

EITC Funders Network

Links Between EITC and Savings

Thursday, December 1, 2011

12:30 – 2:00 pm eastern

The Webinar will Begin Shortly

Webinar Overview

EITC

Funders Network

- During presentations, audience will be on “listen only mode.”
- We will take questions during the Q&A portion.
- How to ask a question:
 - Use the “chat function” on your screen
 - Raise your hand by pressing *1 on your phone.
 - To lower your hand press # on your phone.

Who We Are

□ Who We Are

- More than 200 Members

- Every State in the Union

- Corporate Foundations

- Family Foundations

- Community Foundations

- Governmental Entities

- United Ways

□ What We Do

- Meetings

- Webinars

- eNewsletter

- Website

- Consultation with Philanthropic Partners

Our Supporters

EITC

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EITC Funders Network

Webinar Overview

I. Welcome

- Ami Nagle, EITC Funders Network

II. An Overview of Savings in America – What do we know about savings and low-income families?

- Carl Rist, Vice President for Assets and Opportunity Programs, Corporation for Enterprise Development

III. EITC and Savings – Work in the Field

- *SAVE NYC/ SAVE USA* – Cathie Mahon, Deputy Commissioner for Financial Empowerment and Janelle Richardson, Deputy Director for Financial Empowerment Research, NYC Office of Financial Empowerment
- *Refund Splitting* – Joanna Smith-Ramani, Director of Strategy, Doorways to Dreams Fund

IV. Q&A

- How to ask a question:
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Links between EITC and Savings

Objectives

- Learn about...
 - Why assets matter
 - How assets are distributed in the U.S.
 - What we know about helping low-income households to save
 - Why tax-time is an important opportunity to save

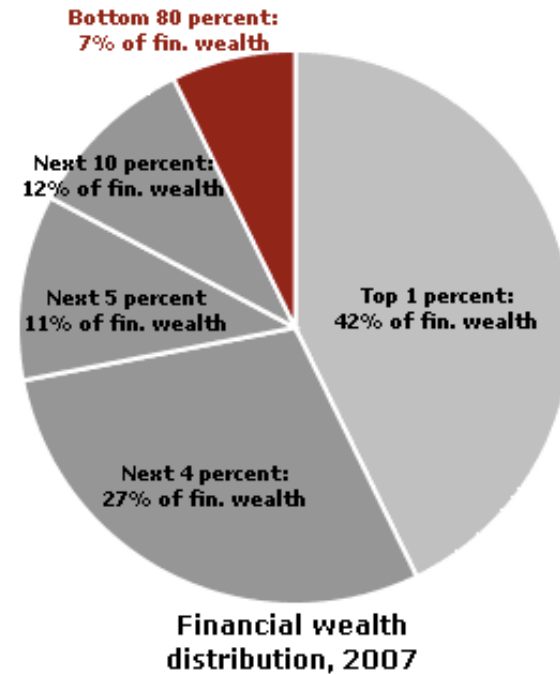
Why Assets?

- Assets matter economically, socially and psychologically
- Assets help to:
 - Move families beyond “paycheck to paycheck”
 - Create a financial buffer to weather emergencies
- As a result, assets help to increase:
 - Household economic stability
 - Educational attainment
 - Economic mobility

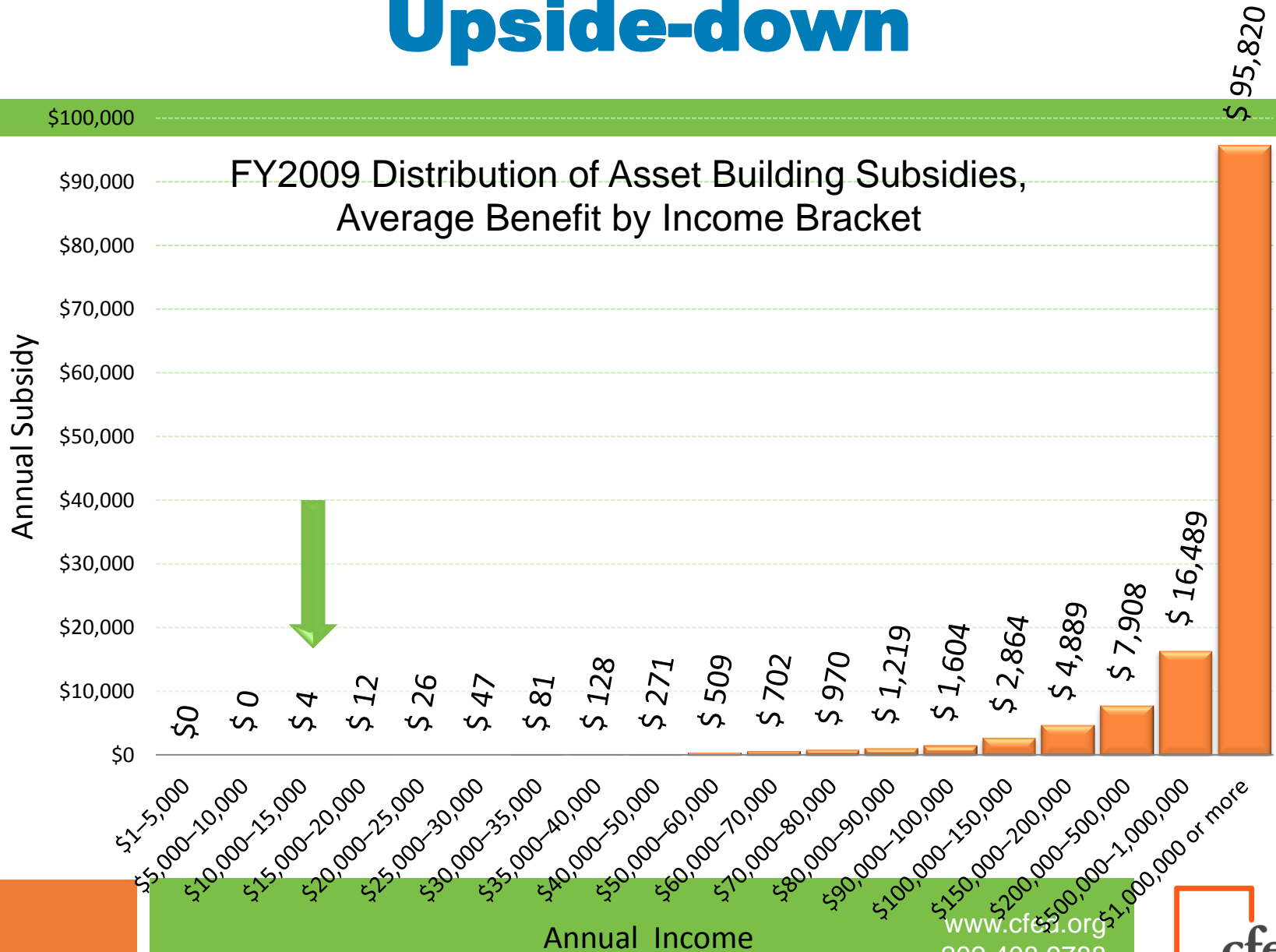
Assets Matter – And Yet...

Wealth distribution is highly unequal in the U.S.

- Wealthiest 5% control almost 80% of all financial wealth.
- Bottom 80% owns about 7% of all financial wealth



Incentives for Building Assets are Upside-down

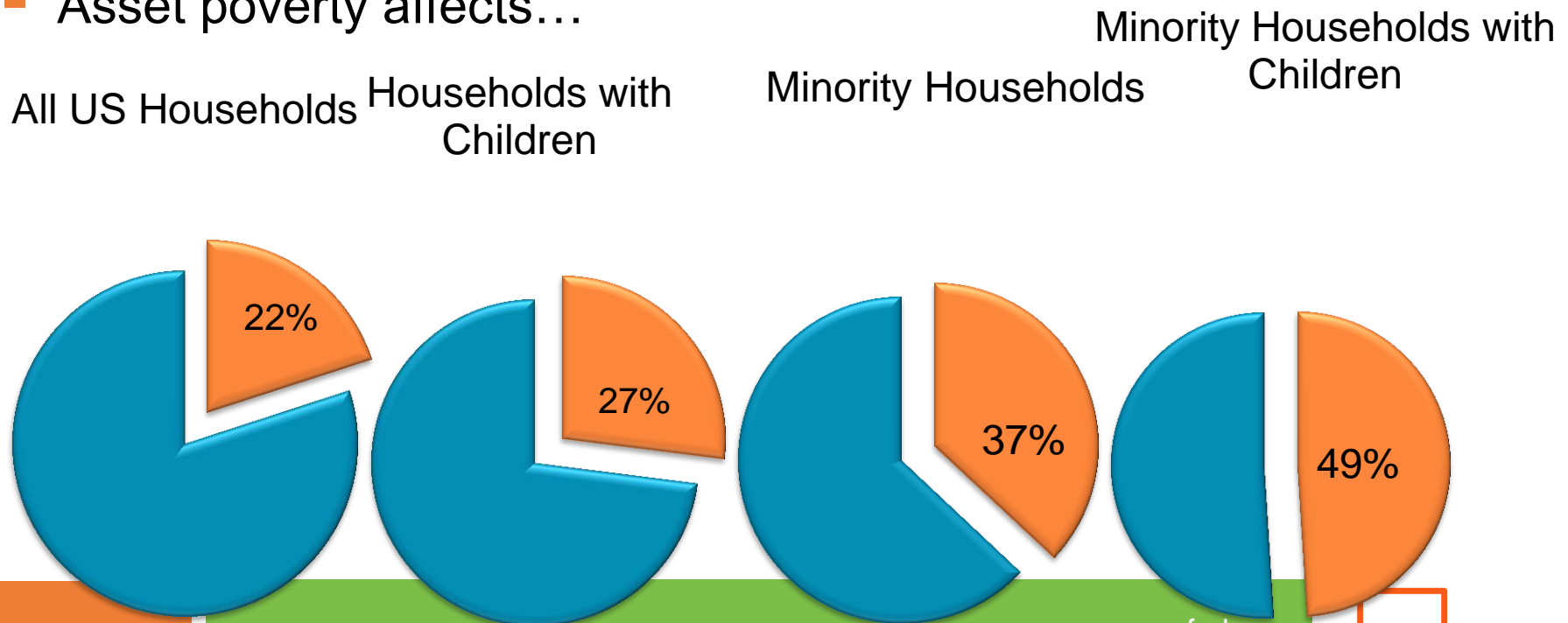


www.cfed.org
202.408.9788



The Asset Poor

- Asset Poverty: Insufficient financial resources to subsist at federal poverty line for 3 months if income interrupted
- Asset poverty affects...



Source: CFED. 2009-2010 Assets & Opportunity Scorecard

www.cfed.org
202.408.9788

Lessons from Individual Development Accounts (IDAs)

- ADD Demonstration (1997-2002)
 - 2,128 low-income families participating in the American Dream Demonstration saved \$602,181 and these savings leveraged another \$1,146,919 in matching funds.
 - The average monthly net deposit per participant was \$19, and with an average match rate of 2:1, participants accumulated about \$700 per year.
- Over the last decade, more than 85,000 IDAs have been opened in programs administered by more than 1,100 sites across the country.

Lessons from the SEED Initiative

- 1,171 participants in the 12 community partner demonstration sites in SEED:
 - ✓ 50% of families below 100% of FPL; 84% below 200%.
 - ✓ total accumulation after almost three years of savings and incentives ranged by program from \$885 to \$2,626, with an average of \$1,500,
 - ✓ the average quarterly net savings (excluding incentives) ranged by program from \$9 to \$69, with an overall average of \$30.
 - ✓ 30% of parents in MI SEED and 57% of all families enrolled in SEED deposited in their accounts (despite high levels of poverty and limited financial knowledge).



Children, Assets & Educational Outcomes

Savings, particularly when paired with financial education, can transform educational outcomes.

Research Findings

- Children in families with as little as \$3,000 in savings had better odds of graduating from high school than those without savings.
- Children with college savings, regardless of income, scored higher on tests measuring math knowledge.
- Children with college savings accounts are more likely to expect to go to college, and are nearly twice as likely to be in college than those without an account.
- When children have a savings account in their name, they are **seven** times more likely to attend and complete college than similar youth who do not have an account.

Tax-time as an important opportunity to leverage savings

- Near universal touch point
- Many taxpayers, including low-income households, may have a sizeable lump-sum refund

Additional Resources

■ CFED website

- <http://cfed.org/programs/idas/>
 - ✓ IDA basics and IDA Program Directory
 - ✓ 2010-2011 IDA Program Survey Report
- <http://cfed.org/scorecard/>
 - ✓ State-by-state data on wealth, asset poverty, etc.

■ Bank On website

- <http://joinbankon.org/>
 - ✓ Map un- and under-banked households down to the neighborhood level

Contact

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Department of Consumer Affairs
Office of Financial Empowerment

Tax Time Savings: Lessons from SaveNYC/USA

EITC Funders Network
December 1st 2011

Cathie Mahon
Deputy Commissioner for Financial Empowerment

Janelle Richardson
Deputy Director for Financial Empowerment Research



DCA's Office of Financial Empowerment

Strategic Priorities

Educate

- Increase access and strengthen quality of financial education services
- Coordinate large-scale public awareness campaigns, including the annual Tax Credit Campaign

Empower

- Research and develop safe and affordable banking and asset-building products, in partnership with financial institutions
- Share best practices and influence national policy with Cities for Financial Empowerment and other partners

Protect

- Protect workers with low incomes from unfair and predatory practices through targeted advocacy and enforcement



The SaveNYC/USA Approach

Leveraging the tax moment to get on a pathway to savings

- Traditional asset building programs require significant time and resource investment, and place restrictions on savings goals and outcomes.
 - Programs do not address need for emergency cushion and make it difficult for new savers and those with short term horizon.
- Roughly two-thirds (64%) of households with incomes under \$25,000 have less than \$500 in emergency savings. However low income households report needing around \$1,500 to cover emergencies. (CFA, 2008)
- The EITC is the largest tax benefit program for working individuals. In 2011 (for TY 2010) the maximum EITC was \$5,666.
- Controlling for income, education, work and other demographic factors, EITC-filers are twice as likely as non-EITC filers to have savings. (DCA, 2008)



SaveNYC/USA Program

In 2008, NYC launched a pilot savings program to test whether an incentivized savings vehicle linked to EITC would spark savings among low-income tax filers

- Do families with very low incomes save if presented with the right incentives and opportunities, linked to the windfall moment of receiving a large tax refund?
- Can short-term, non-goal directed savings promote longer-term savings and improve financial stability?
- Does increased saving lead to other effects on well-being, both in the short- and longer-term?



SaveNYC/USA Program Model

- **Delivery** is built around Volunteer Income Tax Assistance (**VITA**) sites
- **Match 50 percent** of savings if save for approximately one year
- CD-like **savings account**, money available in emergencies
- **EITC / tax refund** is windfall moment
- **Amounts:** \$200 minimum deposit; \$500 maximum match (on \$1000 or more of savings)
- **Not tied** to long-term savings goal





SaveNYC attracts very low wage workers with little history of saving

- **Savers have very low incomes:**
 - Average income: \$17,504
 - 76% received the EITC.
- **Single mothers most likely to save:**
 - 77% are women
 - 78% have dependent children
- **Little savings history:**
 - 26% were unbanked at program start
 - 40% did not have a savings account
 - 35% have savings for 1 month worth of expenses





Low income households can save when given the right incentive and opportunity - SaveNYC Findings

- **80% of account-holders saved for a full year**
 - Post-match balance: \$1.7 million (average \$914)
 - 70% of participants continued saving in \$aveNYC Account after receiving the match
- **High balance savers most likely to save for a full year**
 - 31% of filers who contributed less than \$200 closed their account before receiving match, compared to 15% of filers who saved more than \$200
- **Participation in SaveNYC associated with a positive impact on financial well-being**
 - SaveNYC participants more likely than a comparison group to have sufficient savings to survive without income for one month.
 - SaveNYC associated with a higher amount of savings held relative to the comparison group

“(SaveNYC) is money I know I have and cannot touch.”

“I could never have been able to do it by myself”



Next Steps

- Replication through the Social Innovation Fund
- Building a national constituency and fostering further replications to demonstrate the potential of tax time savings to strengthen ongoing savings habits in diverse (and low income) communities across the country. Next Steps:
 - Identify interested cities, possibly working with NCTC and EITC Funder's Network
 - Identify key stakeholders in each city, and
 - Maintain commitment to evaluation and research
- Saver's Bonus Legislation
 - Tax credit match for filers w/ low / moderate incomes who directly deposit a portion of tax refund for at least one year



Department of Consumer Affairs
Office of Financial Empowerment

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Tax-time Savings – Split Refunds and Savings Bonds

EITC Funders' Network

December 1, 2011

Doorways to Dreams (D2D) Fund

- Mission: strengthen the financial opportunity and security of low and moderate income consumers by innovating, incubating & stimulating new financial products and policies
- Non-profit 501(c)3 headquartered in Roxbury, Massachusetts
- Founded in 2000 by Harvard Business School Professor Peter Tufano
- Focus on innovation, scale & real-world testing



Can Saving be Easy?

- Convenient
- Timely
- Painless (relatively)
- Relevant
- Simple
- Someone available to help



Opportunity: Tax Season

- Huge financial event
 - \$300 billion refunded each year
 - \$115B to 68MM Low / moderate-income families (< \$40k)
 - Average refund \$1,680
 - Up to \$7k (25%+ of annual income)
- Also... **Universal * Permanent * Recurring**
- To save, everyone needs a “bucket”
 - + Ideally, accessible via tax filing process
 - + With suitable characteristics
 - Simple
 - Accessible
 - Credible
 - High value
 - Save for relevant goals



An ideal “bucket”: US Savings Bonds

- Accessible
 - + Anyone can own them
 - + Low initial investment
 - + Federal government issues
- Attractive features
 - + Safe
 - + Credible
 - + Can be purchased for others (kids)



An *Easy* National Saving Strategy

Tax (refund) Time...

\$300,000,000,000+

**+ U.S. Savings
Bonds**



“Save Some”

**+ Refund
Splitting...**

“Spend Some”

From policy to results

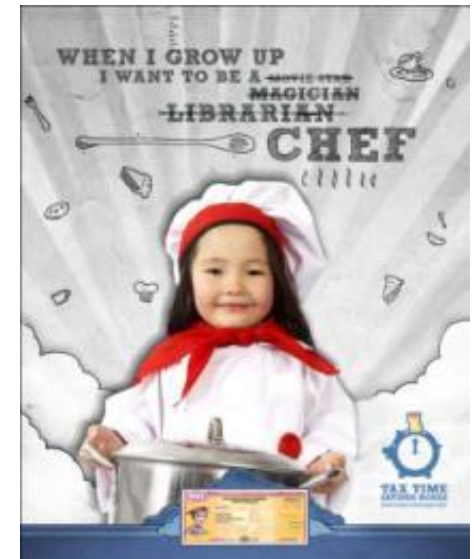
– 2010 National Policy

- 22,181 tax filers purchased Savings Bonds
- \$10.9 million saved
- Average purchase - \$463 – roughly 15% of average refund

– 2011 National Policy

– (as of May 14, 2011)

- 44,382 taxpayers purchasing
- \$10.7 million saved
- 27% repeat buyers
- Early data indicates: increase in LMI savings



Partner Strategy: Promotions

- SaveNow, WinLater by Impact Alabama:
 - + Tax filers earned a chance to win a \$20,000 grand prize and two interim \$1,000 prizes for every \$50 saved with bonds
 - + 553 low income consumers saved over \$51,000 in savings
- Maryland CASH Taxpayer and Tax Preparer Promotion:
 - + Tax filers earned a chance to win two \$500 prizes for every \$50 saved with bonds.
 - + The VITA site with the most bond sales received a small grant from MD CASH. Most were promoting bonds for the first time.
 - + **Over 175 bond buyers saved more than \$9,100**



Save \$50 for a chance to Win \$20,000!
Enter the SaveNow WinLater Sweepstakes!

Buy a savings bond with some of your tax refund!

- Low minimum investment
- Positive rate of return
- No fees
- Purchase for your children or grandchildren
- Save for an emergency or retirement
- No credit check required

Even if you are not receiving a tax refund, you can still participate!



For every \$50 you invest in a federal savings bond (from Jan. 15 - Apr. 14), you'll earn a chance to win a \$20,000 Grand Prize Jackpot to be awarded on April 18 and \$1,000 monthly prizes awarded in February and March.

The number of chances you can earn is unlimited!

Three Ways to Play

1. Visit one of our free tax preparation sites (call 1-888-99-TAX-AL) where we'll complete your tax return and enter you in the sweepstakes.
2. Ask your own tax preparer to fill out Form 8888 in order to purchase a savings bond, then call 1-888-99-TAX-AL to enter the sweepstakes.
3. Purchase a savings bond from your local bank or credit union, then call 1-888-99-TAX-AL to enter the sweepstakes.

Call 1-888-99-TAX-AL for information or to schedule an appointment for free tax preparation.

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Partner Strategy: Communications

Massachusetts Affordable Housing Alliance (MAHA)

- + Assistance, education and advocacy around home ownership
- + Trained their teachers to help spread the message through their home ownership classes
- + Helped spread the message through local media outlets
- + Found ways to integrate the message through the year to build awareness and education over time
- + Shared the opportunity online to their networks



Massachusetts Affordable Housing Alliance (MAHA)

take a look at the article in the Dorchester Reporter about the Tax Time Savings Bond Campaign...



**Low-income tax filers urged to look at savings bonds |
Dorchester Reporter**
www.dotnews.com

With tax season comes appointments with preparers, organization of W-2s and other forms — and headaches. Taking everything into account, people may not be thinking about ways to save, especially in a rebounding economy.

February 11 at 9:48am · Share

Connecting Financial Capability and Tax Time

- D2D's vision is ***Financial Entertainment***

Taking cues from business and entertainment, we need to work with and for consumers in the development of engaging, interactive new media that teach them how to better manage their money.

On www.financialentertainment.org:

- *Celebrity Calamity*: Manage credit & debt
- *Groove Nation*: Dance budget game
- *Bite Club*: Vampire retirement savings
- *FarmBlitz*: Manage resources to build savings
- *Refund Rush*: Make the most of a tax refund



Tax Time Savings Game



- Designed a tax time savings game
- Core learning objectives include:
 - + Value of paying overdue debt at tax time
 - + There are multiple ways to save at tax time by splitting a tax refund
 - + Everyone can save in US Savings Bonds
- Game used by partners to train tax preparers, in waiting room for clients

Contact Information

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EITC Funders Network

For more information:

EITC Funders Network

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