% and 72%<sup>19</sup> of pilot bond purchasers ordered bonds “co-owned” with others – mostly children and grandchildren – indicating an interest in securing the financial futures of their offspring. In addition, purchasers saved on average 73% more when saving for and with others as co-owners.



In a follow-up survey of the first set of 2007 buyers, 68% respondents said that they hoped that their children or grandchildren (for whom they bought the bonds) would wait more than 10 years before redeeming them. Sixty-two percent of 2008 buyers said that the bonds they bought

would one day be used for education (either theirs or that of the children/grandchildren).

In the four years of the pilot, bond purchasers who bought bonds with co-owners spent an average 73% more on savings bonds than those who bought only for themselves. Similarly, repeat buyers<sup>20</sup> are motivated to buy for others, with at least 75% buying each year for others. Thousands of children of pilot bond buyers will arrive at adulthood with some funds to their name to pay for school, to start a business, or for a rainy day – and knowing that an adult in their life thought it important, and found a way to save money.

<sup>19</sup> This is data from the Savings Bond Portal which is a proprietary web based bond ordering system that D2D used in the pilots. Data from 2010 is not included here as tax filers had the option to buy bonds directly on the tax form. Most buyers used this new option (and not the portal) to buy bonds if buying for themselves, and only used the portal if buying for others, so 2010 data from the portal shows a disproportionately high number of bond buyers buying with others as co-owners.

<sup>20</sup> Buyers who bought bonds in at least 2 pilot years

## While Awareness of bonds is high – notably in certain ethnic groups – more outreach and education is needed to inform potential savers about how and where to purchase bonds.

In a survey conducted to evaluate the first VITA site savings bond pilot in 2007, 73% of respondents said they were familiar with savings bonds. In another survey of 1229 buyers and non-buyers after the 2008 tax season, 65% of respondents reported familiarity with savings bonds (compared to 39% for CDs and 32% and for IRAs). But despite this awareness, 69% of buyers in a subsequent survey said that they didn’t know where they could buy bonds. This suggests fertile ground for a marketing effort – widespread brand awareness, but substantial gaps in consumers’ understanding of the product and how to acquire it. Inferring from the survey results and other on-the-ground pilot experiences, many prospective savers are fundamentally comfortable with bonds but need a refresher on their features and how to access them. In the pilots, most purchasers (and therefore respondents to the surveys) were African American. Anecdotal evidence from focus groups conducted in 2009 and from some tax preparation site managers suggests that bond awareness may not be as high in other ethnic communities, specifically Latino and Chinese American.

## Savings bonds serve as gateway to more saving, helping purchasers identify a path toward greater economic security.

In the words of one 2009 bond buyer: “[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 CD, now I would put away for that [savings bond purchase]. Because when you start a collection you don’t want to cash it right away, unless you had an emergency. Savings bonds [are] like a collection”.

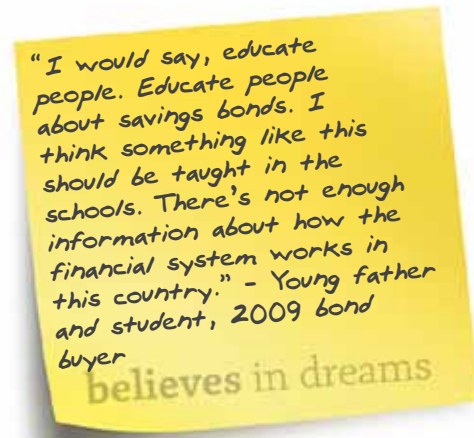
Five hundred and fourteen buyers bought bonds more than once over four tax seasons, each building a savings base to draw on in the future. Year after year, if bond buyers return to the same tax site, they will likely continue to buy bonds. Moreover, in a follow-up survey of 2008 buyers, 22% reported an additional bond purchase, some occurring outside tax season.

## Savings Bonds attract and encourage long-term savings

Lower-income savers often find it challenging to save for the long-term, constantly balancing the tension between day-to-day financial needs and the desire to prepare for the future. Yet a majority of buyers expressed intent to hold on to bonds for the long haul. In 2010, when asked “How likely is it you’ll want to redeem your bond(s) in the next five years?” 69% of respondents said that they were not very likely to do so. Fifty-eight percent (58%) planned for the bonds they purchased to be held for 5 years or more, and 40% planned for their bonds to be held 10 years or more.

Notably, intentions to hold bonds for the long term are matched by actual behavior. National redemption data show that low-income tax time bond buyers redeem their bonds at roughly the same rate as the general public. In fact, among the first set of pilot buyers (2007 tax season), redemption rates three years later are lower than national rates (31% vs. 33%)<sup>21</sup>.

These data support the idea that helping people buy savings bonds at tax time is in fact helping them build a long-term financial foundation.



**Pilot bond buyer redemption data compared with national redemption data.**

	Pieces Issued	Redemptions (as of April 2008)		Redemptions (as of April 2009)		Redemptions (as of April 2010)	
		Pieces	Percent	Pieces	Percent	Pieces	Percent
Jan-Apr 2007 Tax refund Bonds	960	108	11%	246	26%	296	31%
Jan-Apr 2007 Total Series I Bonds	2,244,000	226,000	10%	587,000	26%	739,000	33%
Jan-Apr 2008 Tax refund Bonds	2,239			265	12%	677	30%
Jan-Apr 2008 Total Series I Bonds	2,138,000			223,000	10%	579,000	27%
Jan-Apr 2009 Tax refund Bonds	4,104					472	12%
Jan-Apr 2009 Total Series I Bonds	2,236,000					247,000	11%

Source: Bureau of Public Debt, June 15, 2010

<sup>21</sup> The Bureau of Public Debt has been tracking D2D pilot data since the first pilot in 2007. The chart “Pilot bond buyer redemption data compared with national redemption data” shows redemption data from each year of the D2D pilots (2007 through 2009) compared against redemption of Series I bonds nationally. The differently shaded sales each compare pairs of national and pilot redemption data.

## CHAPTER FOUR: YOUR ROLE IN THIS HISTORIC OPPORTUNITY

Achieving economic security is a long-term undertaking, for individual families, communities and entire countries. America has an historic opportunity to re-build its economic security one family and community at a time. The recession has reminded us all of the value of savings. The Obama Administration has made savings and investment a priority, which is reflected in its policy changes designed to help people save. Encouraging a national, recurring savings habit at tax time is a decisive and important step that symbolizes the country's efforts to rekindle a cultural value of thrift and build meaningful savings reserves.

Shifting cultural values and establishing shared national habits is a monumental task. Success will require help from many corners, and sustained over many years. As with most campaigns, the early stages are especially critical.

### Your role in this historic opportunity

Ideas become results through millions of individual actions. We encourage you to take the following steps to help make the new tax time saving policy successful:

**Buy a bond at tax time** – the simplest way to show support for saving for financial security and for the new tax time bond policy is by using it yourself. If you are owed a federal refund in 2011, commit today to direct at least \$50 into a Series I U.S. Savings Bond. It is a smart financial decision and you will be part of a national movement to change America's savings habits.

**Tell friends, family and everyone in your network** – after you commit to use the new tax time bond policy, encourage someone you know to do so as well. People are most likely to take action when someone they trust suggests it. Use the power of your family, social, and professional connections to build awareness of the new tax time policy. And when you ask people to buy a bond at tax time, be sure to explain the larger cause they will be supporting: to create a stronger America that is refocused on saving and personal financial security.

**Engage your professional networks** – as important as personal networks are, the organizations which we work for, volunteer at, support and rely upon as customers and clients often have even greater reach. Consider the role the organizations you are connected to can play in spreading the word about this campaign. Does your employer have an intranet you can post to? Has your organization implemented a social media strategy that you can leverage? Would your pastor, rabbi or imam make an announcement and share information about the policy? Could your child's school newsletter carry a news item? Would you or your organization be willing to conduct webinars to build awareness of the policy?

**Join the campaign** – D2D and its partners are developing a multi-year social marketing campaign to spread the word about the opportunity to save at tax time in U.S. Savings Bonds, and about the importance of saving more generally. Encourage your organization to join this campaign, both to endorse its importance and to take on suitable operational roles, from advising on campaign strategy to helping distribute campaign materials. Contact D2D for more information and to find out how you can be involved, or visit us on the web at [www.taxtimebonds.org](http://www.taxtimebonds.org).

**Consider other ways to help** – some individuals and organizations are in a uniquely powerful position to help spread the word about tax time saving. Tax preparers, for instance, can ask people about ordering savings bonds during the course of tax preparation (and, crucially, after tax payers find out if and how large a refund they can expect). Financial advisers are already sources of guidance for their clients, and can note this new saving opportunity when they meet clients or in speaking engagements. Those who work in human service and other organizations are often a trusted source of information for economically vulnerable consumers – and can spread the word with great effectiveness. Professional marketers may have expertise to offer those leading the social marketing effort. Consider what you and your employer are especially well equipped to contribute to the campaign and join the movement.

What kind of country will the United States be in 2030? Will more Americans, especially those who are most vulnerable today, have achieved basic economic security and the material, psychic and civic benefits it offers? We can no longer afford to put off the hard work required to help more people save and build the financial health of our communities and our country.

Moreover, we have a unique opportunity today to work towards the changes we want for the future. The new tax time savings bond policy is uniquely suited to help us achieve these goals – it is accessible, practical, a good financial decision, and, perhaps most importantly, available now. It is up to us all to act on the steps noted here and others yet to be identified to help all Americans begin saving again and building a more prosperous future.

**Tell your online networks. One of the most effective ways to broadcast your intention to support saving and a national focus on financial security is through social network tools.**

- **Become a Fan of D2D Fund on Facebook and join the cause Support Tax Time Bonds – describe who or what you are saving for and when you decided to order a bond.**
- **Be the first to tweet to your friends and colleagues now and (especially) when you have ordered a savings bond next tax season. Retweet your messages about their savings decisions.**
- **Post a picture of you and your new U.S. Savings Bond, or another visual symbol of your support for the cause of personal financial security through saving.**

*D2D Fund Facebook Page – become a fan today!*



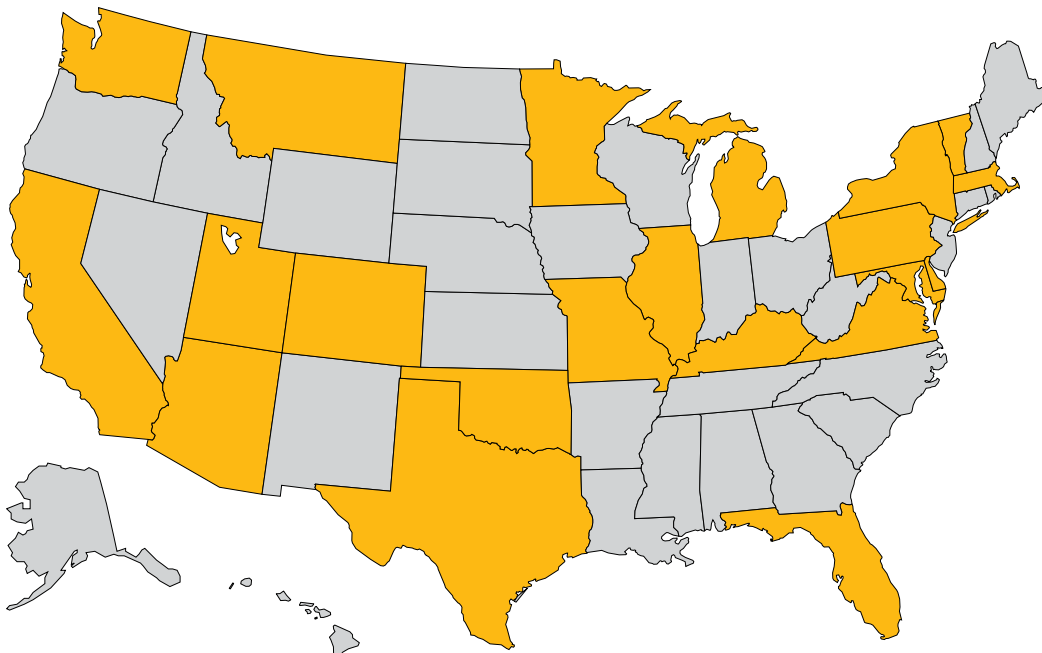


## Appendix I - List of organizations that participated in D2D pilots from 2007-2010

(\*Those with an asterisk had at least one research site through the four years of pilots.)

**Austin, TX:** Foundation Communities  
**Baltimore, MD:** Baltimore CASH Campaign\*  
**Boston, MA:** Boston EITC Campaign\*  
**Burlington, VT:** Burlington CASH  
**Chicago, IL:** Center for Economic Progress\*  
**Chelsea, MA:** Community Action Programs Intercity, Inc.  
**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  
**Flagstaff, AZ:** United Way of Northern Arizona  
**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  
**Lewisburg, WV:** West Virginia Rural Retirement Project  
**Los Angeles, CA:** PACE  
**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 and Douglas, AZ:** Catholic Community Services\*  
**Tulsa, OK:** Community Action Project of Tulsa County\*  
**Washington, DC:** Capital Area Asset Builders  
**Wilmington, DE:** Nehemiah Gateway Community Development Corporation\*



## Appendix II - Pilot results: 2007-2010

<i>Savings Bond Pilot Results*</i>	2007	2008	2009	2010
<i>Number of clients purchasing bonds</i>	231	1086	1708	1193
<i>Number of Registrants</i>	377	1810	2817	2215
<i>Value of Bonds ordered (thousands)</i>	\$50	\$202	\$379	330
<i>Average amount of bonds ordered</i>	\$185	\$186	\$222	\$276

*\*The results reported here are for orders created using the Savings Bond portal. In 2010, the option to buy bonds became available on the tax form (Form 8888). Results reported for 2010 do not include these bond orders.*

<i>Take-up Rates (research sites only)**</i>	2007	2008	2009	2010
<i>Take-up against clients with refunds &gt;=\$50</i>	6%	6%	3%	4%
<i>Take-up against clients with refunds &gt;=\$50 and who used direct deposit</i>	9%	9%	5%	6%

*\*\* Take-up results do not include the Rural Dynamics, Great Falls, Montana site.*

*Repeat Buyer Analysis (Sites that had at least one research site in each pilot year)*

<i>Repeat Buyer Rate</i>	2009 – 2010	2008-2009	2007-2008
<i>Overall</i>	41%	32%	38%
<i>Baltimore</i>	43%	45%	54%
<i>Boston</i>	64%	44%	34%
<i>Chicago</i>		24%	
<i>Delaware</i>		24%	
<i>Denver</i>	50%	11%	33%
<i>Philadelphia</i>	33%	34%	
<i>Rochester</i>	39%	36%	
<i>Seattle</i>	28%	16%	
<i>Tucson</i>	50%		
<i>Tulsa</i>	42%	33%	33%

## Appendix III: Savings Bond Working Group Members

Aspen Institute Initiative on Financial Security  
Baltimore CASH Campaign  
Bon Secours Foundation of Maryland  
Boston EITC Coalition  
Campaign for Working Families, Philadelphia  
CCCS Delaware Valley  
Center for Community Change  
Center for Economic Progress  
Center for Financial Services Innovation  
CFED  
City of Burlington  
Community Action Project of Tulsa  
Consumer Credit Counseling Service Delaware Valley  
Consumer Federation of America  
D2D Fund  
Denver Asset Building Coalition  
H&R Block Bank  
La Raza/Lawrence Community Works

National Bond & Trust Co., Inc.  
National Community Tax Coalition  
Nehemiah Gateway Community Development Corporation  
New American Foundation  
New York State Community Action Association  
Newark Now  
Rochester CASH  
Rural Dynamics  
Seedco  
Skadden, Arps  
The Financial Clinic  
United Way of King County  
United Way Snohomish County  
Washington University  
Women's Institute for a Secure Retirement



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