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through VITA Sites:
Evidence from a Pilot Demonstration in Two Cities

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Center for Financial Security
Working Paper 2011-CFS.7

October 2011

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Abstract

The Retirement Savings Contribution Credit, or Saver's Credit, was created to encourage greater retirement savings among lower-income households. However, there has been limited use of the credit since its introduction, raising questions about eligible filers' awareness of the credit, access to qualified retirement accounts, and demand for retirement savings. Abt Associates Inc. partnered with the National Community Tax Coalition and two large VITA programs to develop a pilot program that seeks to encourage utilization of the Saver's Credit among VITA clients. The pilot included: development of informational materials on the Saver's Credit for VITA staff and clients; establishment of a financial product to be offered on site at the participating VITA sites; and outreach to employers with multiple employees eligible for the Saver's Credit.

This article presents the evaluation of the pilot demonstration. First, a process study examines the VITA programs' experience implementing the pilot demonstration. While it highlights the potential for VITA sites to efficiently reach a large number of eligible tax filers, the process study also identifies several limitations of VITA sites for a broader-scale outreach campaign. Second, the outcome study uses focus groups and an online survey of VITA clients to document clients' awareness of the Saver's Credit and preferences for retirement savings products. The findings suggest that low awareness of the Saver's Credit among VITA clients may contribute to low utilization of the credit. However, the findings also highlight the importance of shorter-term savings goals and withdrawal penalties in shaping clients' preferences for savings products.

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Financial Literacy Research Consortium through grant #CFS-7. The opinions and conclusions expressed are solely those of the authors and do not represent the opinions or policy of SSA, any agency of the Federal Government, or the Center for Financial Security at the University of Wisconsin-Madison.

Encouraging the Use of the Saver's Credit through VITA Sites: Evidence from a Pilot Demonstration in Two Cities

The Retirement Savings Contribution Credit, or Saver's Credit, was created to encourage greater retirement savings among lower-income households. The credit is particularly valuable for married couples with adjusted gross income below \$33,500, heads of households with income below \$25,125, and single filers with income below \$16,500—providing a credit of 50 percent of qualified investments up to \$1,000 by each individual. However, there has been limited use of the credit since its introduction. In 2002, the first year of the Saver's Credit, only 5.3 million of the 59 million eligible tax filers claimed the credit (Koenig and Harvey 2005). This figure improved only slightly to 5.9 million by 2007.ⁱ

Several factors have contributed to the low utilization rates for the Saver's Credit to date:

1. The Saver's Credit is non-refundable, so eligibility is limited to households with a positive tax liability.
2. Many low-income households do not have access to qualified retirement savings accounts through their employer, so claiming the credit also requires taking the initiative to set up and contribute to a qualifying account.
3. Awareness of the Saver's Credit is low. A survey in 2008 found that only 17% of full-time workers with qualifying incomes were aware of the credit.ⁱⁱ

The pilot demonstration examined by this report seeks to understand the potential for Volunteer Income Tax Assistance (VITA) sites to serve as outreach points for increasing awareness and utilization of the Saver's Credit. VITA sites provide free tax preparation services to millions of low-income filers each year. In many areas, VITA sites also encourage saving and offer a limited number of financial products. This existing infrastructure creates an opportunity

to reach a large number of qualifying households with both educational materials and a qualifying retirement savings product.

Abt Associates Inc. partnered with the National Community Tax Coalition (NCTC) and two large VITA programs—the Campaign for Working Families (CWF) in Philadelphia, PA and AccountAbility Minnesota (AAM) in St. Paul, MN—to develop a pilot program for promoting use of the Saver’s Credit. The pilot demonstration was offered at one *intervention site* in each location. In Philadelphia, the intervention site was the Ebenezer Temple Community Center. In Minnesota, the intervention site was AccountAbility Minnesota’s main office site in St. Paul. The pilot included: development of informational materials on the Saver’s Credit for VITA staff and clients; establishment of a financial product to be offered on site at the participating VITA sites; and outreach to employers with multiple employees eligible for the Saver’s Credit.

The evaluation of the pilot demonstration includes two components—a process study and an outcome study. The objective of the process study is to inform the design of a broader-scale VITA-based intervention designed to increase utilization of the Saver’s Credit. It documents the experience of the pilot demonstration, examining the potential and limitations of VITA sites as outreach points for encouraging utilization of the Saver’s Credit. The objective of the outcome study is to produce information relevant both to this specific intervention and to broader policy discussions around the Saver’s Credit. It uses focus groups and a web-based survey to learn about eligible filers’ awareness of the Saver’s Credit and attitudes towards retirement savings.

This article presents the evaluation findings. Following this introduction, the second section presents a review of existing research on the Saver’s Credit. The third section describes the pilot demonstration and presents the evaluation design and methodology. The fourth, fifth, and sixth sections present the findings of the process study, online survey, and focus groups.

Synthesizing these findings, the seventh section draws implications for vulnerable populations and the eighth section presents the evaluation's conclusions.

Literature Review

The Saver's Credit offers taxpayers a nonrefundable credit up to \$1,000 (\$2,000 if married filing jointly) for qualified retirement savings contributions. The eligibility requirements for claiming the Saver's Credit based on IRS guidelines for the 2011 tax filing season require that the filer: be 18 years or older; not be a full-time student; and not be claimed as a dependent on anyone else's tax return. Qualifying contributions must be deposited to the list of eligible tax-preferred accounts, which include 401(k)s, traditional and Roth IRAs, and related retirement savings accounts.

The credit is calculated as a percent of the total eligible contribution up to \$1,000 per individual (i.e. \$2,000 if married filing jointly). The credit amount varies between 10 percent, 20 percent, and 50 percent of eligible contributions on the basis of filing status and adjusted gross income (AGI). The maximum credit for an individual is therefore \$1,000 for an individual who contributes \$2,000 to a qualified account and is eligible for the 50 percent credit. It is applied as a reduction to income tax liabilities, so no additional cash is applied to retirement accounts for claiming the credit. Table 1 displays the breakdown of match percentage by filing status and AGI for tax year 2010 (TY10).

[TABLE 1 HERE]

Research examining the Saver's Credit has focused primarily on documenting early utilization of the credit and examining tax filers' behavioral responses to the credit. The Saver's Credit was enacted through the Economic Growth and Tax Relief Act of 2001, making tax year 2001 (TY02) the first year that the credit was available to tax filers. Koenig and Harvey (2005)

document utilization in TY02, during which 5.3 million tax filers claimed the Saver's Credit. This figure amounts to 9 percent of the 59.2 million filers who met the income and other eligibility criteria. However, because the credit is non-refundable, it is valuable only to filers with positive tax liability—37.4 million of the 59.2 million 'eligible' filers. As a result, a more useful figure may be that the credit was utilized by 14 percent of filers who were eligible *and* had positive tax liability.

These take-up rates are low relative to the comparable rates for higher-income households' use of qualified retirement savings accounts. Researchers have questioned whether the low utilization of the Saver's Credit is due to low awareness of the credit, complex tax rules for claiming the credit, or low interest in retirement saving among eligible filers. Existing studies provide suggestive evidence about each of these factors, but do not definitively point to any single cause. For example, the Transamerica Retirement Survey found that only 17 percent of employed workers with incomes below \$50,000 were aware of the Saver's Credit. While this finding points to low awareness of the credit as an important contributor to low utilization, low awareness may itself reflect other factors—such as low demand for retirement savings accounts among younger workers and households without an emergency savings cushion.

Among tax filers who claim the Saver's Credit, IRS data offers clear evidence that at least some filers understand the credit well enough to respond strategically to the incentives it creates. The adjusted gross incomes of filers who claim the Saver's Credit cluster just below each income cutoff (Duflo et.al. 2006; Ramnath 2010). This pattern reflects filers' recognition that a small reduction in their AGI will qualify them for the 20 percent or 50 percent credit rates. For households near these thresholds, the additional amount of the credit can more than exceed

the pre-tax contribution necessary to reduce the filer's AGI. Therefore, the clustering of tax filers just below each AGI cutoff suggests that at least some tax filers understand this incentive.

However, the number of filers in each cluster is small relative to the number of filers who might benefit, suggesting that other filers do not understand this incentive. Contrasting the Saver's Credit with the H&R Block experiment in St. Louis further suggests that observed utilization of the Saver's Credit may be limited by low awareness and transactional costs associated with claiming the credit (Duflo et.al. 2006). The experiment randomly determined whether eligible H&R Block clients were offered a matching contribution for opening an X-IRA account. Comparison across treatment and control groups shows a positive impact of the matching incentives on clients' take-up of the IRA product. Moreover, clients' responses to the matching incentives imply larger effects than those created by the Saver's Credit.

While the experimental match differs in several important ways from the incentives created by the Saver's Credit, this comparison suggests that utilization of the Saver's Credit may reflect factors beyond the size and structure of the financial incentive. In the H&R Block experiment, outreach by tax preparers ensured filers were aware of the match; tax preparers were trained to introduce and answer questions about the match; and, the match was available as an immediate contribution to the account, even for contributions made from a filer's forthcoming refund. Additionally, Saez (2009) uses differences in how the matching incentive was presented to clients to highlight the influence of framing in clients' savings decisions with respect to the marketed product. Given the extent of these differences, it is unclear which factors contribute to the difference in take-up between the X-IRA product and the Saver's Credit.

An additional consideration for Saver's Credit utilization is that the attractiveness of the tax incentive is conditional on the attractiveness of available retirement savings accounts and

products. Effective use of the Saver's Credit requires not only that the filer understand the tax rules for claiming the credit, but also the rules for managing a qualified retirement account *and* the attributes of the selected savings product. To the extent that filers do not fully understand either the account or the product, uncertainty may deter some individuals from utilizing the credit. Alternatively, the presence of penalties for violating the various tax rules may reduce the attractiveness of the credit. In particular, penalties for early withdrawals may deter filers who do not have an existing source of precautionary savings.

Both 401(k) and IRA accounts allow for penalty-free withdrawals under certain conditions. However, withdrawals from these accounts are common and the penalties associated with early withdrawal can wipe out any benefit. Butrica, Zedlewski, and Issa (2010) estimate that 8 percent of account owners withdrew from a 401(k) or IRA in 2004. Perhaps not surprisingly, the likelihood of withdrawals was highest among households with few liquid financial assets and households that experience a financial shock (Amromin and Smith 2003; Zedlewski, Butrica, and Issa 2010). While the credit provided by the Saver's Credit helps to offset the penalties for early withdrawals, wariness of these penalties may deter some households from opening retirement savings accounts.

This study explores the factors that contribute to utilization of the Saver's Credit by examining a pilot intervention designed to encourage use of the Saver's Credit at two participating VITA sites. A first objective of the study is to determine the feasibility of a VITA-based outreach campaign. To this end, the study includes on-site observations and one-on-one interviews with VITA program staff and tax preparers. The second objective of the study is to evaluate the effectiveness of the pilot and produce information on the relative importance of the factors hypothesized to contribute to utilization of the Saver's Credit. This article therefore also

presents information collected from administrative data, focus groups, and a web-based survey of VITA clients.

The findings contribute to existing research on the potential for tax preparation sites to achieve asset-building objectives. Beverly, Schneider, and Tufano (2006) propose that splitting tax refunds may encourage filers to save all or part of their refund, presenting exploratory evidence from a tax assistance site in Tulsa, Oklahoma. While the intervention only includes a basic savings account, several of the surveyed participants indicated interest in a retirement savings product. The current study implements an intervention that offers a qualified retirement product at VITA sites.

This study also contributes to the policy discussions over potential extensions of the Saver's Credit (see Gale, Iwry, and John 2004; Gale, Iwry, and Orszag 2005). Where the President's budget includes incremental changes that expand the income match eligibility guidelines, two current proposals would make more fundamental changes to the credit. First, Cramer (2010) introduces the Saver's Bonus, which creates a tax-time incentive similar to the Saver's Credit but broadens the set of eligible savings products to include CDs, money market funds, and other liquid accounts. This proposal allows accumulated savings to serve both precautionary and long-term purposes. Second, proposals for an Auto-IRA address low participation in retirement savings accounts by requiring employees to opt out of participation in an employer-based IRA (Iwry and John 2009). Where the Saver's Bonus proposal seeks to increase utilization by reducing the penalties associated with early withdrawals, the Auto-IRA proposal seeks to broadly increase participation in retirement savings accounts by making participation the default option. By documenting VITA clients' perceptions of retirement

savings products and incentives, the focus groups and web-based survey help to inform these approaches.

Data and Methods

The primary contribution of the study is to document the potential of the pilot demonstration. Therefore, this section first provides an overview of the intervention, which is developed in greater detail with the findings of the process study. The section then presents the evaluation design and methodology. The process study documents the lessons learned during implementation, using on-site observations, interviews with VITA staff, and analysis of administrative data. The outcome study more broadly informs the potential for the intervention to increase utilization among VITA clients, collecting information through focus groups and an online survey of VITA clients. Because the study is specific to the pilot intervention and the two participating VITA programs, the findings are not representative of either VITA programs or clients. Instead, the evaluation should be interpreted as a case study, acknowledging the context of the pilot demonstration.

Pilot Intervention. The intervention was designed to include three complementary components:

1. Employer-based marketing and education about the Saver's Credit.
2. Development of a qualified retirement savings product to be offered on site to facilitate use of the Saver's Credit; and
3. Site-based marketing and education about the Saver's Credit;

Employer-based Intervention: The objective of the employer-based intervention was to reach some VITA clients prior to the tax preparation process. Because the Saver's Credit's design is intended to build on the existing network of employer-based retirement savings accounts, this element of the intervention was intended to explore the potential for partnerships between VITA

programs and major employers in their community. Each VITA program sought to recruit two employer partners, and the two participating VITA programs initiated discussions with a total of 11 employers.

In practice, the employer partnerships proved difficult to establish and time intensive for the VITA programs. Of the 11 recruited employers, only one agreed to participate—Lutheran Social Services of Minnesota (LSS)—partnering with the AAM site after the start of the tax season in February 2011. The late start prevented any employer-based outreach prior to the start of tax season. However, once the partnership was established, the employer effectively implemented a number of outreach and marketing activities: emailing employees to promote the Saver’s Credit and the employer’s retirement plan; adding messaging to pay stubs to promote retirement savings; and, training managers to initiate discussions and answer employees’ questions about the Saver’s Credit. While these activities quickly reached many employees, they did not translate into increased enrollment in the employer’s retirement plan.

Development of a Financial Product: Each site recruited a local financial institution to provide a qualified retirement savings account at the VITA site. In each case, the site offered an IRA account with a limited set of investment options. (The CWF site was able to offer a broader range of products by making a bank staff person available to advise clients.) Similar to the recruitment of employer partners, the short timeline for implementation delayed the introduction of the financial products to the sites—neither site was able to offer the financial product when the site opened but both sites offered the IRA product by late March.

The IRS rules for claiming the Saver’s Credit allow filers to claim the tax credit for contributions made prior to April 15; however, direct deposit of the filer’s tax refund into a qualifying account is not eligible for the Saver’s Credit until the following year’s return. As a

result, each site allowed clients to claim the Saver's Credit on the filed return by opening an account on site and making a contribution from existing savings. Clients could also open an IRA account on site in order to direct all or a portion of their tax refund to an IRA account, but could not claim the Saver's Credit on these contributions until the next year's return.

Site-based Marketing and Outreach: The site-based educational campaign sought to increase clients' awareness and understanding of the Saver's Credit. It also encouraged site staff and tax preparers to promote the Saver's Credit and financial product to eligible clients. The pilot demonstration activities included: marketing the Saver's Credit at the intervention site through posters and educational handouts; training site staff about the Saver's Credit and financial product; and, training tax preparers to screen for eligibility and to initiate conversations about the Saver's Credit with eligible clients. While encouraging utilization of the Saver's Credit and financial product among eligible clients is a primary goal of the pilot, the education and marketing activities were not limited to eligible clients.

The site-based outreach sought to increase awareness of the Saver's Credit among all clients, encouraging clients to both take advantage of the financial product and plan for future retirement contributions. However, conversations with site staff and the on-site observations suggest that clients only infrequently received educational or marketing information. Both sites delayed all outreach until the financial product was available at the site. Additionally, tax preparers and site staff frequently exercised discretion, introducing the Saver's Credit only to those clients who they perceived to be most able to save for retirement. These implementation issues are discussed in greater detail with the pilot study findings.

Evaluation Design and Methodology. The evaluation uses a mixed-method design to accomplish the objectives of the process study and outcome study. The process study uses

analysis of administrative data, on-site observations, and one-on-one interviews with VITA staff. The outcome study builds on the information collected through these activities with focus groups and an online survey of VITA clients. This section presents the process study and outcome study separately, identifying the research questions, evaluation activities, and methodological considerations for each study component.

Process Study: The process study addresses three research questions:

1. Are VITA sites effective outreach points for encouraging utilization of the Saver's Credit?
2. Is the design of the Pilot Demonstration effective and efficient? How should a larger-scale intervention be designed?
3. What is the potential for a larger-scale intervention to increase overall utilization of the Saver's Credit? What challenges will a larger-scale intervention face?

To answer these questions, the process study relies on administrative data from the participating VITA programs, interviews with VITA staff, and on-site observations at each site. Each site provided de-identified administrative data for TY09 and TY10. This data allows for aggregate figures relating to Saver's Credit eligibility to be calculated for each site. However, the administrative data system used by CWF does not record information on Saver's Credit utilization, so this information is only available for AAM.

During the intervention period, Abt staff visited each intervention site twice to observe and document site activities. The site visits included general observation of site operations, as well as the implementation of the intervention. Abt staff conducted a total of at least 10 client observations at each site, documenting the materials and information provided to clients by site staff and tax preparers. The data collection activities also included semi-structured interviews

with key personnel at both the VITA programs' administrative offices and the intervention sites, including at least 10 interviews with tax preparers and site volunteers. The interviews focused on the implementation of the intervention at each site, but also solicited feedback on the potential for VITA sites to serve as effective outreach points.

Outcome Study: The outcome study addresses five research questions:

1. What are the motivations and obstacles to retirement saving for eligible clients?
2. Do clients have previous experience with retirement accounts? What proportion have access to a qualified account through their employer?
3. Are clients aware of the Saver's Credit? Do they understand the incentives and rules associated with it?
4. What proportion of eligible VITA clients claim the Saver's Credit?
5. What factors (e.g. match rates, investment options, and withdrawal penalties) are most important to eligible VITA clients' retirement savings decisions?

To answer these questions, the outcome study collected data through focus groups and an online survey. Where the process study focuses on the two intervention sites, the outcome study collects information across multiple sites in order to both increase the sample for the on-line survey and more broadly reflect the clients served by each VITA program. Both activities recruited VITA clients from seven AAM sites and 14 CWF sites.

The online survey recruited VITA clients who completed their tax returns through AAM and CWF. Recruitment emails were sent to a total of 3,616 VITA clients between March and May 2011. To the extent possible, clients were contacted within three to six weeks of their visit to the site, with up to four weekly follow-up emails sent to non-respondents. This recruitment process produced 327 responses for a response rate of 9 percent. Of these responses, multiple

observations indicate that the client is not eligible for the Saver's Credit (i.e. the client is a minor, full-time student, dependent, or does not have a positive tax liability). Once these observations are dropped, the analysis sample contains 252 observations.

While this sample seeks to isolate the set of clients who are able to claim the Saver's Credit, the self-reported measures of income and tax liability are imperfect. While clients were encouraged to refer to their tax return while completing the survey, less than 20 percent indicated that they did so. As a result, some clients may not precisely know their adjusted gross income or their tax liability. For the income measure, clients may instead be likely to report their gross income or salary amount, prior to any tax deductions. Similarly, clients may be more likely to remember whether they received a tax refund rather than whether they had a positive tax liability.

Because of the small sample size, the analysis sample is defined inclusively and may not screen out all ineligible clients. It includes 38 respondents who reported incomes above the Saver's Credit eligibility thresholds and 53 clients who reported no tax liability but did not refer to their tax return. To test the validity of this approach, the findings for the analysis sample were compared with findings under much more stringent criteria—excluding all clients who self-report not having a positive tax liability, as well as all clients with ineligible incomes. The findings are nearly identical across samples, so the more inclusive criteria are used to define the analysis sample.

Interpretation of the findings from this analysis sample must also consider both the pilot demonstration and any factors that might influence non-response. The respondents served by either of the intervention sites may have learned about the Saver's Credit during the tax preparation process. Additionally, the VITA clients who respond to the survey may be more

interested or knowledgeable about retirement than other clients. While the recruitment and follow-up emails did not describe the content of the survey, AAM staff occasionally referred to it as a ‘retirement survey’ when collecting client email addresses. The set of responses that were excluded for frequent missing information may also reflect a small number of clients who abandoned the survey after realizing it focused on retirement topics. Each of these factors suggest that the responses produced by the online survey will, if anything, overstate clients’ awareness of the Saver’s Credit and interest in retirement saving.

The focus groups add depth to the online survey by asking clients to describe their experience with retirement accounts and knowledge of the Saver’s Credit. A total of four focus groups—two in each location—were conducted with clients recruited from the same sites covered by the online survey. Participants were screened directly for Saver’s Credit eligibility, excluding minors, full-time students, dependents, and filers whose incomes exceed the Saver’s Credit thresholds.

The screening criteria for the focus groups additionally required that clients’ income exceed a minimum threshold. The thresholds—\$25,000 if married with children or head of household and \$16,500 if single or married with no children—were designed to limit recruitment to the set of clients with a positive tax liability. Analysis of TY2009 data suggests that 80 percent of clients above these incomes have positive tax liability, and that the likelihood of positive tax liability decreases sharply below these thresholds.

The resulting sample includes a total of 37 participants (23 from CWF and 14 from AAM). Similar to the online survey, the findings of the groups will, if anything, overstate clients’ knowledge of the Saver’s Credit and interest in retirement savings. First, the timing of the focus groups required that recruitment focus on clients who completed their returns during

the first month of the tax season—before the financial product was introduced at either site. As a result, it is unlikely (but possible) that focus group participants were introduced to the Saver’s Credit during tax preparation. Second, the recruitment emails and screening process both mentioned retirement as a topic for discussion, so the set of recruited participants may include clients with a greater interest in retirement savings than the broader population of clients served by each VITA program.

Findings – Process Study

Evaluation of the pilot demonstration included an intensive process study that examines the implementation of the intervention at each VITA site. The first objective of the process study is to document the fidelity of the VITA sites’ implementation to the demonstration program’s initial design. The description of the pilot demonstration in the previous section describes the implementation of the pilot demonstration at each site. Individual site briefs are also included as appendices, describing the activities undertaken, the obstacles encountered, and the deviations from the intervention design at each site.

The second—and primary—objective of the process study is to synthesize the experience of the pilot demonstration to inform the design of future interventions. This section presents the findings of the process study with respect to three central research questions:

4. Are VITA sites effective outreach points for encouraging utilization of the Saver’s Credit?
5. Is the design of the Pilot Demonstration effective and efficient? How should a larger-scale intervention be designed?
6. What is the potential for a larger-scale intervention to increase overall utilization of the Saver’s Credit? What challenges will a larger-scale intervention face?

This section draws on the experience of the pilot demonstration to inform each of these research questions. Because the pilot demonstration provides direct evidence on the experiences of VITA sites and the responses of clients, the findings of the process study provide valuable information for designing a larger-scale intervention. However, there are two limitations that may affect the ability of the pilot demonstration to inform other programs and policies.

First, implementation of the pilot demonstration occurred during an abbreviated timeline. Recruitment of the sites occurred in mid-to-late Fall 2010, and the official agreements with each site were not completed until late November 2010. As a result, the sites' planning process occurred primarily in December 2010 and January 2011 and training for the pilot could not be integrated into the sites' standard training process. Ideally, sites might begin planning during the summer months so that the intervention could be integrated into their standard preparation activities and be active at the start of the tax preparation season.

Second, the pilot demonstration included funding and other resources that may exceed what is available for a larger-scale intervention. The funding provided to the participating VITA programs supported staff time for administrative activities associated with development and rollout of the intervention. The funding did not support any additional resources or personnel at the intervention sites, but provided for staff time used to contact employers, recruit bank partners, and otherwise develop the intervention. Without a similar subsidy, budget limitations and other demands on staff time may limit the ability of some VITA programs to support these activities.

With these caveats in mind, the remainder of this section discusses the findings of the process study with respect to each of the three research questions.

Question #1: Are VITA sites effective outreach points for encouraging utilization of the Saver’s Credit? The design of the pilot demonstration is based on the potential for VITA sites to serve as effective outreach points for encouraging utilization of the Saver’s Credit. The administrative data collected from the two participating VITA programs reinforce the potential for VITA sites to act as outreach points, but also reveal several limitations. Table 2 presents the characteristics of clients that received tax preparation services from multiple sites associated with each VITA program in the year prior to the intervention (TY09)—AccountAbility Minnesota (6 sites) and the Campaign for Working Families (13 sites).

These figures highlight the overlap between Saver’s Credit eligibility guidelines and VITA clients. The first row of the table shows that approximately 90 percent of VITA clients at both sites met the Saver’s Credit’s income requirements. However, the table also documents the extent to which the non-refundable nature of the Saver’s Credit excludes households that meet the income criteria. The second row shows that, of filers who met the income requirements, only 31 percent of AAM clients and 44 percent of CWF clients also had a positive tax liability.

[TABLE 2 HERE]

The second and third panels of Table 2 limit the sample to the set of clients who both met the Saver’s Credit income guidelines and have positive tax liability. We refer to these clients as *eligible clients* in Table 2 (although we are not able to observe and exclude any filers who are minors, full-time students, or dependents). The second panel shows that the median tax liability among eligible clients falls between \$675 and \$700 for each site. The third panel breaks down the set of eligible clients, showing the percent that qualified for each credit rate. In both locations, 50 percent of eligible clients would have received a 50 percent credit for qualifying contributions. Only 20 to 30 percent of clients in this category have a positive tax liability, so

the concentration of eligible clients in this credit category appears because each VITA program disproportionately serves clients with incomes below the threshold for the 50 percent credit. Nonetheless, these figures suggest that the Saver's Credit creates valuable incentives for many VITA clients.

Table 3 shows the Saver's Credit utilization rates for AccountAbility Minnesota in TY09 and TY10. (The tax preparation software used by the Campaign for Working Families does not allow Saver's Credit information to be extracted). While only 6 percent of VITA clients at the six AAM sites claimed the Saver's Credit, these clients amount to 16 percent of eligible clients. Moreover, the utilization rate is even higher among several subgroups. In particular, more than 30 percent of eligible head of household filers claimed the credit. Panel 2 shows that the median amount claimed is approximately \$100. Applying clients' credit rates to these credit amounts, the implied median contribution is \$650 to \$675 in each year.

[TABLE 3 HERE]

Taken together, these figures illustrate the potential for VITA sites to provide a centralized point of contact for outreach to eligible filers. However, the pilot demonstration confronted several issues relevant to the design of an outreach campaign through VITA sites. The discussion below presents the experience of the pilot demonstration with respect to each issue, drawing implications for future intervention efforts.

Issue 1: Many VITA clients do not have a positive tax liability or are otherwise not eligible for the Saver's Credit. As the figures in Table 2 illustrate, the non-refundability of the Saver's Credit means that a broad Saver's Credit marketing campaign may reach many clients who the credit does not benefit. An outreach campaign must either allow sites to target their outreach activities to eligible clients or clearly communicate the Saver's Credit rules in marketing

materials. VITA staff echoed this concern, with several expressing reservations about marketing the Saver's Credit to clients who are not eligible.

A related finding from the site visits is that site staff and VITA program leadership expressed different views regarding the relevance of the pilot demonstration to their client population. VITA program leadership gave strong support to the pilot demonstration, noting the connection between retirement saving and their organizations' missions. In contrast, site staff in multiple roles were more pessimistic about the potential of the pilot demonstration to have an impact. The presence of this disconnect suggests that future interventions may need to incorporate activities that address staff concerns and help to make the connection between the intervention activities and the organization's mission.

Issue 2: VITA sites with multiple asset-building initiatives risk overwhelming clients with too much information and too many options. Many VITA sites offer multiple financial services and products as part of their existing asset-building activities. VITA staff warned that sites have to be careful not to overwhelm clients with too much information and too many products. Adding additional products such as a retirement savings product may water down the message and marketing of each product. This challenge is exacerbated by the length of the tax preparation process, which can take two or more hours to complete. As one AAM staff explained, "There comes a point at a tax site where too many things are offered to clients and he/she may say 'I'm just here to do taxes!'"

Issue 3: The Saver's Credit rules and eligibility criteria are complex. The eligibility criteria and rules for claiming the Saver's Credit are complex, making it difficult for clients to assess their eligibility or the value of the credit quickly. This complexity raised several issues for implementation of the pilot demonstration by the VITA sites. First, an effective marketing

campaign needs to do two things: (1) trigger client interest in the Saver's Credit and (2) communicate the rules for claiming the credit and managing the retirement account. Explaining the rules associated with the Saver's Credit takes time and risks losing client interest. VITA staff at both sites indicated that their experience with U.S. Savings Bonds has been better, in part because there are not eligibility requirements and the site can provide standardized information to all clients.

The complexity of Saver's Credit rules also created issues for the logistics of client screening and the offer of the financial product. Ideally, site staff might be able to target outreach activities to eligible clients at the intake stage. However, the client's adjusted gross income and tax liability are not determined until the tax preparation stage. As a result, sites must likely rely on an approach that involves multiple stages of the site's process—screening clients for interest at intake, determining eligibility after tax preparation is complete, and opening the financial product at the end of the tax preparation process. This approach means that some clients who express interest at the intake stage may be frustrated to find out later that they are not eligible for the credit. It also increases the number of staff members that must be trained.

Lastly, the Saver's Credit rules require contributions made from the client's tax refund to be treated differently from other contributions made at the site. Under IRS rules, clients can claim the Saver's Credit for contributions made to an IRA account when the product is opened at the VITA site, provided that the contribution is funded from the client's savings or other assets. In contrast, deposit of the client's tax refund into a qualifying account is not eligible for the Saver's Credit until the following year. This distinction created confusion among both VITA clients and staff.

Issue 4: The time required for changes in client behavior is longer than one visit. Many clients arrive at the VITA site with some expectation about how much of a refund they will receive. Also, most clients have made plans for how they will use their refund prior to arrival—to pay existing bills, to make major purchases, to pay down debts, etc. Interviews with site staff and focus group discussions with VITA clients reinforced this point. As a result, efforts to encourage clients to direct all or a portion of their refund toward a retirement account are unlikely to be effective in encouraging immediate contributions.

Instead, VITA-based education and marketing are likely to be more effective at encouraging clients to enroll in employer-based retirement plans or to plan for contributions in future years. In either case, the first year of an intervention based at a VITA site might therefore best be approached as an opportunity to intensively educate clients about the Saver’s Credit and financial product, with the intention that clients will be able to take action in the subsequent years. The intervention should also be planned and consistently implemented across multiple years, so that clients view the site as a predictable resource for opening a retirement account and contributing from their refund.

Question #2: Is the design of the pilot demonstration effective and efficient? How should a larger-scale intervention be designed? One of the objectives of the process study is to observe the structures and procedures of the pilot demonstration with the purpose of understanding how the intervention might be improved in future iterations. While later sections consider alternative intervention designs, the response to this question focuses on the implemented intervention, which includes three core components—development of a financial product, marketing of the Saver’s Credit to clients, and recruitment of employers. Additionally, the process study informs

how to integrate the demonstration into the operation of the sites most efficiently and underscores the challenges that may hinder implementation.

Developing the Financial Product: A key component of the pilot intervention was the development of a qualified retirement savings product that could be offered on site. Both VITA sites organized their activities around the offer of the financial product, reinforcing the centrality of the financial product to the demonstration. The purpose of offering a retirement savings product on site is to address what is considered a key obstacle to takeup of the Saver's Credit—poor access to retirement accounts among low-income households. Based on the experiences of the intervention sites, future efforts to offer a retirement product through VITA sites should:

- Begin recruiting bank partners at least six months before tax season;
- Utilize existing relationships with local financial institutions when possible; and
- Allow sites the flexibility to work with the bank partner to design a product and procedure that works best for both organizations.

Recruitment of Bank Partners: A key challenge for the implementation of the pilot demonstration was the short timeline for recruiting bank partners. In November 2010, NCTC tried to establish a partnership with a large national bank that might be able to offer products across multiple VITA sites. This effort stalled as a result of confidentiality concerns that prevented the banks from sharing private information with the VITA sites. As a result, each site began recruiting local financial institution partners in December 2010. Both sites emphasized that recruitment of financial institution partners usually occurs during the summer before tax season starts, allowing for ample time to create a product and site procedures that are efficient for both the bank and site staff.

The experience of the pilot demonstration also suggests that local institutions may be better able to develop a product that meets the needs of the site. Staff from both intervention sites explained that they were able to secure a bank partner because of their strong pre-existing relationship with local financial institutions. Both bank partners had previous experience partnering with the VITA programs, and as a result were more trustful of the organizations and their staff. Both bank partners were also willing to be flexible in the product offered. The AAM bank partner (University Bank) agreed to decrease the minimum contribution on its IRA account from \$1,000 to \$100 and to accept applicants with reports in Chex Systems.ⁱⁱⁱ The CWF bank partner (PNC Bank) was willing to create a new process to get around their usual screening procedures for IRAs and to send staff on site to work with clients.

Interviews with VITA staff at both sites suggested that a key component of a successful partnership for this type of effort is the bank's willingness to be flexible, along with its commitment to serving the local community. As one AAM staff member explained, "Financial institutions have to be generally interested in serving low-income populations. University Bank had a similarly aligned mission with AAM and was willing to change or create a product [to fit AAM's needs]." While partnership with a national bank might allow a large-scale intervention to develop a product that could be efficiently offered nationwide, the experience of the pilot demonstration suggests that individual VITA sites may find local financial institutions to be more responsive to clients' needs.

Design of the Financial Product: The ideal financial product is simple to understand and meets the needs of a range of VITA clients. The retirement products developed for the two VITA sites were similar in many ways. Each site opted for an IRA product with a low minimum contribution requirement. While PNC Bank offered a broader range of investment options to

CWF clients, the decision to offer more options was made knowing that PNC staff would be present on site to answer client questions. This approach was staff intensive for PNC, and interviews with PNC staff confirmed that the ideal approach is to set up an efficient system that allows VITA site staff to open the account remotely, without having bank staff on site. Both financial institutions agreed that a sustainable IRA product would allow remote enrollment and include only two to three investment options that are easy for clients and VITA site staff to understand and compare.

A second finding from the pilot demonstration is that bank procedures and tax rules may work against the ability of sites to offer a simple and easy-to-understand product on site. Both banks typically require that IRA accounts be immediately funded and include screening with Chex Systems. Because clients' tax refunds are not available for several weeks, both banks used a savings account as an intermediate step. Clients' contributions to the IRA account were initially directed to a savings account, and the IRA account was opened only after the tax refund was deposited and available to be transferred into the IRA. The IRS rules for claiming the Saver's Credit for contributions from a tax refund added further complexity to this process.

Marketing the Saver's Credit and Financial Product: The initial design of the pilot demonstration activities included marketing and education activities designed both to educate all clients about the Saver's Credit and to announce the availability of the financial product. The underlying objectives for the design were to:

1. Increase all clients' awareness of the importance of retirement saving and the incentives provided by the Saver's Credit; and
2. Provide more detailed information and assistance to clients expressing interest in the Saver's Credit or retirement product.

In practice, both VITA sites organized their implementation activities around the offer of the financial product on site. This approach carries several implications for the development of future outreach efforts:

- Broad-based marketing and education materials must be efficient to distribute;
- On-site marketing activities should be organized through a single point-of-contact and be targeted to eligible and interested clients;
- Marketing messages should emphasize the long-term benefits of saving and highlight the financial match of the Saver's Credit; and
- Marketing activities should be designed around early outreach (i.e., before a client comes to the VITA site) and a multi-year timeline for program outcomes.

Marketing Materials and Staff Outreach: Broad-based messaging around the importance of retirement savings should be distributed through mechanisms that can be standardized and efficiently distributed. Written posters, flyers, and other materials allow site staff to highlight briefly the importance of the information and then refer clients to the materials. Interviews with site staff supported this approach. Site staff also mentioned the importance of highlighting the financial incentive before explaining the eligibility rules and structure of the credit. Materials should demonstrate, in an easy-to-understand format, the long-term potential for retirement contributions to accumulate into significant savings. Discussion of the Saver's Credit should similarly begin with the potential value of the credit to eligible participants.

The development and use of these kinds of written materials would increase the efficiency for site staff by allowing staff-based outreach to be targeted to clients who express interest in the Saver's Credit or financial product. To reduce further the burden on site staff, such activities can be centralized through one staff role such as the Financial Services Specialist

(AAM) or Resource Builder (CWF). Implementation of the pilot demonstration suggests that awareness of the intervention (and the Saver's Credit) varied substantially across tax preparers and other site staff, making a centralized point-of-contact both more efficient and more likely to reach all clients.

Recruiting Employer Partners: The pilot demonstration included the recruitment of employer partners willing to market the Saver's Credit to their employees in coordination with promotion of their retirement savings plan. The employer component was intended to leverage the presence of employer-based accounts and to reach some clients with educational materials prior to their arrival at the VITA site. In practice, employer partnerships proved difficult to establish and time intensive for the VITA programs. As a result, the experience of the pilot demonstration suggests that this component is likely not an efficient activity for VITA programs.

Both sites initially sought to enlist two employer partners to deliver marketing and education of the Saver's Credit in December 2010 and January 2011. AAM secured one employer partner in February 2011—Lutheran Social Services of Minnesota (LSS). The two intervention sites contacted a total of 11 employers—CWF contacted eight employers and AAM contacted three—with only LSS agreeing to participate. The obstacles to participation for other employers included:

- Absence of a qualified retirement product available to employees;
- High existing participation in the employer's retirement plan—above 90 percent;
- Unionization of the employer's workers, with retirement plans offered through unions and not through the employer;
- Organizational policies requiring that any activities be approved by the company's national headquarters and offered across all company locations; and

- Structural change within the organization—the company was in the process of being acquired—creating uncertainty around how to implement the initiative.

LSS is a large non-profit social service organization that understands and relates to AAM’s mission of reducing poverty and building wealth, potentially an ideal partner for testing the intervention. Both organizations reported that, even for organizations with compatible missions, it takes a “champion of the cause” to get an employer to agree to participate in the initiative and implement the marketing activities. As one LSS human resources representative explained, “It takes a believer to get the ball rolling. Any employer can do it. It’s not about any structure or anything related to a human resources department. The mindset of the company needs to be on the benefit to the employee.”

Based on input from AAM and LSS staff, the partnership with LSS resulted in a successful and multi-faceted implementation of the proposed marketing activities. LSS’s promotion of the Saver’s Credit included distributing marketing materials to employees via email, inclusion of marketing messages on pay stubs, and training managers on how to generate interest and answer employee questions. Nonetheless, LSS experienced little impact from these activities. Prior to the intervention, an LSS human resources representative estimated that their participation rate stood around 25 percent. LSS counted 15 new enrollments in their retirement plan following the start of the intervention—about the same as the number the organization usually sees during a comparable time period.

Training VITA Site Staff: Training site staff is an integral element of preparing sites to implement the demonstration effectively. Such training should include introducing implementation objectives and activities to all staff and providing more intensive training to the site staff responsible for implementing the site-based outreach. During the pilot demonstration,

both sites waited until the financial product was ready to be introduced on site before undertaking any staff training. As a result, the standard training for site staff had been completed, and sites did not have a means of communicating with all staff. The late introduction of training activities resulted in uneven and less intensive training activities. The CWF site manager conducted ad hoc training with tax preparers during the week that the financial product was introduced. AAM developed a detailed training manual for the Financial Services Specialist, but did not involve other staff in the training activities.

Consistent with the need for early development of the financial product, the training approach and materials should be developed in advance of the tax season so that they may be integrated into the site's existing training activities. Management staff at each VITA program expressed concerns about adding to the intensity of the existing training requirements, suggesting that any additional training must be incorporated strategically, targeting only key staff and in a flexible format. Given that volunteer tax preparers must already complete approximately 15 hours of IRS-mandated training, additional training efforts should focus on the activities associated with the staff member's role—including intensive training for the staff responsible for the financial product and the core outreach activities.

In addition to the targeted training activities, there is a need for all staff to have a basic level of awareness about the Saver's Credit and the outreach activities the site is implementing. A key limitation of the training activities during the pilot demonstration is that neither site provided any training or general education to those site staff who were not directly responsible for the financial product or other outreach activities. As a result, many interviewed staff lacked awareness and understanding of the pilot demonstration, the financial product, and in some cases the Saver's Credit. While it is efficient to concentrate the outreach effort through a single point

of contact, all staff should have been informed of the intervention, its objectives, the Saver's Credit, and the financial product. For future interventions, a limited amount of information must be added to the general training required of all staff.

Question #3: What is the potential for a larger-scale intervention to increase overall utilization of the Saver's Credit? What challenges will a larger-scale intervention face?

During the pilot year, the two intervention sites achieved several accomplishments:

- 1) Both sites used existing relationships with local financial institutions to add a retirement account to the list of services available at those sites.
- 2) While the sites had varying degrees of success training and encouraging staff to market the Saver's Credit to VITA clients, the pilot increased the degree of awareness and buy-in among leadership staff at both the parent organization and the VITA site.
- 3) Two clients at Ebenezer Temple opened a retirement savings account with CWF's bank partner. One was able to apply the Saver's Credit and receive a \$150 tax credit on her 2010 tax return.

These outcomes of the pilot demonstration are relatively weak in comparison to the outcomes envisioned in the implementation plan. The sites struggled to recruit employers and experienced delays in introducing the financial product to each site. As a result, the process study cannot provide conclusive evidence regarding the ability of a fully-executed outreach campaign to increase utilization of the Saver's Credit. The pilot demonstration elicited limited responses from clients and resulted in only two new retirement accounts. However, this outcome reflects the weak (and delayed) implementation of the pilot at each site, along with the abbreviated timeline for developing financial products and planning the implementation process.

The primary contribution of the pilot demonstration is to inform the design of future outreach efforts, as well as the potential for a large-scale intervention. To this end, the pilot demonstration informs the potential strengths and weaknesses of two contrasting approaches. A first approach is to pursue a truly national implementation in which the screening and implementation procedures are integrated directly into the tax preparation software and IRS training manual. The strengths of this approach are that it automates the screening process and standardizes the training provided to tax preparers. Simple modifications to the software could identify clients who could benefit from the Saver's Credit and prompt tax preparers to discuss the potential value of the credit.

The tax preparation software might also automate the process for direct depositing all or part of a client's refund into a qualified retirement account. However, providing a product on site would require IRS to select an IRA provider and to address the need to have newly-opened IRAs remain unfunded while the refunds are processed. The primary limitation to this approach is the limited emphasis on education and outreach. In order to capitalize on the changes, individual VITA sites would likely need to couple the screening with education and outreach—which may be more resource intensive.

If modifications to the tax software are not possible, a second approach is to expand the number of VITA programs who voluntarily implement the intervention. Under this approach, a centralized organization such as SSA, IRS, or NCTC might develop marketing and educational materials (and potentially a financial product) for sites to use as the basis for implementation. (Several of the materials used for the pilot intervention are already available on the NCTC website for this purpose.^{iv}) The pilot demonstration suggests that several modifications to the pilot's design may benefit organizations seeking to replicate the intervention:

- Recruitment of employer partners can be removed from a large-scale design, as it is staff intensive and contributed only minimally to the demonstration outcomes;
- Training of site staff should be planned during the summer and fall and integrated with the site's existing training procedures; and
- Outreach and education regarding retirement savings and the Saver's Credit should be available through delivery mechanisms such as written materials that can be efficiently distributed by site staff.

A strength of this approach is that it allows flexibility for sites to integrate activities into their existing procedures. The implementation of the pilot demonstration at the two participating sites highlights the variation in the structure and procedures of different VITA sites. For example, whereas CWF processes all clients through their Resource Builder station, AAM allows clients to opt-in to meeting with the Bridges to Benefits Representative, the Financial Services Specialist, or (at some sites) a certified financial planner. Similarly, AAM does not allow banks to offer products on site as a matter of policy, whereas CWF welcomed the presence of PNC staff who could help explain the financial product and investment options to clients (see the Appendices for more information on implementation at each site). This flexibility may allow sites to better tailor the intervention to take advantage of resources already available at the site.

A second strength is that this approach allows sites to emphasize education, marketing, and outreach. An important lesson from the pilot demonstration is that the participating sites approached the intervention primarily as an effort to make a qualified retirement account available on site. However, the results from these sites underscore the importance of education, marketing, and outreach activities in order to generate interest in the product. VITA programs seeking to build upon the pilot should be encouraged to emphasize education and outreach,

including activities that reach households who may not be able to take advantage of the Saver's Credit until future years.

The challenge for an approach based on voluntary participation will be to reach a substantial number of the 12,000 VITA sites nationwide. Both site partners for the pilot demonstration represent relatively large sites associated with established VITA programs. As a result, these sites benefited from having paid staff that specialized in offering financial products and services. The pilot demonstration also provided funding to support each VITA program's development and implementation of the financial product and marketing activities. Any large-scale campaign should seek to minimize the resources and staff burden required to launch the intervention at individual sites.

Findings – Online Survey of VITA Clients

The outcome study produces information about how eligible tax filers view the incentives created by the Saver's Credit. Where the process study focuses on implementation of the pilot demonstration at the two intervention sites, the outcome study collects information from VITA clients served by multiple sites affiliated with each VITA program—six AAM sites and 13 CWF sites. The objective is to document clients' interest in retirement savings, knowledge of the Saver's Credit, and experience with retirement savings accounts.

The online survey collected information from clients who completed tax returns through AccountAbility Minnesota and the Campaign for Working Families during the Spring 2011 tax season. The survey included modules that focus on:

- Ownership of retirement savings accounts and savings activities;
- Awareness and knowledge of the Saver's Credit; and
- Factors most important to clients' decisions about retirement savings.

This section presents the findings of the on-line survey, separating the findings into three sections that address each of the topics above. Clients' responses to the on-line survey indicate a high level of interest in learning about how to plan and save for retirement. However, the responses also indicate that clients' limited resources and uncertain incomes may create obstacles to building and protecting retirement savings.

Table 4 provides descriptive statistics for the analysis sample. The figures show that respondents are evenly distributed between ages 25 and 55, with fewer clients younger than 25 or older than 55. More than half of clients are single filers, with another third filing as head of household. Nearly 85 percent of clients have incomes below \$36,000, with more than 35 percent reporting income below \$16,750. The latter figure implies that a substantial proportion of respondents are below the income threshold for the 50 percent match rate of the Saver's Credit. Roughly half of respondents are employed full time, and another 24 percent are employed part time.

[TABLE 4 HERE]

Table 4 also shows the total non-retirement savings accumulated by the household. Eighty-two percent of VITA clients reported less than \$1,000 in non-retirement savings and 40 percent reported no savings at all. These figures illustrate the absence of an emergency savings cushion among many VITA clients.

Retirement Accounts and Savings of VITA Clients. A primary advantage of using VITA sites to promote the Saver's Credit is that VITA sites are likely to reach many households that do not have access to employer-based retirement accounts. The data presented in Table 5 confirm that a large share of VITA clients either do not have access to or are not aware of a retirement plan offered by their employer. About half of all survey respondents (52 percent) said their employer

offered a retirement plan, 37 percent said their employer did not offer a plan, and 12 percent said they were unsure.^v For clients without access to a retirement plan through their employer, VITA sites might offer a reliable resource for opening and contributing to tax-advantaged retirement plans.

[TABLE 5 HERE]

Participation in retirement plans—through an employer or independently—is also inconsistent among VITA clients. Table 5 shows that 45 percent of VITA clients currently have a retirement plan or pension. Another 17 percent of clients (33 percent of the subset of clients without a retirement plan) previously owned a retirement account or pension but no longer have a retirement plan. Where the first figure reinforces that most VITA do not have a retirement plan, the second figure highlights the frequency of withdrawals from existing qualified retirement accounts. Some of these withdrawals likely reflect clients who cashed out employer-based accounts during a job change. However, some may also reflect emergency withdrawals made by clients with few liquid assets. The focus group discussions suggest that both types of withdrawals are common.

Those clients with an existing retirement plan are much more likely to have retirement savings accounts than a defined-benefit pension. Of the 101 respondents with a retirement plan, 67 respondents (66 percent) had a retirement savings account such as a 401(k) or IRA—including both employer-based and external accounts. This is nearly four times the number of clients who reported a pension. Ten clients reported a regular savings account as their retirement plan or were unsure what type of retirement plan they had.

Despite the preponderance of defined contribution retirement plans, only 36 percent of clients with a retirement plan (16 percent of all respondents) reported making a contribution in

2010. Table 6 shows the size of the contributions, which range from less than \$250 to more than \$2,000. Because a handful of clients reported a regular savings account as their retirement plan, we cannot be sure that that all of the contributions in Table 6 are eligible for the Saver's Credit. Instead, these figures provide an upper bound for the number of VITA clients who may be able to claim the Saver's Credit based on existing contributions.

[TABLE 6 HERE]

While the low rates of retirement contributions among VITA clients is an obstacle to Saver's Credit utilization, it may reflect a rational response to the absence of liquid financial assets among these households. As Table 4 previously showed, 84 percent of VITA clients reported less than \$1,000 in non-retirement savings and 40 percent reported no savings at all. These low levels of non-retirement savings mean that the withdrawal penalties associated with retirement savings accounts offset the attractiveness of the tax benefits and Saver's Credit.

These findings are suggestive about the obstacles to increasing utilization of the Saver's Credit. Few clients have existing retirement accounts and more than 60 percent of clients have less than \$250 in non-retirement savings. As a result, there is a tradeoff between encouraging these clients to save for the long-term and helping them build an emergency cushion to protect against unexpected expenses. These rates of account ownership and saving provide the context for the discussion of the Saver's Credit and retirement savings decisions in the sections that follow.

VITA Clients' Use and Awareness of the Saver's Credit. A central issue in the discussion of the Saver's Credit is the extent to which eligible households are aware of the credit and understand the incentive it creates. The on-line survey directly asks clients about their knowledge of the Saver's Credit and its structure. The results corroborate previous evidence that

awareness of the credit is low. Thirty percent of survey respondents reported that they had heard of the credit, implying that more than two thirds of VITA clients surveyed were not aware of the credit (Table 7). Moreover, the lack of awareness of the Saver's Credit extends to clients with retirement accounts—37 percent of whom have heard of the Saver's Credit—and to clients who contributed to retirement accounts in 2010—53 percent of whom have heard of the Saver's Credit.

Table 7 also presents information on the depth of Saver's Credit knowledge among clients who are aware of the credit. Clients who indicated that they had heard of the Saver's Credit were presented with the four characteristics of the Saver's Credit shown in Table 7 and asked whether the information was new to them or whether they had heard the information before. The percentages shown in the exhibit represent the percent of all VITA clients who were familiar with each characteristic of the Saver's Credit. The results suggest that the clients who reported being aware of the Saver's Credit are generally familiar with the characteristics of retirement savings accounts but less knowledgeable regarding the structure of the Saver's Credit.

[TABLE 7 HERE]

Thirty percent of VITA clients had heard of the Saver's Credit. Of these clients, more than 80 percent (25 percent of all clients) were familiar with the basic requirements of retirement savings accounts. Conversely, less than 45 percent of clients familiar with the Saver's Credit (13 percent of all clients) knew that the amount of the credit varies with income or that the maximum contribution is capped. These findings suggest that very few clients are both aware of the Saver's Credit and understand the rules of the credit well enough to determine whether they would be eligible and how it could benefit them. Only 17 clients indicated that they had heard all four of the statements in Table 7 before.^{vi}

Mirroring the lack of awareness of the Saver's Credit, few surveyed clients reported claiming the Saver's Credit in TY2010 or prior years. Only 3 percent of clients claimed the credit in 2010 and 4 percent claimed the credit in prior years (Table 8). While this low level of utilization is consistent with the previous discussion, client's self-reported utilization may understate actual utilization of the Saver's Credit if tax preparers automatically apply the credit when a contribution to an employer-based retirement account is shown on the client's W-2.

[TABLE 8 HERE]

Any contributions made through an employer will appear on the individual's W-2, and contributions to an external account will produce a 1099-INT to report account earnings. The tax preparation process implemented by VITA sites is designed to ensure that the information on each of these forms is reported into the tax preparation software. As a result, entry of this information and screening by tax preparers may trigger application of the Saver's Credit without the client's knowledge.

While the number of respondents who made qualifying contributions is small, the evidence suggests that this screening process overcomes some clients' lack of awareness of the Saver's Credit. Of the 28 clients who reported saving towards retirement in 2010, 19 reported contributions to a retirement savings account such as a 401(k) or IRA. Of these 19 clients, only 2 referred to their tax return while completing the online survey. In both cases, the client indicated that they had not previously heard of the Saver's Credit but that they had claimed it on their return. These observations corroborate the potential for the screening process to increase utilization of the Saver's Credit. They also suggest that clients' self-reported utilization may understate actual utilization among clients who didn't refer to their returns when completing the online survey.

The survey responses of clients who contributed to retirement savings accounts in 2010 suggest that low awareness of the Saver's Credit is present even among clients who make eligible contributions. Of the 19 clients who reported contributions to a retirement savings account, eight had not heard of the Saver's Credit. Taken together, the findings in this section corroborate the low awareness of the Saver's Credit found in the TransAmerica Retirement Survey.

Factors Affecting VITA Clients' Decisions Regarding Retirement Savings. Households' consideration of the Saver's Credit depends not only on the incentives provided by the credit, but also on the attractiveness of available retirement savings options and the ability of the household to save. The last module of the on-line survey focused on the relative importance of savings incentives, product characteristics, and clients' economic circumstances in influencing their savings behaviors. The findings suggest that the financial incentive created by the Saver's Credit is powerful for some clients, but others place greater emphasis on withdrawal penalties and investment options.

Table 9 displays the set of statements presented to survey respondents. For each statement, respondents were asked whether they strongly disagree, disagree, agree, or strongly agree. The exhibit shows the percent of respondents who agree or strongly agree. The first column provides this percentage for the full sample of respondents. The second and third columns report this percentage separately for clients who currently have a retirement account and for clients who do not currently have a retirement account.

[TABLE 9 HERE]

The findings in Table 9 indicate that multiple factors may affect the decisions of individual clients.

- *Withdrawal Penalties:* Eighty-eight percent of respondents agree or strongly agree that the ability to withdraw savings in an emergency is an important factor. Among respondents without a retirement plan, this factor is even more important—92 percent of clients agree with the statement. These responses likely reflect the desire for retirement savings to act as both long-term savings and as an emergency cushion in the event of unemployment or another short-term need.
- *Current Expenses:* Eighty-two percent of respondents agree or strongly agree that their current living expenses eat up their entire income, leaving little left over for retirement saving. Agreement with this statement is also more frequent among clients without a retirement account.
- *Procrastination:* More than three in four clients indicated that they want to save more but often put off the task of making contributions.
- *Debt Payments:* Seventy-six percent of VITA clients agreed that they need to pay off existing debts before saving more towards retirement.
- *Matching contribution:* Seventy-four percent of respondents agreed that they would begin saving or save more if a larger matching contribution was available. The converse is that 26 percent of respondents would likely not respond to increased financial incentives, suggesting that there may be some households who feel that they are simply unable to save towards retirement regardless of the incentives provided. The stronger agreement among respondents with a retirement account is consistent with that interpretation, and suggests that at least some VITA clients would be responsive to a higher match rate.
- *Investment and Account Options:* Sixty-two percent of respondents agreed or strongly agreed that there were retirement savings options that met their needs. Perhaps not

surprisingly, this percentage is higher among VITA clients with a retirement plan.

Almost half of respondents without a retirement plan disagreed or strongly disagreed that attractive options were available.

- *Financial Advice:* Sixty percent of respondents indicated that they would need to meet with a financial advisor before saving for retirement.
- *Knowledge of Savings Options:* Fifty-six percent of respondents indicated that they were aware of what retirement products were available. Agreement with this statement is higher among VITA clients with a retirement plan.
- *Trust of Employers and Financial Institutions:* Thirty percent of clients indicated that they lacked trust in employers and financial institutions for managing their assets. This response suggests that overcoming trust may be a barrier to encouraging use of employer-based and external retirement accounts.

Taken together, these findings point to multiple and varied factors that may affect VITA clients' decisions about retirement savings. To help distill the implications of these responses for utilization of the Saver's Credit, a follow-up question asked clients to prioritize the relative importance of the match incentive, the presence of withdrawal penalties, the investment options, and the ease of account setup and maintenance. Table 10 displays the percent of respondents who indicated each of these influences to be the most important factor in their decisions.

[TABLE 10 HERE]

The relative prioritization of factors shown in Table 10 suggests that the match incentive created by the Saver's Credit is a strong influence on many clients, but that the ability to withdraw funds is also important. Thirty-six percent of clients surveyed said that the matching contribution would be the most important factor in choosing between retirement accounts. However, nearly

the same share of clients cited the ability to withdraw funds in an emergency as the most important factor. Investment options and the ease of account setup and maintenance were the most important factor for a smaller number of clients. Eighteen percent of VITA clients suggested that the available investment options were the most important consideration. Eight percent of VITA clients indicated that ease of use is the most important factor.

Findings – Focus Groups

During March and April 2011, Abt Associates Inc. conducted four focus groups with individuals who received tax preparation services through VITA sites managed by AccountAbility Minnesota and the Campaign for Working Families. These focus groups add depth to the findings of the online survey by asking clients to describe their knowledge of the Saver's Credit and experiences with retirement accounts. The goal of the focus groups was to understand four primary topics:

- How clients make decisions about retirement savings;
- The types of accounts and products clients use to save for retirement;
- Clients' awareness of the Saver's Credit and the impact the intervention had on their decision to save for retirement; and,
- The role VITA sites can play in providing information or advice about saving for retirement.

The four focus groups included two discussions—lasting approximately 90 minutes each—with clients of each VITA program. The focus groups were each recorded, transcribed, and analyzed. Analysis of the focus group transcriptions used qualitative analysis software to review and code the transcripts with respect to the following themes: motivations, barriers and obstacles, methods and incentives, sources of information and advice, knowledge of the Saver's

Credit, and experiences at the VITA site. This section describes the main findings of this analysis with respect to the four primary topics in the bulleted list above.

Decisions about Retirement Savings. Focus group participants articulated a variety of reasons for wanting to save, including creating an emergency fund or financial cushion, being able to buy desired items in the short-term, and saving for long-term goals such as children's education, retirement, or business ventures.

A short-term goal is my daughter graduating from high school and all the other things that come along with it -- the prom and graduation party and just trying to put some money aside to do those little extra things. (Philadelphia)

While many participants recognized saving for retirement was important, it often did not get placed at the top of the list of saving goals. Because of competing priorities, many participants felt that they had more timely and important items to save for such as children's education, family well-being, and creating a financial cushion.

I guess right now, I just think about the present -- just being able to make sure, you know, we have a roof over our head and food on the table and everything. So, that's the biggest worry for me. I guess retirement just falls towards the bottom just because there's so many other things that I gotta do. (Minnesota)

Participants in both the Philadelphia and Minnesota groups noted that they wanted to save to establish a financial cushion for themselves in case an unexpected event occurred, such as a job loss or needed home or car repair. They were afraid of not having enough financial resources to be able to survive in the future.

The Moderator: *Participant X, how about you? When you save money, what motivates you to save?*

Participant X: *Probably the fear of being without it. ... there's always something gonna happen and it's the thought that I need to have something ... I mean it really is probably the fear of the unknown -- that unknown factor whenever it will take place. Or it's the, you know, the thought of you could lose your job and you still have a house payment to make and all that -- all the rest that goes with it. So, that's probably my biggest motivator. (Minnesota)*

Participants in both focus groups expressed that their children's or grandchildren's education and well-being would be a motive to begin saving. A few participants in the Philadelphia focus groups specifically mentioned saving for tuition for private schools that their children currently attend or for college expenses they anticipate in the future.

Well, I don't really think about saving for the future. I don't have any savings presently because I'm unemployed and have been for almost a year but I think before I think about retirement, I'd definitely think about saving for college for my son. (Minnesota)

While participants from each focus group noted their desire to save for retirement, more than half of focus group participants described barriers and obstacles to saving. In Philadelphia and Minnesota, many participants felt that after expenses such as childcare, utilities, and unforeseen costs, there was just not enough money to save.

I haven't been able to save. I'm a single parent. Home repairs. My daughter's in private school. I'm a city employee. No pay increase in two years. (Philadelphia)

A common thread among participants in both locations was unemployment and underemployment, with most participants having faced job loss or reduction in work hours in recent years. While some participants said that they were receiving unemployment or other

public benefits, they were concerned about the benefits ending before they could find employment.

My name is Participant X and actually, I am not good at saving and I just got laid off of a job, \$40,000 a year job, and I wish I would've saved because now I have nothing except I mean I'm getting unemployment but I didn't save for that, you know, in case something would happen. I pretty much spent every penny I get and I was helping my grandchildren. My son and daughter-in-law were not working, so a lot of the times I would give them money to help my granddaughter and them and so I just felt like I was doing something good, but then I never saved. So, this is something I'm waking up to now that I'm unemployed and I'm also 56. So, retirement is, you know, I mean I'll have to work until I'm, you know, 80 or something. So, I just haven't been very intelligent about the whole thing and I'm reading some books right now and I'm really craving this knowledge right now. (Minnesota)

Participants also expressed frustration with the increasing cost of health care and utilities when their incomes were not going up. One participant in Philadelphia stated that her overall take-home pay decreased over the past year because her salary stayed the same while her health insurance payments increased.

Despite the barriers to saving, approximately one-third of focus group participants said that they were saving for retirement through a variety of employer (IRA, 401(k), 403(b)) or independent programs. A few participants reported that they contributed between 1 and 5 percent of their income to a retirement savings account. Participants stated that if an employer retirement savings program was available they felt they should take advantage of it. In Philadelphia, one

participant said that she took part in her employer's retirement savings program because she felt that by the time she retired Social Security would not be available to support her.

Additionally, participants said that if an employer matched their contributions to a retirement savings account it would provide an incentive to start saving for retirement. Unfortunately, many participants were either not employed or not in jobs with a retirement plan or employer match.

I'm just nannying so there's not really a 401k opportunity or anything but once I get back into the workforce, I would definitely want to make sure that the employer that I go with has matching contributions. I would be all for the money coming right out and going into an account because then it's better. (Minnesota)

In both locations, some participants articulated that they would need a higher income to think about being able to save for retirement or contribute more to their existing retirement savings account.

Participants reported a variety of ways in which they learn about financial resources and saving. Common sources included the media (internet, magazines, television and radio), family and friends, financial institutions, employers/colleagues and local organizations. While many participants sought information from financial institutions, several said that they were wary of trusting financial institutions like banks or investment firms because they thought the financial institutions were not concerned about their well-being. These participants were more inclined to seek information and advice from local organizations, like a VITA site. One participant in Philadelphia explained that she trusted her VITA site because she felt staff were invested in helping low-income individuals and families learn about opportunities to save for their future.

However, some participants were hesitant to trust their tax preparer at the VITA site because they perceived the preparer lacked experience in the field of finance.

Like for me, my person that did my taxes, they would barely know -- she says she barely knew what she was doing so no, I wouldn't trust her to give me the information.

(Philadelphia)

Most participants at both sites reported that they gathered financial information from media sources or public figures. Two participants in Minnesota noted trusting financial advice from Suze Orman, a popular financial adviser. One participant explained that she trusted Suze Orman because she felt Orman was just providing advice and not selling a product. Other participants reported relying on information from books or magazines (e.g., American Association of Retired People (AARP)). One participant noted that she learned about a program from a public service announcement. Another participant in Philadelphia noted that his church provided financial information that he trusted.

Participants expressed mixed feelings about using the internet for information on saving and financial guidance. More than half of focus group participants felt that the internet was a useful resource that allowed them to research and read about those opportunities and topics that most interested them. Other participants felt that anyone could post information on the internet and the information was not always reliable.

[I get financial information]through my job, through my bank and just in going out and searching it because I think that the internet can afford you a wealth of information now and you can also check if these particular opportunities or people are reliable, as well.

(Philadelphia)

I would say my job, union meetings, business journals, the media like, if I hear like blurbs or whatever, go on the internet and research it. (Philadelphia)

In general, focus group participants in Philadelphia and Minnesota were eager to receive information to help them become financially successful and start saving for retirement. While most participants sought opportunities to learn more about saving, they said that they did not often find the opportunity to implement what they learned because of their employment situations or competing priorities.

Retirement Products and Participants' Experience with Retirement Savings Accounts. In general, focus group participants thought saving for retirement was important. Approximately one-third of participants were participating in a retirement savings program. For participants that were not saving for retirement, many stated that saving for retirement was not financially feasible or a top priority at this time.

The focus group participants generally looked to their employers to provide information about choosing or opening a retirement savings account. However, participants who were unemployed or did not have access to an employer-based retirement account saw limited saving opportunities for themselves. One participant in Philadelphia said that her current job was the first time that she had the opportunity to participate in an employer's retirement savings account. She stated that it was a privilege and she took advantage of it.

Others with access to employer-based retirement savings accounts were daunted by the amount of information that they felt they had to learn about the accounts and were worried about making the wrong decision about which type of account to participate in.

Yes. Well, we have choices but then I'll have to read into packets and stuff like that. So, it would take me some time before I -- I'm going to make the -- I think it's a hard decision

because we have a couple of choices and I don't want to make the wrong decision because then it might be harder for you to pull out. (Philadelphia)

One participant in Minnesota intended to participate in her employer's retirement savings program, but had a 90-day waiting period before she could join. Additionally, another focus group participant in Minnesota had participated in a pension program facilitated by the Actors Equity Association, but currently did not qualify for membership because she had not had the opportunity to work.

A small number of focus group participants mentioned the option of saving for retirement independently through non-employer related programs. Throughout the focus groups, participants expressed hesitation and uncertainty about their knowledge of retirement savings options.

For me, at work, we have a pension plan but as far as the other things, I don't think I have enough. I'm not sure about, you know, enough put away and the choices are complicated. I need to be more literate. (Philadelphia)

.....but a big hindrance with me is not understanding all the different places you could put your money. How some have a long-term buildup and some have a short-term, which is more risk, you know, so even though at work I did talk to someone about the retire -- my retirement but he really didn't explain what I needed. I needed to know like which -- where to put the money, you know, so -- (Philadelphia)

Participants in Minnesota and Philadelphia had mixed feelings about money being automatically deducted from their paycheck to contribute to a retirement savings account. Several participants said that if they did not have the opportunity to see the money, they would not spend it. Therefore, having a portion of their income automatically deducted and placed into

a retirement savings account seemed like the best option for them. Other participants expressed concern over their income and were fearful an automatic deduction would result in them not having enough money to cover expenses.

Participant X: *I like the matching but I don't like them taking money out of my -- my paycheck.*

The Moderator: *Okay. Why is that Participant X?*

Participant X: *I just like to know -- I already budget what I'm going to make so don't touch my paycheck. (Minnesota)*

Many focus group participants in both Philadelphia and Minnesota stated that at one time they were saving for retirement, but that because of job loss or other unforeseen costs they had to deplete or access their savings to cover daily expenses.

I started saving originally back in the early '80's and I've been laid off from jobs 3 times and each time, I took the cash out because I needed the money to live off of. In the past 6 years, I've restarted and so now, I find myself having to stop because of expenses coming up and not being able to contribute as much as I'd like to. (Philadelphia)

I rolled mine over into a private account, which I held out until quite a few years until I had to start using it, depleting it out more and more for -- to pay for my health insurance. (Minnesota)

One participant in Philadelphia described how she had stopped contributing to her retirement savings account after losing full-time employment.

I stopped contributing because I was working full time and got laid off and now working part-time. So, financially, I'm not, you know, as secure as I was with 40 hours a week.

The money is just not there. So, I didn't roll my 401(k) over. I left it where it is -- where it was rather and, you know, just haven't been tempted to touch it. (Philadelphia)

Approximately 10 of the 37 focus group participants stated that they had closed their retirement savings account or stopped contributing because they needed the money for expenses. Several participants said that they did not receive any information on how to roll over their retirement savings account when they changed jobs or lost their jobs. However, some noted that even if they had known how to roll over the account, they would not have done so because they needed to access the money for other expenses.

Participant X: *Yes. I'm no longer working with the employer that I did have -- I've actually had three different 401k's that I've left the employers and I've just taken the money out because we needed it to just scrape by.*

The Moderator: *When you were leaving the employers, did anyone talk to you about rolling over your account or what the, you know, kind of benefits, drawbacks --*

Participant X: *No. It was just -- I was gone from the position and then I'd get a statement in the mail from the retirement company or the 401k company and I would just call and withdraw the money because we needed it. (Minnesota)*

Participants expressed frustration regarding the penalties they incurred for withdrawing money from their retirement accounts. Additionally, several participants who did not currently have accounts were concerned about the possible penalties they would incur if they were to open up a retirement account and then needed to withdraw funds.

Focus group findings suggest that VITA clients are uncertain about where to save and hesitant to invest a portion of their income. Moreover, clients may also be fearful about

contributing to a retirement savings account and not having enough money to cover daily expenses or facing financial penalties if they need to withdraw their money from the account.

Knowledge of and Interest in the Saver's Credit at Pilot Sites. As noted in the methodology section, because of the need to expand recruitment to all AAM and CWF sites, most focus group participants received tax preparation services at VITA sites that did not host the pilot demonstration. Most focus group participants were not exposed to the marketing materials and outreach efforts the intervention sites distributed to promote the Saver's Credit. The focus group discussions therefore explored participants' general knowledge about the Saver's Credit and how it could affect their decisions to save in the future.

Few focus group participants in both Philadelphia and Minnesota had any previous knowledge of the Saver's Credit. However, many expressed interest in learning more about the opportunity and exploring whether or not they would be eligible for the credit. However, they were apprehensive about the credit and had a number of questions. Several participants doubted whether people would take advantage of the retirement account on site because they thought most people already had plans for their tax refunds.

Additionally, participants were wary of the restrictions that qualified retirement accounts would impose. Many had questions about whether and how they would be able to access and withdraw their money. One participant in Philadelphia expressed concern about possible penalties she would face if she needed to access the money at a later date.

Focus group participants were presented with hypothetical match rates of 10, 50, and 100 percent, and asked whether each rate would be sufficient to induce them to begin saving or to save additional money towards retirement. Most participants in Philadelphia and Minnesota

stated that any match percentage would be an incentive to save for retirement. One participant in Philadelphia indicated that if the match was 100 percent he would sign up tomorrow.

I mean it is better than zero. So, two percent is a whole lot. \$100.00 of somebody else's dollars is always better than your regular old money had, so I would do it. (Philadelphia)

Participant X: *Obviously, the 100 percent would be great but I think any of the options.*

The Moderator: *Okay. So, either the 10 percent or the 50 percent?*

Participant X: *So, I would be willing to do 10 percent or 50 percent. Yes. (Minnesota)*

I agree. Any of the options are good and the more the better. (Minnesota)

However, one participant in Minnesota stated that if the match was only 10 percent and she needed the money for something else, she would not be interested in this account.

Education and Marketing of Retirement Savings and the Saver's Credit. Focus group participants in Philadelphia and Minnesota expressed a range of opinions about how they would like to learn about retirement saving. Several participants thought it was best to be able to discuss saving options one-on-one with a tax preparer or VITA site staff member, while other participants thought it would be better to hold group information sessions to learn about saving options. This is consistent with findings from previous focus groups with VITA site participants and others, where participants were split in their preference for individual education versus group sessions.^{vii} Participants also thought that a variety of mechanisms could be used to convey this information to them, such as emails, direct mail, and pamphlets at the VITA sites. Therefore, results from all focus groups suggest that outreach efforts need multiple approaches in order to reach different individuals.

Most participants said they wanted to receive information about saving opportunities during the time they waited for tax preparation services at the VITA sites. Participants in both

sites suggested that while they waited they could complete a questionnaire indicating their interest level in learning about saving options.

-- you know, at that one-on-one meeting. They could've also mentioned it in the meeting during the actual tax preparation and then, you know. As you are coming through the door, the receptionist probably could've handed you something saying hey, just look this over. Because you know what? You have to fill out a survey anyway when you go in there so maybe there could have been a Savers Credit survey. (Minnesota)

Unanimously, all focus group participants thought that the tax season was an ideal time to discuss saving for retirement and the future. While multiple clients previously expressed a need for time to consider their investment options, clients' positive views toward VITA-based outreach is consistent with a multi-year effort. While some clients may not be prepared to make retirement contributions during their first visit, their positive view of VITA sites suggests that a VITA-based program might encourage these clients to follow up with the VITA program after the tax preparation session or to strategically plan for contributions in future years.

Participant X: *This is the perfect time because if you're going to get a refund --it's a good time to put something back and I guess I feel that way because I'm 55 years old, so that's all I think about is saving for retirement and making sure that I have enough money. But yes, it's a good time, you know, because what are you going to do with that money? (Minnesota)*

However, a few participants said that they were not interested in pursuing saving opportunities at the same time as completing tax returns with VITA site staff. Two participants in Philadelphia expressed feeling overwhelmed with the tax return process and would want more time to think about retirement saving options.

To be honest, I think it's kind of hard for me to answer that question because unless you are waiting and you have a separate department and, you know, you don't mind waiting and you have that separate department and someone can speak to you. But if you're there and you're getting your taxes done, by the time you get there, you're delirious -- four or five hours, you want to do your taxes. You just want to go home and then you have someone wanna tell you about retirement. You're like, oh, no. (Philadelphia)

I don't want to know at the last minute that they have these things available. I want to know before I get here that I can go in and talk to somebody about this, not just sit in here, like you said, for a time just waiting and me personally, I want to discuss -- you can get me whatever money you can get, I don't discuss how I'm going to save it later. I don't want to discuss it with all -- when you're trying to rush me. I feel like you trying -- I don't want to feel like somebody's rushing me through the process. Like, we're talking about this. ... You're throwing it all at me at one time. Give me the paperwork and have me set up another time to come back because I want to talk individual. I want somebody to talk to just me -- (Philadelphia)

This input supports the process study finding that any on-site marketing and education for the Saver's Credit should be coupled with early outreach and a way for interested clients to follow up with the site or financial institution outside of tax preparation hours.

Implications for Vulnerable Populations

Where the previous sections describe each component of the evaluation separately, synthesis of these findings leads to several overall conclusions. The next section presents the conclusions with respect to the key evaluation questions. Prior to that discussion, this section highlights several implications for savings policy. Specifically, it highlights the variation in the

value of the Saver's Credit to different VITA clients, describing how the current structure of the Saver's Credit makes it least valuable for the most vulnerable households—those with the lowest incomes or few non-retirement assets. This variation illustrates the potential for proposed changes to the Saver's Credit to encourage saving among a broader set of households.

The Saver's Credit has no value for the majority of VITA clients. Because the credit is non-refundable, households with no tax liability are not able to benefit from the credit. Analysis of administrative data from the two participating tax programs shows that only 31 percent of AAM clients and 44 percent of CWF clients in TY09 met the income eligibility requirements and had positive tax liability. Moreover, these figures are lowest among clients with the lowest incomes. Less than 25 percent of clients with incomes below \$16,500 had positive tax liabilities. These figures illustrate the extent to which the non-refundable nature of the Saver's Credit limits its value for VITA clients (and the potential for a refundable credit to reach a larger number of low-income households).

The Saver's Credit is less valuable to households with few existing assets. Because withdrawal penalties offset the credit, the expected value of the Saver's Credit is lower for households without another source of savings. Only 19 percent of surveyed clients held more than \$1,000 in non-retirement savings, and 60 percent held less than \$250. The focus groups also suggest that it is not uncommon for clients to extract funds from a retirement savings account—and pay withdrawal penalties—to meet emergency needs. This lack of emergency savings suggests that contributions to qualified retirement accounts may serve dual short- and long-term objectives. In many cases, clients recognize their need for emergency savings and set their savings priorities accordingly.

Clients are interested in retirement savings and incentives such as the Saver's Credit, but short-term savings goals are often a higher priority. Focus group participants were unanimously interested in the topic of retirement saving and expressed the desire to learn more about the Saver's Credit. Clients also expressed positive views about VITA sites and the potential of tax refunds as a source of retirement contributions. The caveat to these findings is that most clients prioritized shorter-term savings goals over saving towards retirement. Many focus group participants included retirement savings as a savings goal, but most clients emphasized saving for their children's education or building a financial cushion for emergency expenses as their primary goal.

Taken together, these findings highlight the progression of savings objectives. Where the Saver's Credit exclusively focuses on retirement, many clients may struggle to establish consistent savings behaviors or to build and protect an emergency cushion. Discussions about the structure of the Saver's Credit should explicitly acknowledge clients' other savings objectives. One possibility is to encourage clients to simultaneously save toward short- and long-term objectives. Increasing the match rate to 50 percent for all clients, broadening the types of accounts that qualify for the Saver's Credit, or encouraging use of hardship exemptions all might increase savings contributions by reducing clients' wariness of withdrawal penalties.

For example, among households who qualify for the 50 percent credit, the value of the Saver's Credit may be sufficient to offset early withdrawal penalties. As a result, the current structure retains an incentive to contribute to a qualified retirement account, even for households who may need to make an early withdrawal. Because the withdrawal penalty is still present, it also maintains the disincentive to withdraw funds once they have been deposited. The implication is that expanding access to the 50 percent credit might create an attractive structure

for clients who desire to save towards retirement but who do not have an existing source of emergency savings.^{viii}

The tradeoff to this approach is that encouraging clients to simultaneously save for short- and long-term objectives may increase clients' willingness to raid their retirement savings. While the credit's structure maintains the disincentive for early withdrawals, the potential for increased withdrawals is worrisome so the impact of any rebranding effort on withdrawal activities should be empirically tested. The pilot demonstration maintains both the current structure and marketing of the Saver's Credit, tying the credit specifically to retirement savings. As a result, the evaluation does not provide direct evidence about the potential of this type of approach.

Conclusions

The findings in this article focus on the potential for the pilot demonstration to increase utilization of the Saver's Credit among VITA clients. Where the previous section explores potential changes to the Saver's Credit, the pilot demonstration and evaluation are specific to the current structure of the Saver's Credit. The study's conclusions synthesize the evidence produced by each evaluation component, highlighting findings that are consistent across sites and across evaluation methods. The results provide insight into both VITA clients' perceptions of the Saver's Credit and the potential for a VITA-based outreach campaign to encourage utilization of the credit.

VITA sites and the Saver's Credit are viewed positively by clients. Focus group participants indicated that they trust VITA programs to provide reliable information, and that the (sometimes long) waiting period at the sites is an opportunity for clients to review educational materials. Clients also indicated that their tax refunds present a unique opportunity to save, reinforcing the potential of VITA sites to encourage saving. Because many clients do not have

access to a retirement account through their employer, these findings support the pilot demonstration's assumption that VITA sites could serve as a trusted and predictable resource for contributing to retirement accounts.

The online survey and focus groups further suggest that clients view matching incentives for retirement savings favorably. Seventy-four percent of the clients who responded to the online survey agreed that a larger financial incentive could motivate them to save more towards retirement. Additionally, 36 percent of clients indicated that the size of the financial incentive is the most important factor to them when choosing between retirement savings accounts. Focus group participants echoed this sentiment, suggesting that a matching incentive could have an impact on their savings decisions.

Few VITA clients know the Saver's Credit exists or understand the incentives it creates. Utilization of the Saver's Credit is dependent on clients' awareness of the credit. Fewer than one in three surveyed VITA clients had heard of the Saver's Credit. Among this subset, fewer than 45 percent knew that the size of the match percentage varies with income or that the maximum contribution is capped. This lack of awareness suggests that few clients are both aware of the Saver's Credit and understand its rules well enough to determine its potential value. Moreover, the lack of awareness is not limited to clients who are not able to benefit from the Saver's Credit. Eight of the 19 clients who reported contributing to a retirement savings account in 2010 had not heard of the Saver's Credit.

The low awareness of the Saver's Credit is consistent with previous evidence, reinforcing that low awareness may contribute to low utilization of the credit. Coupled with clients' positive views of VITA sites and matching incentives, this finding highlights the potential for VITA-based outreach to encourage saving. However, the experience of the pilot demonstration also

documents the difficulty of effectively delivering outreach activities to eligible clients. For example, the logistics of screening clients for Saver's Credit eligibility make it difficult to target any on-site interventions to eligible clients.

Encouraging utilization of the Saver's Credit is dependent upon the attractiveness of eligible accounts and products. An additional caveat to clients' positive perceptions of the Saver's Credit is that several other factors also play central roles in clients' savings decisions. While 36 percent of clients indicated that financial incentives were the most important factor when choosing between retirement accounts, the remaining 74 percent of clients identified some other factor—the ability to withdraw funds in an emergency (34 percent), the investment options available (18 percent), the ease of account setup and maintenance (8 percent), and other factors (6 percent). These responses illustrate that the effectiveness of the Saver's Credit is dependent on the attractiveness of eligible accounts and savings products.

Large-scale implementation of the pilot demonstration is feasible, but may have limited impact on utilization of the Saver's Credit. The experience of the pilot demonstration suggests two potential approaches for increasing the scale of the demonstration:

1. *Integrate the screening and outreach procedures into the tax preparation software and IRS training manual* – By automating the tax software to screen for clients who might benefit from the Saver's Credit, this approach could reach national scale while requiring only minimal program resources. Making these changes requires a nationally-coordinated effort to modify tax preparation software, revise the VITA training manual, and recruit an IRA provider. The changes may also need to be accompanied by education and marketing activities at individual sites in order to reinforce the importance of saving towards retirement.

2. *Encourage individual sites to voluntarily implement a streamlined version of the pilot demonstration* – If changes to the tax software are not possible, a second option is to encourage VITA programs to tailor the pilot demonstration to the needs of their sites. An approach based on voluntary participation by VITA programs may struggle to reach scale to the extent that implementation requires staff time or program resources. To reduce the burden on individual programs, a centralized organization such as SSA, IRS, or NCTC would likely need to develop marketing and educational materials—and potentially the retirement savings product.

Under either approach, the potential for a large-scale initiative to impact overall utilization of the Saver’s Credit is unclear. While the evaluation findings suggest that VITA clients are receptive to matching incentives and frequently unaware of the credit, the pilot demonstration also highlights the difficulty of effectively providing outreach on site. Given this experience, a key factor may be the extent to which marketing and educational materials can be developed in a format that is efficient for sites to target and distribute. An additional lesson of the pilot demonstration is that encouraging utilization requires that clients have time to learn about the credit and plan for contributions. As a result, any future effort should emphasize early outreach and a multi-year timeline, allowing VITA sites to become established and predictable resources for contributing to retirement savings accounts.

Acknowledgements

The authors are grateful for the detailed comments and feedback provided by Caitlyn Brazill, Christopher Herbert, Clinton Key, Jennifer Turnham, and participants at the Center for Financial Security’s 2011 Financial Literacy Research Consortium workshop in Madison, WI.

Appendix A: AccountAbility Minnesota (St. Paul, MN) Site Brief

Site Description. AccountAbility Minnesota (AAM) is a community-based nonprofit organization founded in 1971. It offers free tax and financial services to low- and moderate-income residents of the Twin Cities and Greater Minnesota area. AAM manages and operates 12 Volunteer Income Tax Assistance (VITA) sites in the Twin Cities and St. Cloud, MN areas. In 2010, across these 12 sites, AAM served almost 20,000 low-income taxpayers that provided \$35 million in cash refunds.

In recent years, AAM has partnered with financial institutions to provide financial products and services at its VITA sites. During the 2011 tax season, AAM VITA sites offered the following products and services:

- Free savings accounts
- Low-cost prepaid debit cards
- Savings bonds
- Free credit reports
- Screening for public benefits
- One-on-one financial planning sessions^{ix}

AAM staff chose the AAM Main Office site to host the pilot demonstration due to its location adjacent to the AAM administrative offices, which they thought would make it easier to oversee implementation of the intervention. Of the 12 AAM VITA sites, the AAM Main Office site also serves the most clients and has the broadest range of customers. Tax preparation at the Main office is offered four days a week during tax preparation season—three weekdays and

Saturdays. The site also offers a Self Employed Program by appointment on Monday evenings for self-employed clients filing taxes for \$3,000 or more in income.^x

Staffing for the Main Office site includes about 60 volunteers and paid staff, which are divided into the following roles (paid staff are indicated in parentheses):

- Site Manager (paid): oversees general operations of tax preparation site, answers questions from tax preparers.
- Spanish Interpreter (paid): acts as intake specialist and as needed provides interpretation for Spanish speaking clients with limited English proficiency.
- Tax Site Assistant: welcomes and orients client at entry; distributes materials and forms.
- Tax Preparer: prepares taxes for clients.
- Quality Reviewer: conducts quality review of all tax returns.
- Financial Services Specialist (paid): markets financial products offered on site to clients; implements all financial services one-on-one with clients.
- Bridges to Benefits Representative: provides eligibility scan for public benefits a client is not already receiving.

Exhibit 2 illustrates the typical flow of service for each client that receives tax preparation services at the Main Office. All clients go through a standard process that includes the following steps:

- 1) *Intake*: Client is greeted at intake table by the Tax Site Assistant and given all required forms.
- 2) *Waiting Period*: Client fills out all forms and reviews informational materials distributed during intake.

- 3) *Document Review:* Tax Site Assistant reviews the client's tax documents and ensures the client brought all necessary materials.
- 4) *Tax Preparation:* Tax Preparers complete the client's taxes using TaxWise software, which includes pre-programmed checks for the client's eligibility for various tax credits. The Tax Preparer confirms the client's preferred method for receiving the tax refund and whether the client would like to use any of the financial services provided at the site.
- 5) *Quality Review:* A Quality Reviewer checks the completed return for any errors or omissions. Any outstanding questions are directed back to the Tax Preparer. If there are no errors, the tax preparation process is complete.

To supplement this standard tax preparation process, the AAM Main Office site also provides two types of services to interested grantees:

- 1) *Financial Services:* The Financial Services Specialist is available to talk with clients about the financial services available on site, and can offer products or set up appointments for financial planning as requested by the client.
- 2) *Benefits Screening:* The Bridges to Benefits Representative is available to consult with clients about public benefits, screen for eligibility, and assist with enrollment.

Both the financial services and benefits screening services are coordinated through individual staff members and are not required steps of the tax preparation process. The Financial Services Specialist and Bridges to Benefits Representative each make periodic announcements to clients in the waiting area and may individually speak with waiting clients to proactively screen for interest and/or needs. Tax Site Assistants and Tax Preparers may also refer clients to each of these services if the client asks questions or indicates interest during intake, document review, or tax preparation. Because clients' consultations with the Financial Services Specialist and/or

Bridges to Benefits Representative are independent from the tax preparation process, the client consultations can occur at any stage of the process in Exhibit 2.

[FIGURE 1 HERE]

Implementation of Pilot Demonstration. As described in the introduction of this report, the design of the pilot demonstration included three complementary components: (1) outreach through an employer partner to encourage enrollment in the employer's retirement benefits plan and utilization of the Saver's Credit for qualified contributions; (2) development of a financial product to offer at the VITA site; and (3) marketing and education activities that promote the Saver's Credit to VITA site clients. AAM's implementation of the pilot demonstration included activities associated with each of these three components, but deviated from the initial design in several important ways.

Employer Partners: AAM was not able to establish a partnership with an employer prior to opening its tax site in late January. As a result, marketing of the Saver's Credit likely did not reach any clients in time to allow for strategic planning in response to the marketing information. Instead, the tax site provided the first exposure to the pilot demonstration for nearly all clients.

AAM established a partnership in late February with Lutheran Social Services (LSS), the largest nonprofit in the state of Minnesota. Through this partnership, the LSS Human Resources Department agreed to conduct a variety of activities to promote retirement savings and utilization of the Saver's Credit among LSS employees. These activities included:

- 1) Emailing employees eligible for VITA services (those with incomes of \$50,000 or less) to promote the LSS retirement plan, explain the benefits of the Saver's Credit, and advertise free tax preparation services available at AAM VITA sites.

- 2) Including a message on pay stubs of employers eligible for the Saver's Credit encouraging participation in the LSS retirement benefits plan (i.e., a 403(b)).
- 3) Training managers to help generate interest among employees and answer employees' questions about the materials and messaging they received about LSS retirement benefits and the Saver's Credit.

Financial Product: AAM reached out to several local financial institutions about the establishment of a qualified retirement savings account that could be offered at the Main Office site. By the end of February, AAM had negotiated an expansion in its partnership with University Bank to offer an IRA product on site that would qualify for the Saver's Credit. For the purposes of this intervention, University Bank agreed to modify an existing product by decreasing the required minimum contribution to open the account from \$1,000 to \$100. The bank agreed to allow AAM staff to collect the information necessary from clients to begin the process of opening the account. Interested clients would then follow up by visiting a University Bank branch to complete the enrollment process.

On-Site Marketing and Education: AAM organized its on-site activities around the offer of the financial product. The Financial Services Specialist (FSS) served as the primary point of contact for promoting the Saver's Credit, explaining the eligibility requirements, and opening IRA accounts. As a result, the marketing of the Saver's Credit occurred through the FSS announcements and interactions with clients in the waiting room. Some FSS staff would announce the availability of the Saver's Credit to all clients in the waiting room, but the delivery of this information was not standardized across tax preparation sessions or across FSS staff.

In preparation for the introduction of the financial product in late February, AAM staff developed a training manual for FSS staff with instructions about how to set up the financial product

and how to discuss retirement savings and Saver's Credit eligibility rules with clients. Other site staff did not receive training on the Saver's Credit beyond the basic overview included in the general tax preparer training. On-site observations suggested that these staff did not promote the Saver's Credit or retirement savings to clients, and that many staff (including a site manager) were not aware of the pilot demonstration.

AAM's other marketing and outreach activities included the use of Saver's Credit posters throughout the Main Office site and the development of a flyer to insert into AAM's financial services brochure. The posters, which advertised the Saver's Credit and highlighted the potential of an increased refund, were posted in the area where clients line up to enter the site, throughout the waiting area, and at each tax preparation cubicle. Distribution of the flyers began once the financial product was able to be offered on site, with each flyer describing the financial product available and highlighting the benefits of the Saver's Credit. However, distribution of the flyers was not consistent or frequent. At the time of the second site visit in early April, only one financial services brochure at the intake table included the flyer. Staff reported that once the procedures around how to offer the IRA were in place, one client expressed interest in the product but no clients opened an account.

Appendix B: Campaign for Working Families (Philadelphia, PA) Site Brief

Site Description. The Campaign for Working Families (CWF) is a program operated through the Urban Affairs Coalition (UAC) in Philadelphia, PA.^{xi} CWF was formed in 2003 and offers free tax services, access to savings products, help with credit counseling, financial education, information about public benefits, and referrals for other services in neighborhoods throughout Philadelphia. During the 2011 tax preparation season (TY10), CWF operated nine VITA sites throughout Philadelphia and the surrounding area, preparing and filing more than 90,000 returns that included \$124 million in state and federal returns for clients.^{xii}

CWF selected Ebenezer Temple Community Center as the Saver's Credit intervention site for several reasons: it is one of CWF's largest VITA sites; CWF has a strong relationship with the site manager; and it has demonstrated dedication to long-term savings products by having the highest take-up rate of Savings Bonds in the past few years. The Ebenezer Temple site offers tax preparation three days a week: Mondays, Tuesdays, and Saturdays.

The staffing and financial services available at each CWF site differ depending on the size of the site and available resources. During the TY2010 tax season, the Ebenezer Temple VITA site offered the following financial resources:

- Free credit reports
- Pre-paid debit cards
- Assistance filling out FAFSA applications
- Savings Bonds
- Connections with public benefits

The staff for this site include the following positions:

- Site Managers (paid): oversee general operations of tax preparation site; answer questions from tax preparers.
- Intake Coordinator: greets clients upon arrival and directs the flow of clients to each stage of tax preparation process.
- Tax Preparers: prepare taxes for clients (tax preparers are divided into intermediate and advanced levels, based on experience and training).
- Resource Builder (paid): conducts an eligibility scan for public benefits the client is not already receiving; determines client interest in the financial services offered on site; and delivers financial services to interested clients.

Exhibit 3 illustrates the typical flow of service for each client that receives tax preparation services at the Ebenezer Temple site. All clients go through a standard process that includes the following steps:

- 1) *Intake*: Client is greeted at the door by the Intake Coordinator and given all required forms.
- 2) *Waiting Period*: Client fills out all forms and reviews informational materials distributed during intake.
- 3) *Resource Desk*: Client meets with the Resource Builder who reviews the client's documents and ensures that the client has brought all necessary materials. The Resource Builder also asks the client a short set of questions about their anticipated tax return, the intended use of the return, or whether the client is interested in any of the financial services offered at the site.
- 4) *Tax Preparation*: Client is directed to a Tax Preparer with the appropriate level of training, and the Tax Preparer completes the client's taxes using TaxWise software. If

client indicates interest in the available financial services, the Tax Preparer also fills out the associated paperwork.

- 5) *Quality Review*: When the tax return is complete, an Advanced Tax Preparer joins the client and Tax Preparer to conduct a quality review and check for errors or omissions.
- 6) *Breakdown Station*: Once any errors are resolved, the client takes his/her tax return to the breakdown station where documents are sorted and filed.

[FIGURE 2 HERE]

Implementation of Pilot Demonstration. CWF's implementation of the pilot demonstration included activities associated with each of the three project components. However, like AAM, the implementation process occurred more slowly than envisioned in the design, and focused the availability of a financial product at the Ebenezer Temple site. CWF was not able to secure an employer partner by the end of the tax season. The specific activities of CWF with respect to each of the project components are described in this section.

Employer Partners: CWF was not able to establish a partnership with an employer. During the project period, CWF contacted eight employer partners to discuss potential partnerships. The obstacles for each of these employers varied, and are discussed with the process study findings. In the absence of an employer partner, there was no early marketing of the Saver's Credit to employed clients. Instead, these clients received their first exposure to the pilot demonstration at the tax site.

Financial Product: CWF initially reached out to a local financial institution with whom it had an existing partnership. When that discussion stalled, CWF pursued a partnership with a local branch of PNC Bank to offer a qualified retirement account at the Ebenezer Temple site. The

partnership was established mid-way through the tax season, so the financial product was not available at the site until late March.

The timing of the partnership did not allow time for a remote enrollment process to be established, so PNC Bank provided staff to be present at the site to consult with clients and open accounts. In future years, PNC has indicated that this process could be streamlined to allow site staff to assist clients with opening the account. In the pilot year, the requirement that bank staff be present to open an account created a time burden for bank staff such that the product was not available consistently at the site. Bank staff were not available for the Saturday sessions, and no bank staff were present during the week that the evaluation team conducted its second site visit.

The product offered through PNC bank was an IRA account with multiple investment options. This choice created a simple product that presented minimal risk to both the client and the bank. While the product might be simplified further by narrowing the set of investment options, the presence of a bank staff member at the site allowed the bank to assess the needs of individual clients and offer investment options accordingly.

On-Site Marketing and Education: Similar to AAM, CWF organized their on-site activities around the offer of the financial product. Marketing and education activities therefore began in late March when the product was introduced. The Ebenezer Temple site manager chose the volunteer tax preparers as the point of contact for discussing the Saver's Credit and offering the financial product. The Resource Builders introduce other financial products offered on site, and might provide an alternative outreach point. However, the Resource Builders are not trained in tax preparation and may therefore lack the background to discuss the Saver's Credit's complex eligibility rules and tax implications. Discussion of the Saver's Credit and offer of the financial product were therefore assigned to the tax preparation stage.

At the time that the financial product was introduced, the site manager trained the tax preparers volunteering at the site. The training instructed tax preparers to explain the Saver's Credit to clients and to highlight the availability of the qualified account. It also included a brief overview of the project and review of Saver's Credit materials and talking points for presenting the Saver's Credit to clients. However, the schedules of tax preparers vary substantially so not every tax preparer received this training. Interviews with tax preparers during the second site visit suggested that some tax preparers had not heard about the pilot and were unaware of their role. No training on the pilot was provided during the general staff training that occurred prior to the tax season and included all tax preparers.

Like AAM, CWF accompanied the introduction of the financial product with posters to market the Saver's Credit to clients. The posters were displayed in the waiting area, at the Resource Builders desk, and throughout the tax preparation tables.

Staff reported that once the financial product was available on site, two clients opened a retirement savings account. One of those clients was able to apply the Saver's Credit and receive a \$150 tax credit on his or her 2010 tax return. Several other clients expressed interest in opening an account but did not qualify.

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Endnotes

- ⁱ See http://cfed.org/policy/policy_agenda/savers_credit_expansion_one_pager.pdf
- ⁱⁱ See <http://www.transamericacenter.org/resources/SaversCreditPressRelease.pdf>
- ⁱⁱⁱ Chex Systems collects centralized information on individual's management of deposit accounts with mainstream financial institutions. Banks often use this information to screen applicants for new accounts.
- ^{iv} Educational materials for employers are posted to NCTC's website at: <http://tax-coalition.org/policy-resources/research-projects/savers-credit-research-project/information-for-vita-sites>
- ^v Retirement plan is referred to broadly as a defined benefit (pension) or a defined contribution plan (401(k), 403(b), etc.).
- ^{vi} Two of these clients are among the seven clients who reported claiming the Saver's Credit in TY10.
- ^{vii} Jennifer Turnham. "Attitudes to Savings and Financial Education among Low-Income Populations: Findings from the Financial Literacy Focus Groups." Center for Financial Security Working Paper #WP10-7, October 2010.
- ^{viii} A similar option is to withhold payment of the credit until the client is eligible for penalty-free withdrawals—similar to the incentive structure of a certificate of deposit.
- ^{ix} Financial planning services are offered at a limited number of AAM VITA sites.
- ^x The Self Employed Program is also available to those who operated a home daycare.
- ^{xi} UAC is a network of more than 75 partner organizations and programs that offer services for families and communities throughout the Philadelphia region. They work includes the following areas: positive youth development, adult education and job training, health-related services, economic education, housing support, advocacy and economic inclusion.
- ^{xii} CWF website: <http://phillyfreetaxes.org/aboutus/results.asp>. Accessed 4/22/11.

Tables

Table 1: Match Percentage by Filing Status and Adjusted Gross Income (AGI).

AGI	Filing Status		
	Married filing jointly	Head of household	Single, Married filing separately, or Qualifying widow(er)
\$ -	50 %	50 %	50 %
\$ 16,750.00	50 %	50 %	50 %
\$ 18,000.00	50 %	50 %	20 %
\$ 25,125.00	50 %	50 %	10 %
\$ 27,000.00	50 %	20 %	10 %
\$ 27,750.00	50 %	10 %	10 %
\$ 33,500.00	50 %	10 %	0 %
\$ 36,000.00	20 %	10 %	0 %
\$ 41,625.00	10 %	10 %	0 %
\$ 55,500.00	10 %	0 %	0 %
\$ 55,500.01	0 %	0 %	0 %

Table 2: Eligibility of VITA Clients for the Saver's Credit in TY09.

	AAM	CWF
<i>Panel 1: Percent of clients eligible for the Saver's Credit</i>		
Meet the income requirements	94.2%	86.4%
Eligible: income requirements & positive tax liability	31.4%	44.1%
Single	33.9%	53.5%
Head of household	23.3%	29.2%
Married filing jointly	37.5%	43.3%
<i>Panel 2: Amount of tax liability among eligible clients</i>		
Tax liability: 25th pctile	\$253	\$283
Tax liability: Median	\$693	\$678
Tax liability: 75th pctile	\$1,416	\$1,349
<i>Panel 3: Distribution of eligible clients across credit rates</i>		
% Eligible for .50 credit	49.9%	50.3%
% Eligible for .20 credit	7.7%	7.4%
% Eligible for .10 credit	42.4%	42.3%

Source: AAM and CWF administrative data

Table 3: Saver's Credit Utilization by Year at AccountAbility Minnesota.

	AAM	
	TY09	TY10
<i>Panel 1: Saver's Credit utilization rates</i>		
Utilization rate: all clients	5.6%	6.4%
Utilization rate: clients with positive tax liability	16.7%	16.3%
Single	9.8%	10.5%
Head of household	31.2%	31.0%
Married filing jointly	27.3%	20.4%
<i>Panel 2: Amount of Saver's Credit claimed</i>		
Savers Credit: 25th pctile	\$44	\$48
Savers Credit: Median	\$96	\$102
Savers Credit: 75th pctile	\$186	\$185

Source: AAM administrative data

Table 4: Characteristics of Online Survey Respondents.

	%
<u>Age</u>	
18-24	9.8%
25-34	28.2%
35-44	21.4%
45-54	26.1%
55-64	12.8%
65+	1.7%
<u>Filing Status</u>	
Single	55.9%
Head of Household	31.4%
Married Filing Jointly	11.4%
Married Filing Separately	1.4%
<u>Employment Status</u>	
Employed full-time (30+ hrs)	52.7%
Employed part-time	24.3%
Unemployed or not in the labor force	23.0%
<u>Income</u>	
Less than \$16,750	36.4%
\$16,750-\$25,125	26.4%
\$25,126-\$36,000	21.8%
More than \$36,001	15.5%
<u>Non-Retirement Savings</u>	
No savings	40.1%
Less than \$250	19.8%
\$250-499	12.6%
\$500-\$999	9.0%
\$1,000-\$1,999	6.8%
\$2,000 or more	11.7%

Source: Online survey of VITA clients
N=222 (12 missing).

Table 5: Access to Retirement Plans among VITA Clients.

	Yes	No	Don't Know
	%	%	%
Does your employer offer a retirement plan such as a pension, 401(k), IRA or other plan?	51.8%	36.7%	11.5%
Do you have a retirement plan?	44.7%	51.8%	3.5%
Pension	7.5%		
Employer-based retirement savings account	23.5%		
Other retirement savings account	6.2%		
Investments: stocks, mutual funds, etc...	2.7%		
Regular savings account	3.1%		
Unsure	1.8%		
Have you ever had a retirement savings account, or other plan?		16.9%	

Source: Online survey of VITA clients
N=226 (8 missing).

Table 6: Retirement Contributions among Clients with Retirement Plans.

	%
No retirement account	55.3%
No contribution in 2010	28.8%
\$1-\$250	2.7%
\$251-\$500	1.8%
\$501-\$1,000	4.0%
\$1,001-\$2,000	2.7%
\$2,001 or more	0.9%
Don't recall the amount of contribution	4.0%

Source: Online survey of VITA clients
N=226 (8 missing).

Table 7: Clients' Awareness and Knowledge of the Saver's Credit.

	%
Have you heard of the Saver's Credit?	30.0%
If so, are you familiar with the information in the following statements?	
Retirement savings must be put into a qualified retirement account such as a 401(k) or IRA in order to claim the credit.	25.1%
There may be taxes or penalties if you withdraw money from the qualified retirement account before you reach retirement age.	24.9%
The Saver's Credit provides a tax credit of 10%, 20%, or 50% of the amount you contribute, depending on your income level.	13.2%
The credit applies to contributions up to \$1,000 for singles and heads of households and \$2,000 for filers that are married, filing jointly.	12.7%

Source: Online survey of VITA clients

N=230 (4 missing); N=69 clients aware of the Saver's Credit

Table 8: Utilization of the Saver's Credit.

	Yes	No	Don't Know
	N	N	N
	(%)	(%)	(%)
Did you claim the Saver's Credit this year on your federal tax return?	6 (2.7%)	163 (72.1%)	57 (25.2%)
Have you claimed the Saver's Credit in previous years?	9 (4.0%)	171 (75.7%)	46 (20.4%)

Source: Online survey of VITA clients
N=226 (8 missing).

**Table 9: Factors Influencing Retirement Savings Decisions of VITA Clients
(Percent of Respondents who Agree/Strongly Agree).**

	All Clients	Clients with a Retirement Account	Clients without a Retirement Account
	%	%	%
It is important that I am able to withdraw savings in an emergency without penalty.	87.5%	82.6%	91.5%
After paying my expenses, I have no money left over to save more/begin saving for retirement.*	82.4%	76.0%	87.5%
I want to save more/begin saving but often put off doing it.	78.0%	75.3%	80.2%
I need to pay off debt before I can save more/begin saving for retirement.	76.4%	73.2%	79.0%
I would save more/begin saving if I got a larger matching contribution from tax credits or my employer.	74.4%	79.2%	70.6%
There are retirement savings options that meet my needs.*	61.9%	75.5%	50.4%
I need to meet with a retirement advisor or counselor before saving more.	60.0%	57.7%	61.2%
I know what retirement products are available.*	56.0%	69.1%	45.5%
I don't trust employers or financial companies with my money.	29.6%	25.8%	32.8%
N	215	97	118

Source: Online survey of VITA clients

* $p < .05$ for t-test of difference in means between clients with and without retirement accounts.
N=215 (19 missing).

Table 10: Most Important Factor in Retirement Savings Decisions.

	%
A high matching contribution from tax credits or your employer	35.5%
The ability to withdraw funds in an emergency	33.6%
The investment options (savings account, mutual fund, stocks/bonds)	17.7%
It doesn't take a lot of effort to set up or make ongoing contributions	7.7%
Other	5.5%

Source: Online survey of VITA clients
N=220 (14 missing).

Figures

Figure 1: Flow of Service at Accountability Minnesota Main Office Site

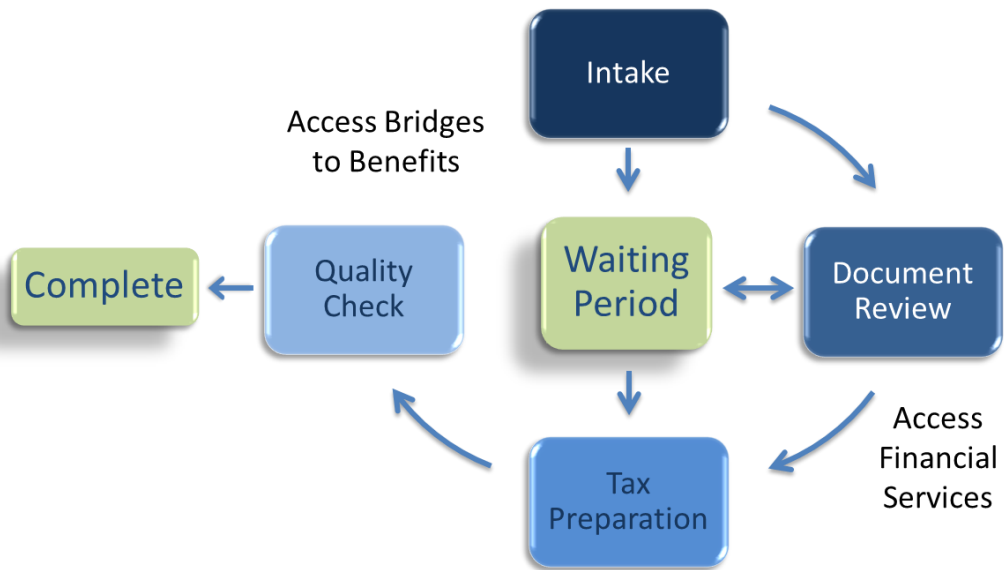


Figure 2: Flow of Service at Ebenezer Temple Site



Encouraging the Use of the Saver's Credit through VITA Sites:
Evidence from a Pilot Demonstration in Two Cities

Center for Financial Security Working Paper 2011-CFS.7

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