

# Savers Win at Tax Time

Testing Digital Strategies to Promote Tax Time Saving



# Executive Summary

Commonwealth and EARN tested a pledge and prize campaign to promote tax-time saving among the digital community of low-income people on EARN's SaverLife platform. Our goals were to better understand the behavior of financially vulnerable people at tax time, explore strategies to drive tax time action-taking in the context of a digital savings platform, and identify scalable lessons for measuring and rewarding tax time saving at scale. Analysis of the pledge and prize campaign, called Savers Win, generated the following key takeaways:

- The Savers Win campaign drove significant engagement.
- Refunds boosted savings, but people are saving for “soon.”
- Refunds deposited into savings accounts lasted longer than those deposited into checking accounts.
- Those who completed a “pledge” to save their refund before tax season were more likely than those who did not to deposit their refund into a savings account.
- We offered tools for saving in a specific way, but people often used their refund in different ways that met their individual needs for their financial security.

This report details the Savers Win campaign, the outcomes, and how what we learned can inform future efforts to build financial security at tax time.

## Background

In 2016, over 70% of all American taxpayers—more than 111 million people—received federal income tax refunds, with an average refund amount of \$2,860.<sup>1</sup> For many financially vulnerable households, this is the largest lump sum they will see all year, and a windfall they plan for and count on. Low- and moderate-income tax filers stand to benefit from new opportunities that make it easier and more appealing for them to take advantage of this annual windfall to build financial security and meet their financial goals. Commonwealth and EARN partnered to test a pledge and prize campaign to engage people before and during tax season and to promote tax-time saving in the context of EARN's digital savings platform, SaverLife.

## EARN and Commonwealth Tax Time Partnership

In the 2018 tax season, EARN and Commonwealth partnered to run Savers Win, a digital pledge and prize campaign on the SaverLife platform. The campaign combined EARN's experience building and deploying a digital community for low-income savers and Commonwealth's experience using fun and engaging prizes to encourage saving at tax time. The major goals of this campaign were to better understand:

- How financially vulnerable Americans are behaving at tax time, as represented by over 100,000 SaverLife members
- How prizes, pledges, and messaging can deepen SaverLife engagement and drive positive financial actions on the platform at tax time, with a specific emphasis on savings
- How we might capture, measure, and reward tax time saving at scale

### **Who are EARN and Commonwealth?**

Commonwealth strengthens the financial opportunity and security of financially vulnerable people by discovering ideas, piloting solutions, and driving innovations to scale. Commonwealth is the nation's leading voice on prize-linked savings, which uses the chance to win a prize to motivate and reward saving. Commonwealth also manages a national prize-based tax-time savings promotion called SaveYourRefund, which has generated over \$15 million in savings in its first six years.<sup>2</sup>

Founded in 2001, EARN is a national, award-winning nonprofit, whose mission is to create prosperity for low-income families by helping them save and invest in their futures. EARN's innovative online program, SaverLife, empowers Americans to take charge of their finances by providing digital financial coaching content, access to resources, and small-dollar cash incentives for regularly setting aside savings.

1. <https://www.irs.gov/newsroom/2017-tax-filing-season-opens-today>

2. SaveYourRefund is offered in partnership with America Saves: [www.saveyourrefund.com](http://www.saveyourrefund.com)



EARN and Commonwealth's partnership is unique from other initiatives to promote tax time saving in a few key ways. Savers Win was a fully digital campaign led by two mission-driven organizations. SaverLife enables ongoing, targeted engagement with its members directly through their phones and computers. This provided a way to bring the chance to win prizes—proven to be powerful at tax time through Commonwealth's SaveYourRefund campaign—directly to a new audience of financially vulnerable people. We marketed the campaign extensively in this direct-to-consumer channel and through referral partnerships, including with personal finance blogs like "Budgetnista" and peer financial technology organizations like Propel, which promoted the campaign to users of its FreshEBT app for public benefits management. Finally, Savers Win used EARN's financial tracking technology to validate saving through data from accounts linked to the SaverLife platform. Few other tax time savings initiatives have had this ability to "see" refund saving and spending behavior before and after the tax filing process. SaverLife technology thus provided more flexible ways to understand and measure tax time financial behavior.

## The Savers Win Campaign

We first conducted a survey among SaverLife members to get an initial sense of their behavior and expectations related to filing taxes, getting refunds, and earning the chance to win a prize in order to inform the design of the campaign. Seventy percent of respondents to this survey indicated that they play scratcher lottery games, suggesting an appetite for games of chance among SaverLife members. We built the Savers Win campaign with three steps for a chance to win: take the pledge, link an account, and save a refund.

Research has shown that a behavioral device known as pre-commitment—in which people commit to an action before having the opportunity to take it—can help people stick to savings goals, and other research has found that tax filers often decide on how they'll use their refund before they file their taxes. Because of this, the Savers Win campaign began with a pre-commitment device in the form of a "pledge" to prime people for refund saving before tax season. In order to be eligible for the chance to win a prize, users had to first complete a savings pledge online form, committing to save a certain amount of their refund and sharing their savings goal. The opportunity to pledge was open to the general public, not just SaverLife members, to ensure the broadest possible target audience.

Once someone took the pledge, they next needed to become a SaverLife member (by answering a few additional questions after the pledge) and then become a Saver by linking a bank account to the SaverLife platform. SaverLife members who had already linked an account could skip this step. In the meantime, Pledgers received relevant content like resources to help them file their taxes for free, and reminders about how to earn the chance to win a \$100 prize.

For the final step, users needed to direct deposit at least \$50 of their tax refund to their linked SaverLife account. Based on the initial survey, \$50 was an appropriate threshold, low enough to minimize barriers to entry for those who could only saving modest amounts but meaningful enough to potentially kickstart a savings habit. Two-thirds of pledgers selected \$50-99 as their savings goal amount, suggesting that the pledge reached the target audience of those with limited ability to set aside funds.

Savers who completed these steps were automatically entered into drawings for one of five weekly \$100 cash prizes throughout tax season. Savers could also enter the \$5,000 Grand Prize photo and story contest by submitting their saving story. This design structure was primarily based on SaveYourRefund, a similar prize-based tax time savings campaign operated by Commonwealth that has been successful in an in-person context.

### About SaverLife & Pledging

This report uses the terms **Pledgers**, **SaverLife Members**, **SaverLife Savers**, and **linked account**. Below is a brief explanation of each term:

- **Pledger** - a person who took an online pledge to save part of their refund. Pledgers are not necessarily SaverLife Members
- **SaverLife Member** - a person who signed up for SaverLife by providing an email address and answering a few questions. Members learn about SaverLife through a range of partnerships, referral sources, and word of mouth. SaverLife members receive weekly emails with financial coaching content and access to resources
- **SaverLife Saver (Saver)** - a SaverLife Member who has linked a financial institution account to the SaverLife platform, allowing EARN to monitor savings behavior and provide financial incentives for saving
- **Pledged Saver** - A SaverLife Saver who also took the pledge
- **Linked account** - the specific account that a Saver connects to the SaverLife platform and which is used to determine eligibility for financial incentives. This account can be a checking or savings account



# Analysis

We conducted several analyses to understand the impact of Savers Win in the context of the behavior of SaverLife Savers at tax time broadly. First, we tracked the number of people who completed the various steps in process. See below for a breakdown:

Pledger	Pledge + SaverLife Member	Pledge + SaverLife Member + Saver	Pledge + SaverLife Member + Saver + Deposited Refund
9,177	4525 (2186 (48%) were already members when they pledged; 2339 (52%) became members after pledging.)	1,891	292 <sup>3</sup>

80 people also entered the story contest, sharing a photo and story of their motivation for saving.

Second, we conducted a survey of the Pledgers to understand how the pledge impacted their decisions regarding their tax refund.

**Pledgers self-reported that the pledge and the chance to win a prize influenced their behavior.** Over 1500 pledgers responded to a post tax season survey; 65% said they saved all or part of their refund. 60% said the pledge influenced what they did with their refund; 54% said the chance to win a prize did.

**People define saving differently.** Survey respondents also shared why they may not have saved their refund and, if they did save their refund, what they were saving for. Some responses suggest that people define savings differently, which makes it difficult to fully capture savings behavior. Examples in the boxes below show that people may have behaved very similarly, but some considered their actions “saving” and some did not.

Respondents who said they **did not** save their refund:

**Can you tell us more about why you didn't save part or all of your tax refund?**

Refund pays for summer camps for child as we both work during the summer

I bought some new prescription glasses with my refund.

I used my tax money for my kids and clothes and what they needed

Respondents who said they **did** save their refund:

**What will your tax refund be used for? (If you've already used your refund, please select what you used it for).**

Summer camp, gas to and from work/school and bills paid up for 3 months

Glasses

Clothes & things we needed.

Third, we analyzed the available transaction data of all SaverLife Savers with linked accounts, including Pledgers, to provide context for the campaign and identify differences between Pledged Savers and Savers who did not pledge. Since linked accounts can be checking or savings accounts, there is a significant amount of transaction data available, including 5,373 tax refunds deposits.

**Pledged Savers put more refunds into traditional savings accounts than non-pledged Savers.** 23% of Pledged Savers (including both those who had already linked an account before pledging as well as those who linked an account after completing the pledge) directed their tax refunds into traditional savings accounts, compared to only 9% of non-pledged Savers. This suggests Pledged Savers may have had a greater intention to save their refund by depositing it into a dedicated savings account.

3. Of the 1,891 individuals that Pledged + SaverLife Member + Saver, 633 received refunds that EARN could track. The type of account someone linked to SaverLife may have also impacted eligibility: of the 292 people who direct deposited into their SaverLife linked account, 44% had linked a checking account. For the other 341 people where EARN could detect a refund, only 3% had linked a checking account. In total, 72% of the refunds came into a checking account.



**For all SaverLife Savers, tax refunds provided a significant, mostly short-term buffer. Those who linked a savings account to SaverLife were more likely than those who linked a checking account to keep some of their refund saved after three months.**

Nearly half of all pledgers selected “emergency fund” as their refund savings goal, suggesting a need for short-term liquidity. Transactional data from accounts that received a refund in February (when 63% of all refunds were received) showed balances spiked by an average of \$3500 after being relatively flat in the previous months. In the three months after February, linked checking accounts fell back down to pre-tax season levels. Linked savings account balances also fell but remained about \$600 higher than pre-tax-season levels on average. Among those who pledged but were unable to save, the majority (58%) said that they didn’t save because they used their refund to cover unexpected expenses. Thus, the refund often acted as a volatility buffer for both those who saved it and for those who didn’t.

**People may be using their refunds to pay for deferred major expenses.** We saw spending increases in a few areas that suggested refund recipients may use the funds to pay for major expenses. For example, spending on healthcare during February (when the majority of refunds were received) was up 98% compared to the previous three-month period. This finding is supported by recent research from the JPMC Institute which also found that healthcare spending increased after the receipt of tax refunds.

**People may also be spending their refund to pay down debt.** 25% of people in the post-pledge survey said they had used or would use their refund to pay down debt. Transaction data also showed that spending to pay off credit cards was up 61% in February compared to the previous three-month period. Other prominent spikes came in utilities (up 53%) and cell phone bills (up 43%). Another interesting categorical spike was “government,” which went up 87% in February. In looking deeper at transaction-level data, spending in this category was often centered around DMV payments, or payments to municipal revenue offices, which could be expenses such as tickets, summons, property taxes, or even sales taxes for small business owners.

## Savers Win Key Takeaways

- 1. The Savers Win campaign drove significant engagement.** Over 9,000 people took the tax time savings pledge, over 80 shared their savings story for the Grand Prize Contest, and over \$4 million in tax refunds were deposited into SaverLife accounts. 65% of surveyed pledgers self-reported that they saved all or part of their refund. 60% said the pledge influenced what they did with their refund; 54% said the chance to win a prize did.
- 2. Refunds boosted savings across the board, but people are saving for “soon.”** Most people who deposited refunds received them in February, and accounts spiked an average of \$3,500. This spike was mostly spent down within the next three months. Spending patterns in transaction data suggest that people spent on basic expenses and debt, and survey data indicates that the top reason people did not save was to meet unexpected expenses.
- 3. Refunds deposited into savings accounts lasted longer.** Three months after a refund deposit, account balances in savings accounts stayed about \$600 higher on average than pre-tax season, while in checking accounts they fell back to pre-tax-season levels.
- 4. Pledgers were more likely to deposit their refund into a savings account.** Pledgers were no more likely overall than non-pledgers to deposit a tax refund into their SaverLife account. However, 23% of Pledged Savers who received a refund directed it into traditional savings accounts compared to only 9% of non-pledged Savers. This suggests Pledged Savers may have had a greater intention to save their refund by choosing a dedicated savings account.
- 5. We offered tools for saving in a specific way, but people know how to best use their tax refund.** Savers Win defined tax time saving as the direct deposit of a tax refund into a designated SaverLife account, but people could have saved into accounts that were not linked to SaverLife, they could have manually moved money after receiving the refund, or they could be otherwise defining “saving” differently. Surveys and transaction data gave us a much broader perspective on how people understand what “savings” means and how they can use a tax refund to strengthen their financial security.



## Areas for Future Exploration

The Savers Win campaign yielded valuable insight into Savers' attitudes toward and use of their tax refund as well as lessons about using pledges and prizes to drive behavior at tax time. These learnings will inform future offerings on the SaverLife platform and provide direction for future learning opportunities. Moving forward, we will continue to work together to explore the following questions:

- How might we better understand what barriers consumers on digital platforms face to saving at tax time?
- How might we continue to test and learn how prizes can drive savings before, during, and after tax season?
- What other behaviors can we influence to promote financial security at tax time, like using free tax filing services or paying down debt?
- How can we improve measuring the impact of similar interventions on financial security at tax time and beyond? Can our tools for measurement accommodate the many different ways people define saving?

## Conclusion

Tax time is a unique opportunity for financially vulnerable people to build financial security. The full potential of this moment has not yet been reached. Commonwealth and EARN forged a unique partnership with the aim of using each of our experiences and assets to more fully realize this potential impact. We tested the use of a pledge and prize campaign to engage users and promote tax time saving among members of EARN's digital savings platform, SaverLife. We were successful in driving meaningful engagement and learning a great deal about the tax time behavior of financially vulnerable people. We look forward to continuing to test new and better ways to deepen this engagement to drive positive action-taking that builds financial security at the critical tax time moment.

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1. <https://www.irs.gov/newsroom/2017-tax-filing-season-opens-today>  
2. SaveYourRefund is offered in partnership with America Saves: [www.saveyourrefund.com](http://www.saveyourrefund.com)

