



Innovations in Saving

Scalable Tax Time Saving

Administration for Children and Families
Leadership Summit on Family Financial Stability

September 29, 2010, Philadelphia

Agenda

- Doorways to Dreams Fund (D2D)
- The Challenge
- Some Ideas
- Questions / Discussion

Doorways to Dreams (D2D) Fund

Mission:

expand access to financial services, especially asset building opportunities, for low and moderate income (LMI) families by creating, testing and deploying innovative financial products & services.

- Boston based non-for-profit
- Founded by Harvard Business School prof. Peter Tufano
- Focus on scale, sustainability
- Record of linking private sector capabilities to public & non-profit ideals



D2D Supporters & Collaborators

FORD FOUNDATION



The Annie E. Casey Foundation



SUNGARD[®]

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Agenda

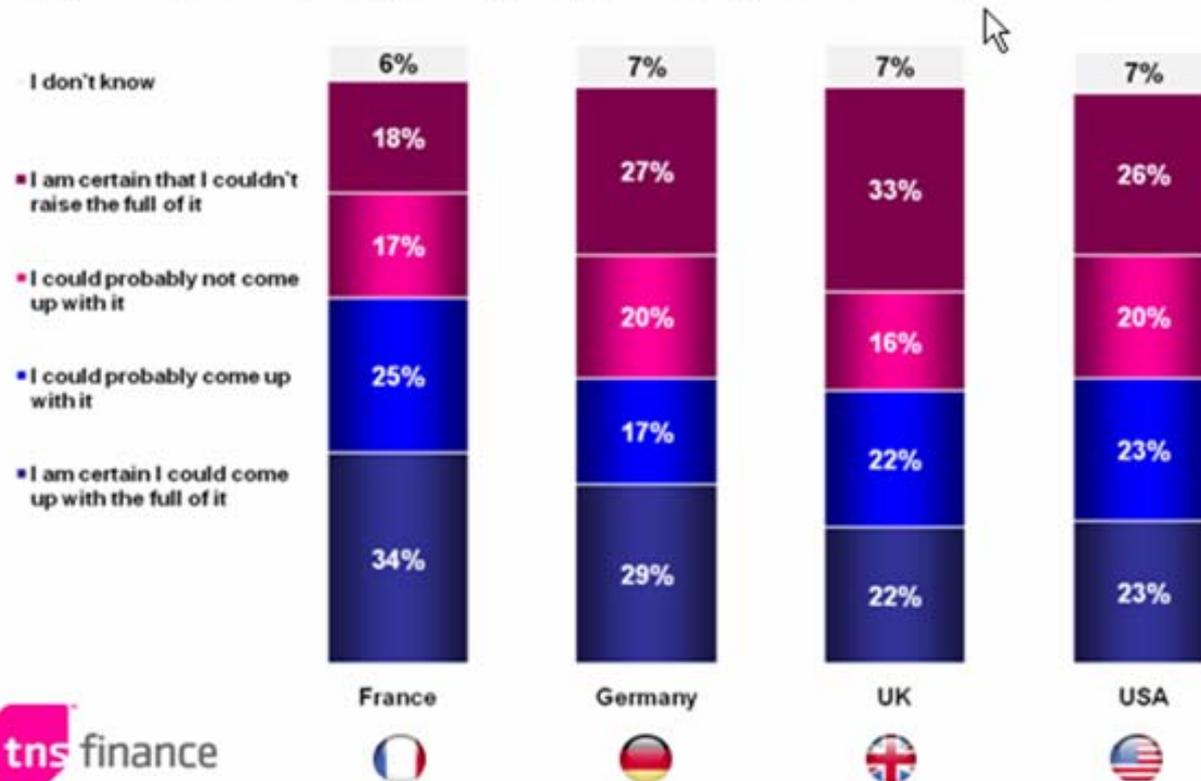
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American Families: Financially Ill Prepared

“How confident are you that you could come up with \$2,000 USD if an unexpected need arose within the next month?”

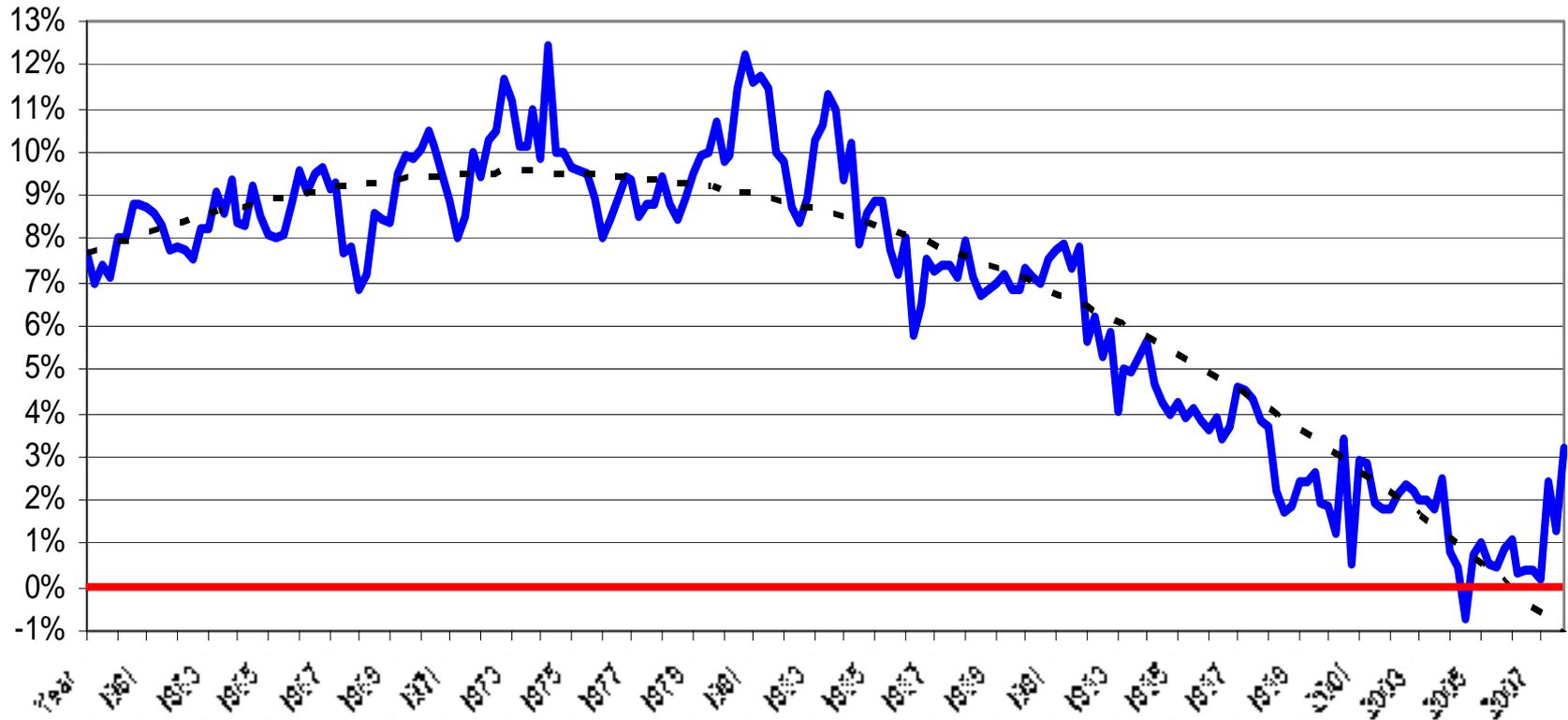
Confidence in ability to face an unexpected expenses

Significant groups of consumers can probably *not* come up with the amount for an unexpected expense: 49% in UK, 47% Germany, 46% in US. Only in France majority (59%) they probably *can* come up with the money.



US Savings Rate Trend

Personal Savings Rate by Quarter
1960-2008



Source: Federal Reserve Bank of St. Louis



Why Financial Services & Saving?

- 44MM US households un / under-banked*
- Those with least, pay most
 - One estimate: 7.5% of annual income**
 - Equivalent of \$625 / month for HH earning 100k
- Asset ownership associated with***
 - Higher educational achievement
 - Stronger physical and mental health
 - Better physical and cognitive development

Sources: *Center for Financial Services Innovation Fact Sheet, **H&R Block Bank, ***Dr. Michael Sherraden, Senate Finance Committee Testimony (2005)



State of U.S. Saving / Wealth

- ❑ Bottom ¼ of HH: mean net worth of (\$1,400)
- ❑ ¼ to a third of households are “asset poor”
 - can’t survive three months at poverty line
- ❑ Est. asset poverty by specific group:
 - **Female heads with children** **71%**
 - Household head under 25 years 72%
 - African Americans / Hispanics 62%
 - Head with < high school degree 60%
- ❑ 67% of households in lowest quintile of income have not saved in last 12 months



Sources: Bucks, Kennickell, and Moore (2006), Survey of Consumer Finance (2004 & 2007), Haveman and Wolff (2001), Caner and Wolf (2002)

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Why Don't We All Save?

- It's no fun
- It's not easy
- *Why* should I save
- *Where* should I save
- I have no money to save

Can Saving be Easy?

What Makes “Easy”?

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

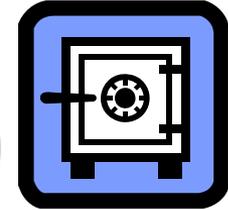
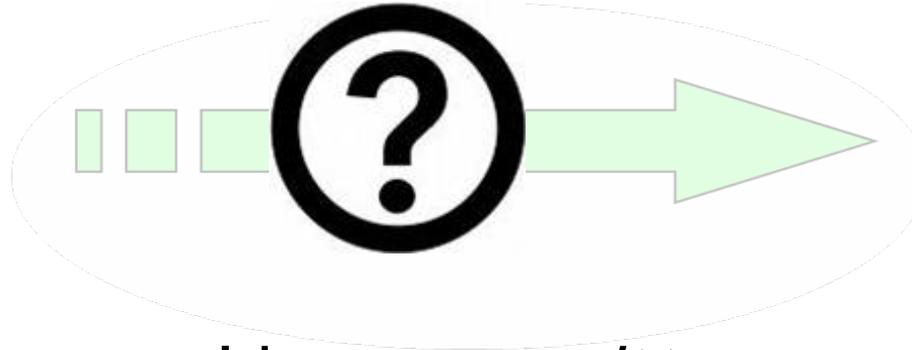


Example: Annual Tax Season

- Huge financial event
 - \$139 *billion* sent to 68MM LMI families (< \$40k)
 - Average refund \$2,051
 - Up to \$7k (25%+ of annual income)
- Also...
 - Universal
 - Permanent
 - Recurring



Tax Time as an Easy Saving Time?

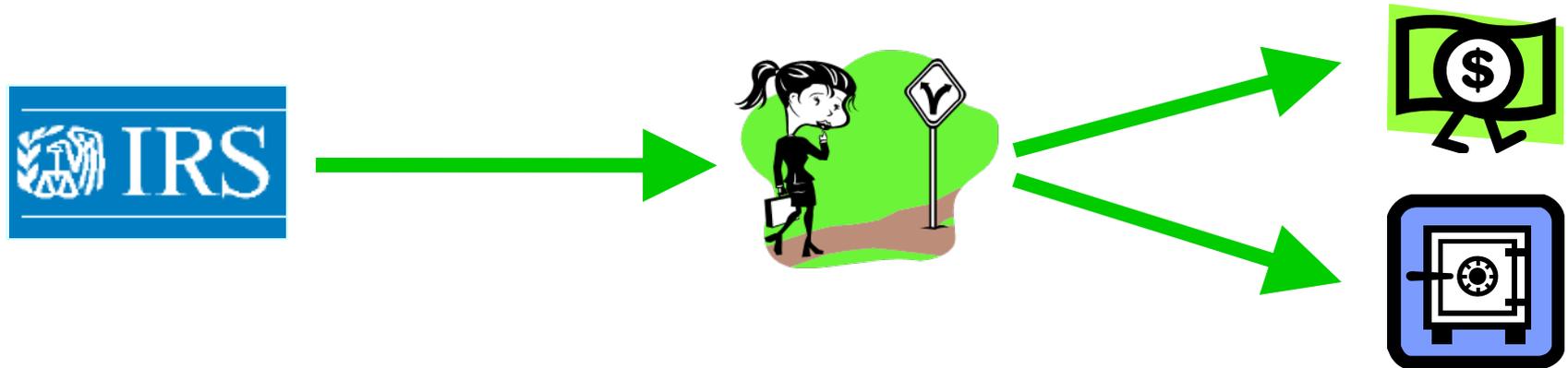


- What if one could *pre-commit* to save at tax time?
- Single decision vs. series
- Funds already available
- Finances on the mind
- Someone to help (2/3rds of US filers seek help)

But How?

Idea: Tax Refund Splitting

Before: Spend / Save choice *after* \$ refunded



Split Refunds: choice *before* \$ refunded



Outcome: Split Refund Form

Form 8888 Department of the Treasury Internal Revenue Service	Direct Deposit of Refund to More Than One Account ▶ See instructions below and on back. ▶ Attach to Form 1040, Form 1040A, Form 1040EZ, Form 1040NR, Form 1040NR-EZ, Form 1040-SS, or Form 1040-PR.	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold; text-align: center;">2008</div> Attachment Sequence No. 56
Name(s) shown on return		Your social security number
1a Amount to be deposited in first account		1a
b Routing number <input type="text"/> ▶ c <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
d Account number <input type="text"/>		
2a Amount to be deposited in second account		2a
b Routing number <input type="text"/> ▶ c <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
d Account number <input type="text"/>		
3a Amount to be deposited in third account		3a
b Routing number <input type="text"/> ▶ c <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
d Account number <input type="text"/>		
4 Total amount to be directly deposited. Add lines 1a, 2a, and 3a. The total must equal the amount shown on Form 1040, line 73a; Form 1040A, line 45a; Form 1040EZ, line 12a; Form 1040NR, line 71a; Form 1040NR-EZ, line 23a; Form 1040-SS, line 12a; or Form 1040-PR, line 12a		4

General Instructions

Purpose of Form

Use Form 8888 if you want us to directly deposit your tax refund to either two or three of your accounts at a bank or other financial institution (such as a mutual fund, brokerage

account to buy U.S. Treasury marketable securities and savings bonds. For more information, go to www.treasurydirect.gov.

Do not file a Form 8888 on which you have crossed out or written out any numbers. If you do, the

Specific Instructions

If you file a joint return and you complete and attach Form 8888, your spouse may get at least part of the refund.

Some financial institutions will not



But Where to Save?

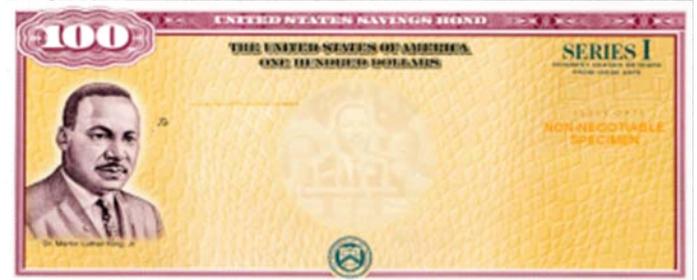
- To save, everyone needs a “bucket”
 - Ideally, accessible via tax filing process
 - With suitable characteristics
 - Simple
 - Accessible
 - Credible
 - High value
 - Save for relevant goals



Goal: “Impulse Saving”

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)

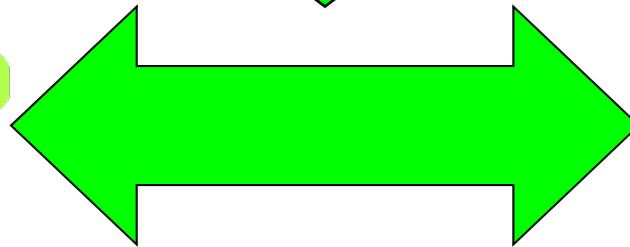


An *Easy* National Saving Strategy

Tax (refund)

Time...

\$320,000,000,000+



**+ Refund
Splitting...**

**+ U.S. Savings
Bonds**

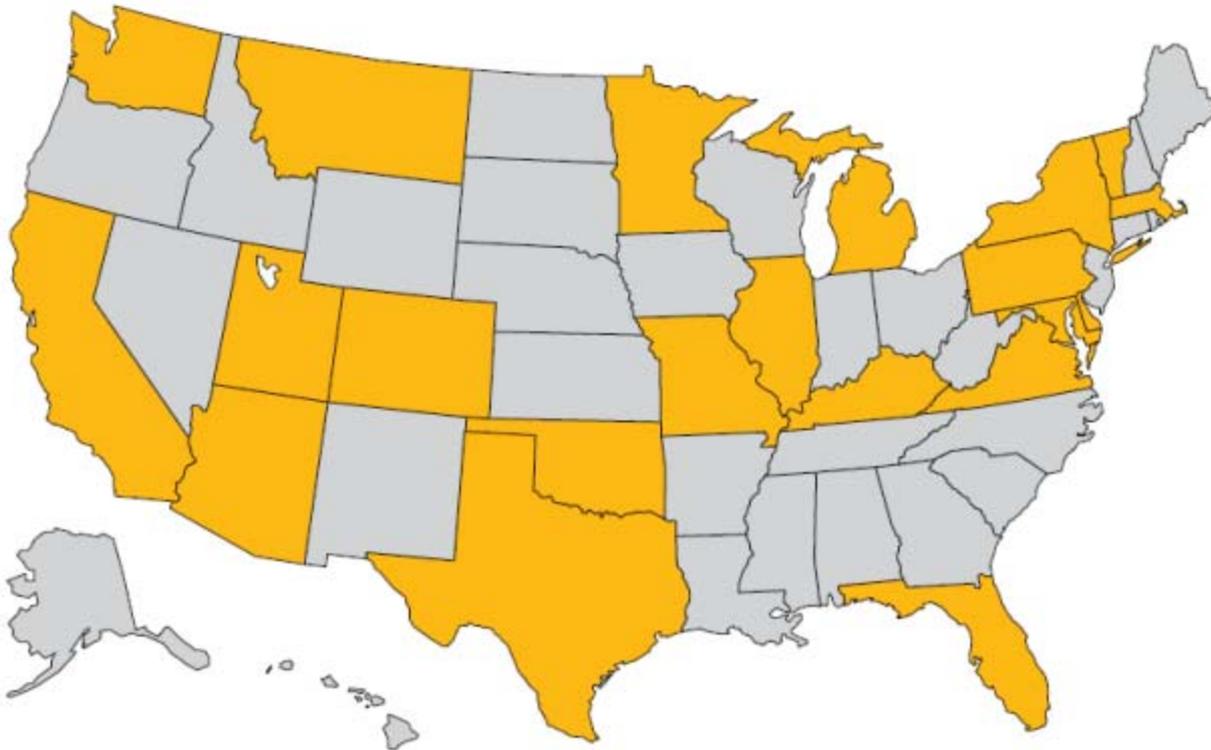


"Spend Some"

"Save Some"

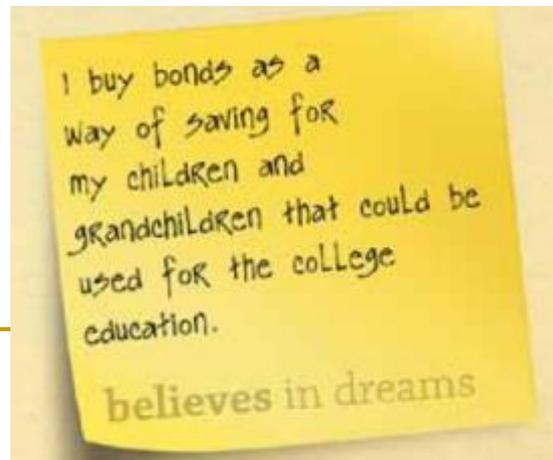
Testing the Idea

- Tax time “Refunds to Assets” pilots
 - 2007 – 2009 27 commercial offices, 70+ volunteer sites



Some Findings: *Easy Matters*

- Pilots encouraged first time savers
 - no prior money saved; 64%
 - 1st time saving part of refund: 37%
 - “would’ve saved less if hadn’t bought bond”: 51%
- Offered people what they cared about
 - bought for children: 59%; grandchildren: 8%
 - saving for education or retirement: 74%



90%

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

Policy Enacted



“...We’ll make it easier for people to save their federal tax refunds, which 100 million families receive...You’ll be able to check a box on your tax return to receive your refund as a savings bond.”

--Pres. Barack Obama, Sept. 5, 2009

So What?

- 2010 results
 - 22k+ tax filers ordered...
 - \$10.9MM of savings bonds
 - Average of \$493 per buyer
 - AGI below \$50k: 63%
 - Refund above \$2,000: 52%
- 2011: Improvements Coming
 - Gifting available (buy for others – kids, grandkids)
 - Open to non-direct depositors (“un / underbanked”)
 - Marketing effort begun...



How Can You Help?

Join our Campaign

- Use the new policy
- Tell someone (everyone!)
 - clients, co-workers, people in your networks
- Spread the word
 - Newsletter blurbs, blast emails, direct mail / inserts
 - On-site collateral
 - Internal PSAs
 - Educate “gatekeepers” – webinars?
 - Get creative... contests? awards?
- Join *Savings Bond Working Group*



Visit: www.d2dfund.org/taxtimebonds

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<http://www.d2dfund.org/taxtimebonds>

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Support the Tax-Time U.S. Savings Bond Campaign

Support the Campaign:

- ✓ [Join the Campaign](#)
- ✓ [Become a Fan of D2D](#) and invite 10 people to support and use the new Tax-Time Savings Bond Policy
- ✓ [Follow D2D Fund on twitter](#), follow our taxtimebond list and tweet #taxtimebonds to your twitter network
- ✓ Share the campaign with your social and professional network
- ✓ Buy a U.S. Savings Bond in the upcoming tax season

About 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. Supporting U.S. Savings Bonds at tax-time and encouraging a national, recurring savings habit is a decisive step that symbolizes America's efforts to rekindle a cultural value of thrift.

We encourage you and your organization to join the campaign, help spread the word about tax-time savings bonds, endorse the campaign's importance, and find suitable ways to contribute, from advising on campaign strategy to helping distribute campaign

Ask me about US Savings Bonds

I CHOSE TO PURCHASE A BOND IN ORDER TO HAVE

want something nice for my kids so I want to invest in

I bought a savings bond because it was the easiest way for

Internet 100%



Contact Information

Timothy Flacke
Executive Director
D2D Fund, Inc.
tflacke@d2dfund.org
www.d2dfund.org
617.541.9064

