

ENCOURAGING LOW- AND MODERATE- INCOME TAX FILERS TO SAVE

Implementation
and Interim
Impact Findings
from the
SaveUSA
Evaluation

Gilda Azurdia
Stephen Freedman
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Funders of the SaveUSA Evaluation

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Dissemination of MDRC publications is supported by the following funders that help finance MDRC's public policy outreach and expanding efforts to communicate the results and implications of our work to policymakers, practitioners, and others: The Annie E. Casey Foundation, The Harry and Jeanette Weinberg Foundation, Inc., The Kresge Foundation, Laura and John Arnold Foundation, Sandler Foundation, and The Starr Foundation.

In addition, earnings from the MDRC Endowment help sustain our dissemination efforts. Contributors to the MDRC Endowment include Alcoa Foundation, The Ambrose Monell Foundation, Anheuser-Busch Foundation, Bristol-Myers Squibb Foundation, Charles Stewart Mott Foundation, Ford Foundation, The George Gund Foundation, The Grable Foundation, The Lizabeth and Frank Newman Charitable Foundation, The New York Times Company Foundation, Jan Nicholson, Paul H. O'Neill Charitable Foundation, John S. Reed, Sandler Foundation, and The Stupski Family Fund, as well as other individual contributors.

The findings and conclusions in this report do not necessarily represent the official positions or policies of the funders, the Mayor's Fund to Advance New York City, the New York City Center for Economic Opportunity, or the New York City Department of Consumer Affairs Office of Financial Empowerment.

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Overview

SaveUSA, a voluntary program launched in 2011 in four cities (New York City, Tulsa, San Antonio, and Newark), encourages low- and moderate-income individuals to set aside money from their tax refund for savings. Tax filers at participating Volunteer Income Tax Assistance (VITA) sites can directly deposit all or a portion of their tax refund into a special savings account, set up by a bank or credit union, and pledge to save between \$200 and \$1,000 of their deposit for about a year. Money can be withdrawn from SaveUSA accounts at any time and for any purpose, but only those who maintain their initially pledged savings amount throughout a full year receive a 50 percent match on that amount. Account holders, irrespective of match receipt, can deposit tax refund dollars in subsequent years and become eligible to receive additional savings matches on their new tax refund deposits.

This report presents findings on SaveUSA's implementation in all four cities and its early effects on savings and other financial outcomes in two cities: New York City and Tulsa. In these latter cities, a randomly selected half of the tax filers who were interested in SaveUSA in 2011 could open accounts (the "SaveUSA group"), but the other half could not (the control group). The report compares the savings and other financial behaviors of the two groups over time to estimate SaveUSA's effects. The findings thus suggest the effects that savings policies structured similarly to SaveUSA might have.

SaveUSA's operation and evaluation are funded through the federal Social Innovation Fund (SIF), a public/private partnership administered by the Corporation for National and Community Service. This particular SIF project is led by the Mayor's Fund to Advance New York City and the NYC Center for Economic Opportunity (CEO) in collaboration with MDRC. Matching funds required by the SIF were provided by several foundations and organizations. CEO, with the New York City Department of Consumer Affairs Office of Financial Empowerment (OFE), which conceived and launched an early version of the model, leads SaveUSA operations; MDRC is conducting the program's evaluation.

Key Findings

- SaveUSA was implemented successfully in all four cities. During the first program year, individuals in the SaveUSA group directly deposited an average of \$506 of their tax refunds into SaveUSA accounts.
- About two-thirds of those in the SaveUSA group saved for about a year and received a first savings match, which averaged \$291 among those who received it. About two-fifths of the SaveUSA group pledged to save part of their tax refund again in the program's second year.
- At the 18-month follow-up point, SaveUSA had increased the percentage of individuals with any short-term savings (by 7 percentage points) and increased the total amount of savings individuals held on average (by \$512), compared with what they would have saved without the program. The program also had increased the proportion of those who expressed a continued commitment to save.
- No effects were found on individuals' amount of debt, material hardship, or other aspects of financial security over the 18-month follow-up period.

A subsequent report in late 2015 will examine SaveUSA's effects over 36 to 42 months and will present a much more complete assessment of whether SaveUSA can sustain savings and improve individuals' overall financial well-being.

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Preface

Financial assets, particularly savings, can serve as a safety net, making it less likely that a family's financial well-being will be jeopardized by emergencies, such as the loss of a job or unexpected expenses. Savings also can facilitate advancement, making it more likely, for example, that family members can attend and stay in school. In recent years, efforts to help low- and moderate-income families accumulate savings have gained increasing support among policymakers. Families with greater savings, the reasoning goes, can more easily cope with unexpected income losses or expenses without resorting to "payday" loans, credit cards, or other high-cost sources of credit, and they can draw on savings to support education or home ownership. Hard evidence about the effects of programs designed to increase savings among low- and moderate-income families, however, is scarce.

This interim report contributes to filling this knowledge gap. It describes the implementation and early effects of SaveUSA, an initiative that helps low- and moderate-income tax filers build up savings using tax refunds. First conceived of and tested at scale by New York City's Department of Consumer Affairs, in SaveUSA, individuals pledge to save a certain amount of their tax refund in a special account. If they maintain their pledged savings amount for a year, they earn a 50 percent match on that amount. The savings and the match can be used at any point and for any purpose.

Unusual for asset-building initiatives, the effects of SaveUSA are being measured using a randomized controlled trial, widely viewed as the gold standard of research design. Moreover, unlike many prior studies, the SaveUSA evaluation is going beyond investigating whether the initiative simply increases people's likelihood of placing money into savings. It is also examining longer-term effects. Thus, the evaluation is determining whether SaveUSA increases the likelihood that, up to three to four years later, people will have any savings, more money held in savings, less high-cost debt, and better overall levels of financial well-being than what would be the case in the absence of SaveUSA.

As discussed in the report, 18 months of follow-up are currently available for SaveUSA study members. At this point, it is evident that SaveUSA has increased the percentage of individuals with short-term savings as well as individuals' total amount of savings, compared with what would have occurred without the program. No effects have been found so far on study participants' debt, material hardship, or other aspects of financial security. But it may be too early to expect such effects to materialize. A future report, which will analyze the program's effects over a longer follow-up period, will be able to present a much more complete assessment of whether this type of intervention can sustain savings and improve individuals' overall financial well-being.

SaveUSA's operation and evaluation are being funded through the federal Social Innovation Fund (SIF), a public-private partnership administered by the federal Corporation for National and Community Service that seeks to redefine how evidence, innovation, service, and partnerships can be used to tackle urgent social challenges. SaveUSA is one of five projects funded under a SIF initiative led by the Mayor's Fund to Advance New York City and the New York City Center for Economic Opportunity in collaboration with MDRC. This is the first major report in a series that will be issued by MDRC over the next two years pertaining to these five SIF projects, all of which seek to expand and further test solutions to the issue of economic opportunity in the United States.

As the results of the SaveUSA evaluation unfold, we look forward to continuing to provide strong evidence of whether encouraging small amounts of unrestricted savings at tax time can improve the economic situations of low- and moderate-income individuals and families.

Gordon L. Berlin
President

Acknowledgments

This report reflects the generous contributions and support of many people. We are especially grateful to the individuals participating in the SaveUSA evaluation, who have allowed us to learn from their experiences. The report also would not have been possible without the work and dedication of the participating partners. One group of partners consists of the nonprofit agencies operating SaveUSA in New York City, Tulsa, Newark, and San Antonio. Past and present staff at these agencies enrolled individuals into the study, collected essential data and transmitted it to us, and helped us understand their efforts in implementing the program. In particular, we thank Diana Breen and Billy Garcia at Ariva in New York City; Janae Bradford, Karissa Coltman, Tracy Shepherd, and Brandy Holleyman at CAP Tulsa; German Tejada, Ketha Caesar, and Andy Nieto at Food Bank For New York City; Jeremy Guenter, Victor Silva, and LaVar Young at Newark Now; and Anna Weaver, Henrietta Muñoz, and Toni Van Buren at United Way of San Antonio and Bexar County. Another essential group of partners is made up of the financial institutions that volunteered to provide SaveUSA accounts. Individuals in these institutions facilitated the opening and ongoing maintenance of the accounts and shared periodic data files with MDRC. We thus express gratitude to Derek Martin, David Vinall, and Yvette Martinez at the Bank of Oklahoma; Mariadelle del Priest and Jamie Lutton at Capital One Bank; Doug Lindsey at Carver Federal Savings Bank; Juan Solis III, Patricio Lobos, and Mark Nerio at Citibank; Tammie Zacharie and Priscilla Mendez at Select Federal Credit Union; and Brian Blake and Angel Fuentes at Spring Bank.

We owe special gratitude to our colleagues at the New York City Center for Economic Opportunity (CEO) and the New York City Department of Consumer Affairs Office of Financial Empowerment (OFE), who led the operations of SaveUSA. In particular, we thank Sinead Keegan, Kristin Morse, and Veronica White (current and former CEO staff) and Tamara Lindsay, Janelle Clay, Amelia Erwit, and Cathie Mahon (current and former OFE staff) for their commitment to SaveUSA's rigorous evaluation.

In addition, we appreciate the continuing support of the funders of the SaveUSA evaluation. These include the Corporation for National and Community Service, Bloomberg Philanthropies, Open Society Foundations, The Rockefeller Foundation, The Annie E. Casey Foundation, Ford Foundation, George Kaiser Family Foundation, Tulsa Community Foundation, and United Way of San Antonio and Bexar County.

Special thanks are also due external reviewers who carefully reviewed an early draft of the report and offered valuable comments: In addition to the above-named CEO and OFE staff members, Jonathan Mintz, former Commissioner of the New York City Department of Con-

sumer Affairs, and Amy Brown, Program Officer at Ford Foundation, were very generous with their time and provided insights on the findings.

At MDRC, Gordon Berlin, James Riccio, Dan Bloom, Cynthia Miller, Richard Hendra, Josh Malbin, and Stephen Nuñez provided valuable feedback on report drafts. Anne Warren, Jeremy Welsh-Loveman, Timothy Moreland, Natasha Piatniskaia, and Joshua Vermette assisted with the acquisition, processing, and analysis of all quantitative data. Jo Anna Hunter helped manage the survey of sample members, which was administered by Decision Information Resources, Inc. (DIR). Ron Bass helped design the survey instrument and monitored its fielding. In addition, a number of people helped to develop random assignment training manuals, assisted with training sessions on study procedures, served as liaisons to the agencies operating SaveUSA, and contributed observations and insights to strengthen program operations — most notably, David Navarro, Rashida Welbeck, Jaya Varma, Alexandra Bernardi, and Tojuana Riley. Keith Olejniczak and Crystal Ganges-Reid coordinated the production of the report, and Diane Singer helped with the production of the exhibits. Robert Weber edited the report, and Stephanie Cowell prepared it for publication.

The Authors

Executive Summary

Many U.S. households do not have enough savings to help them manage temporary losses of income or increased expenditures from unexpected events. Having such savings is even more critical for low- and moderate-income families. For these families, prior analyses have shown that even small amounts of savings — as little as \$500 — are associated with a lower incidence of unfavorable financial events, such as overdrawing checking accounts, initiating high-cost (sometimes “payday”) loans, or failing to meet monthly housing bills and minimum credit card payments — all of which can reduce families’ financial stability. To support the buildup of savings, some experts have proposed encouraging low- and moderate-income individuals to save part of their annual tax refunds, capitalizing on these large, one-time influxes of cash. Some past research suggests that this approach might be promising; other research indicates that many low- and moderate-income individuals need their refunds to pay bills or reduce debt.

The SaveUSA evaluation — a randomized controlled trial (RCT) launched in 2011 — will contribute strong evidence to several aspects of this issue. SaveUSA is a voluntary tax-time savings program that offers low- and moderate-income families the opportunity to directly deposit all or a portion of their tax refund into a special savings account and pledge to save a specific amount for about a year. As an incentive to continue saving, account holders who maintain their pledged savings amount throughout the year earn a 50 percent match on that amount. Account holders may use their savings and matching funds for any purpose — that is, use is unrestricted — and money can be withdrawn at any time without penalty. But only those who maintain their pledged savings for the full year receive the savings match.

Few programs exist that help low- and moderate-income individuals build up unrestricted savings using tax refunds, and rigorous studies of the effects of such programs are rarer still. The implementation and evaluation of SaveUSA are thus breaking new ground in addressing such questions as: Can this type of program be implemented in different settings? To whom and to what extent does it appeal? Does it actually increase savings beyond what low- and moderate-income tax filers would have accumulated on their own? And, if the program succeeds in increasing savings, are the increases large enough to also improve overall financial security? These questions are currently of particular interest as the Financial Security Credit Act — federal legislation introduced in August 2013 — proposes offering a savings incentive based on SaveUSA to all qualifying low- and moderate-income tax filers in the United States.

SaveUSA is a replication of an earlier program, called “\$aveNYC,” that was operated in New York City by the city’s Department of Consumer Affairs Office of Financial Empowerment (OFE). The operation of SaveUSA in four cities — New York City, Tulsa, San Antonio, and Newark — and its evaluation are being funded through the federal Social Innovation Fund

(SIF), an initiative enacted under the Edward M. Kennedy Serve America Act. The SIF, administered by the Corporation for National and Community Service, is a public-private partnership designed to identify and expand effective solutions to critical social challenges. This particular SIF project is led by the Mayor's Fund to Advance New York City and the NYC Center for Economic Opportunity (CEO) in collaboration with MDRC. A number of foundations and organizations are providing matching funds for the effort, as required by the SIF. CEO, in conjunction with OFE, is operating SaveUSA. MDRC is conducting the program's evaluation.

This report presents findings on SaveUSA's implementation and early program effects. Overall, the report shows that SaveUSA was implemented successfully in all four cities, with some variation. Almost all of those randomly assigned to a SaveUSA-eligible group opened the special accounts; about two-thirds received the first savings match for which they were eligible, and about two-fifths pledged to save part of their tax refund again in the program's second year. Over an 18-month follow-up period — which includes the six months after individuals could have received their first savings match and/or could have pledged to save part or all of their tax refund again — the program moderately increased the percentage of individuals with short-term savings and individuals' total amount of savings, compared with what would have occurred in the absence of the program. No effects have been found so far on study participants' debt, material hardship, or other aspects of financial security. A subsequent report, to be available in late 2015, will examine SaveUSA's effects over 36 to 42 months and will present a much more complete assessment of whether SaveUSA can sustain savings and improve individuals' overall financial well-being.

The SaveUSA Program Model

SaveUSA aims to encourage individuals to have more savings on hand to pay for financial emergencies, to allow people to meet necessary expenses and reduce debt, and to help them develop a habit of saving. SaveUSA focuses on tax-time saving because tax refunds, supported by the Earned Income Tax Credit (EITC) and other credits, typically constitute the largest source of cash that low- and moderate-income individuals receive at any one time. The model also applies behavioral design principles that prior research suggests can promote saving: simplified options for saving, an account dedicated to savings (in contrast to a checking account), electronic deposit into the account, and incentives to maintain savings (a high match rate) and disincentives to remove even small amounts of savings (ineligibility for the match). The model was also designed to minimize risk, since money (and any accrued interest) can be withdrawn from SaveUSA accounts at any time without a penalty and for any purpose, although only those who maintain their initially pledged savings amount for a full year receive a savings match on their pledged savings.

SaveUSA — offered in all four involved cities during the tax return preparation seasons of 2011 through 2013 — built on the free tax preparation services provided by a cumulative total of 18 Volunteer Income Tax Assistance (VITA) sites (16 of these were involved in 2011). To be eligible for SaveUSA, tax filers had to be at least 18 years old and had to meet certain annual income requirements (\$50,000 or less for filers with dependents and generally \$25,000 or less for filers without dependents). When preparing their tax returns, both single filers and couples filing jointly could open a SaveUSA account with a local financial institution participating in the program, or they could redeposit into a SaveUSA account that they had established in a prior year.¹ On their tax returns, SaveUSA participants instructed the Internal Revenue Service (IRS) or state taxing agency to deposit at least \$200 from their tax refunds directly into their SaveUSA account. Participants also pledged to keep a certain amount of their initial deposit — from \$200 to \$1,000 — in the account until January 31 of the following year. On February 1, participants who fulfilled this pledge received a 50 percent savings match, up to \$500, on their pledged savings amount. Account holders whose balance fell below their pledged amount at an earlier date lost their eligibility for the savings match but did not incur any further penalty for withdrawing funds. Regardless of whether they received a match, individuals could pledge to save part or all of their tax refunds in subsequent years and again be eligible for eventual matches.

Five banks and one credit union voluntarily participated in SaveUSA and set up SaveUSA accounts. Staff from these partnering financial institutions facilitated the on-site opening and ongoing maintenance of the SaveUSA accounts, but the institutions were not required to determine match eligibility or match amounts. MDRC performed these functions, by analyzing periodic data files shared by the financial institutions with MDRC.

The SaveUSA Evaluation

The SaveUSA evaluation is measuring the program’s effects, or “impacts,” through a randomized controlled trial (RCT) that MDRC is conducting in New York City and Tulsa. In these two cities, eligible tax filers who were interested in opening a SaveUSA account and were willing to enter the study were randomly assigned in 2011 to either a SaveUSA group (eligible to open a SaveUSA account) or a Regular Tax Filers group (not eligible to do so). Random assignment ensures that, on average, the characteristics of the tax filers — such as income, refund amounts, and motivation to save — are the same for the SaveUSA and Regular Tax Filers groups at the start of the study. By tracking both groups over time and comparing their outcomes, MDRC determines the impact, or “value added,” of the SaveUSA program. Random assignment was

¹In the report, “single filers” include any tax filer who was unmarried or who did not file jointly with a spouse at study entry.

not conducted in Newark and San Antonio, where all eligible tax filers who were interested in SaveUSA could open SaveUSA accounts. In these two cities, as well as in the two RCT cities, MDRC is studying the implementation of the program.

The key findings at this initial stage of the evaluation are discussed below.

SaveUSA Recruitment, Enrollment, and Characteristics of the Study Sample

- **SaveUSA was strongly marketed, and its procedures were successfully integrated into the tax return preparation process in a variety of settings.**

VITA program operators in each of the four cities marketed SaveUSA before and during the tax filing season. They delivered a combination of publicity and promotional direct outreach to their existing customers and worked with their nonprofit community partners to recruit additional enrollees. Despite this wide outreach, many potential participants heard about SaveUSA for the first time when they arrived at a VITA site to have their tax return prepared, where SaveUSA “asset specialists” led a strong on-site recruiting effort. The specialists also conducted SaveUSA eligibility screening and study enrollment, coordinated the opening of SaveUSA accounts, and assisted tax return preparers to arrange for direct deposit of tax refund dollars into the accounts. These procedures were integrated into the normal VITA tax return preparation process.

- **Depending on the city, between 6 percent and 13 percent of SaveUSA-eligible tax filers were interested in SaveUSA and enrolled in the study during the 2011 tax return preparation season. SaveUSA study enrollees, whose average annual income was about \$18,000, shared many characteristics with nonenrollees but seemed to be better positioned to save.**

Of the approximately 28,000 tax filers eligible for SaveUSA in the VITA sites offering SaveUSA during the 2011 tax return preparation season, nearly 2,500 were interested in SaveUSA and enrolled in the study. The SaveUSA take-up rates across the four cities were similar to (and, in some cases, higher than) the take-up rates found for other tax-time asset-building initiatives, including the predecessor SaveNYC program.

In many ways, tax filers who enrolled in the SaveUSA study resembled those who were eligible but did not enroll. On average, however, enrollees received larger refunds than nonenrollees — some supported by the EITC — and had slightly higher adjusted gross incomes than nonenrollees. Informal surveys of a subsample of nonenrollees provided further evidence that

enrollees were better positioned to save: Most who declined to enroll indicated that they had already earmarked all of their anticipated refunds to spend on bills or pay down debts.

Nevertheless, SaveUSA study enrollees still faced significant barriers to initiating or increasing savings: About half of all enrollees were single filers with at least one dependent; their average income during 2010 was about \$18,000, with a quarter having an income of less than \$10,000; and a significant share of enrollees reported that they did not have enough money to make ends meet and/or had sizable debt.

SaveUSA Pledge Amounts, Match Eligibility, and Use of Account Monies

- **During the first program year, almost all SaveUSA group members pledged to save, and an average of \$506 was directly deposited from their tax refunds into their SaveUSA accounts.**

Despite having modest incomes, a relatively large proportion of SaveUSA group members — 30 percent — pledged to save \$1,000, the maximum amount allowed to be matched under SaveUSA rules. Almost 37 percent pledged to save \$200, the minimum allowed. (See Table ES.1.) On average, individuals pledged to save 14 percent of their refund (not shown).

- **A majority of SaveUSA group members — 66 percent — left their first program year's pledged savings untouched over the following year and received a savings match.**

Most recipients of the first-year match, which averaged \$291 among those who received it, withdrew their pledged savings amount plus their savings match within several weeks of receiving the match. When interviewed about six months later, over half of match recipients who subsequently withdrew funds reported that they had used the money from their SaveUSA account for expenditures, such as a big purchase, usual household expenses, travel or family event, or education; 40 percent used these funds to pay down debts or pay bills.

Among individuals who did not receive a first-year match, some — about 10 percent of all SaveUSA group members — became ineligible for the first-year match almost immediately after pledging to save. For most of these individuals, the IRS did not deposit money into their SaveUSA accounts but, rather, withheld it to pay for owed prior taxes, child support, or federal student loan payments. In other instances, filers did not get the full refund they expected after the IRS reviewed their tax returns and recalculated their refunds. A small minority of filers were not able to open an account because of errors made by VITA or bank staff or because they failed a separate financial institution banking history check — a percentage that varied by financial institution.

The SaveUSA Evaluation

Table ES.1

SaveUSA Account Activity, by Program Year

Outcome	Year 1	Year 2	All Years
SaveUSA account opened or savings pledged (%)	97.5	39.1	97.8
Distribution of savings pledge deposit (%)			
\$0	0.0	60.8	0.0
\$1 - \$200	36.7	8.5	26.5
\$201 - \$999	33.3	15.1	34.8
\$1,000	30.0	15.6	38.8
Average initial amount directly deposited into account (\$)	506	293	799
Received savings match (%)	65.5	27.5	67.0
Average amount of savings match (\$)	191	96	286
Average savings match, among those who received the savings match (\$)	291	348	428
Distribution of savings match (%)			
\$0	34.5	72.5	33.0
\$1 - \$100	20.1	4.3	15.0
\$101 - \$499	22.1	10.0	22.0
\$500	23.3	13.2	30.0
Sample size			1,554

SOURCES: MDRC calculations from MDRC baseline data and financial institution data.

NOTES: The sample includes SaveUSA group members in all four cities who were ages 18 to 64 at their time of study entry.

Rounding may cause slight discrepancies in calculating sums.

Other individuals became ineligible for the first-year savings match later on. About half of these individuals became ineligible by withdrawing some or all of their pledged savings within three months after pledging to save. The most common reasons for withdrawing money “pre-match” were to cover an emergency expense, to pay bills or debts, or to buy necessities.

- **In the program’s second year, about 4 in 10 SaveUSA group members again deposited tax refund dollars in their SaveUSA accounts and pledged to save. About 70 percent of the repeat depositors (or, put another way, 27 percent of all original SaveUSA group members) received a savings match at the end of the second year.**

Among repeat depositors, the most common reason reported for pledging to save again, according to survey responses, was a general commitment to save, followed by anticipation of receiving a savings match. Among SaveUSA group members who did *not* pledge again in the second year, about a third reported that they were not able to do so because they did not receive a refund or felt that their refund was too small; another approximate third reported that they needed to use their refund to pay debts or bills or make expenditures; and the final third reported a variety of other reasons for not making a second savings pledge.

- **Repeat depositors appear to have had a greater commitment to saving and/or a greater ability to save, compared with those who pledged to save only during the first program year. Overall, individuals with especially low incomes appear to have been least able to take advantage of SaveUSA.**

A larger proportion of repeat depositors pledged to save \$1,000 — the maximum matchable amount — in the second program year, compared with the proportion of all SaveUSA group members who pledged that amount during the first program year. Overall, receiving the savings match in the first program year was associated with an increased likelihood that an individual would make a savings pledge again in the second year. In general, the 26 percent of SaveUSA group members who received a match in *both* program years tended to be older, were more likely to have pledged to save the maximum matchable yearly amount, and were more likely to have higher adjusted gross incomes (that is, between \$20,000 and \$50,000), compared with other SaveUSA group members. Conversely, very low-income individuals (that is, with incomes below \$10,000) tended to pledge to save smaller amounts and thus received smaller savings matches if they successfully saved for a year, were less likely to receive a savings match, and were less likely to pledge to save again in the program's second year.

- **During the first *two* years of the program, SaveUSA group members (who entered the program in 2011) earned an average of \$286 in savings matches (including zeros for those who did not get matches). Among just those who received a match in one or both years, the average match amount received over the two years was \$428.**

SaveUSA's designers intended the program to generally encourage saving — regardless of whether individuals saved long enough to acquire a savings match. Nonetheless, the total earned match amount — averaged across *all* SaveUSA group members (\$286) — is instructive, as SaveUSA's effects (described below) are measured by comparing the post-study-entry financial situations of all SaveUSA group members with the situations of all members of the Regular Tax Filers group.

- **Match receipt rates for each of the four cities varied widely. City-specific rates of receiving a match in the first program year ranged from 50 percent to 79 percent.**

Differences in city match receipt rates primarily stemmed from the varying characteristics of the financial institutions providing the SaveUSA accounts in each city. These included the stringency of the banks' credit and banking history requirements to open accounts, how close sample members lived to bank branches (and thus the ease with which savings could be withdrawn), and whether the banks adhered to the SaveUSA account features as designed or allowed customers to use the accounts in ways that were not originally intended (such as, in some cases, allowing the SaveUSA account to be debited to cover checking account overdrafts or providing automated teller machine [ATM] cards when participants requested them).

SaveUSA 18-Month Effects

SaveUSA's effects (or impacts) are defined as the differences between the SaveUSA group and the Regular Tax Filers group in financial outcomes or in attitudes toward saving. Impacts in this report are estimated primarily from surveys administered to both research groups about 18 months after they were randomly assigned.

- **SaveUSA produced a large increase in the proportion of filers who deposited all or part of the tax refunds that they received in 2011 and 2012 into savings accounts or savings bonds.**

Shortly after their random assignment in 2011, according to tax return data, nearly all SaveUSA group members specified on their tax return that the IRS should directly deposit all or part of their tax refund into some type of savings account, compared with 15 percent of Regular Tax Filer group members. A year later, according to survey data (a different data source), about two-thirds of the SaveUSA group reported that they deposited tax refund dollars into a savings account or savings bond, compared with about one-third of Regular Tax Filers who reported doing so.

- **As of the 18-month follow-up point, SaveUSA had turned some nonsavers into savers: It increased the proportion of tax filers having any short-term (nonretirement) savings by 7 percentage points. In addition, SaveUSA led some savers to have more in savings than they otherwise would have. Overall, SaveUSA increased the total amount of nonretirement savings held at the 18-month point by an average of \$512.**

At the 18-month point, about 79 percent of SaveUSA group members reported that they currently had nonretirement savings (in any account or in any form) — a gain of 7 percentage

points over the Regular Tax Filers group. (See Table ES.2.) The average SaveUSA group member reported having a total of \$2,241 in nonretirement savings at that same point — an increase of \$512, or 30 percent, above the average for the Regular Tax Filers. In line with these findings, SaveUSA group members had the equivalent of extra cash on hand to pay household expenses for an additional few weeks up to about a month, if their income suddenly stopped.

SaveUSA's impact on the amount of nonretirement savings resulted partly from the program turning some nonsavers into savers, but it occurred also because SaveUSA group *savers* averaged about \$400 more in nonretirement savings than did Regular Tax Filer group *savers*. The increase in savings held is explained only in small part by the savings matches given to SaveUSA group members since, in their follow-up survey interview, a majority of match receivers reported having already spent their first-year match.

While the program achieved its primary short-term goal of increasing savings beyond normal levels among individuals with an interest in saving, levels of savings for many people in both research groups were still low: At the 18-month follow-up point, over half of both groups had either no savings or savings of \$500 or less.

- **At 18 months after random assignment, SaveUSA group members voiced stronger support for saving than Regular Tax Filers.**

The experiences of accumulating savings and receiving the savings match were expected to build up SaveUSA group members' confidence in their ability to save and their savings habits. While most study sample members in both research groups were already predisposed toward saving, as evidenced by their interest in participating in SaveUSA, the program increased the proportions of individuals who reported that they had a savings goal and who thought it very important to have money in a savings account — by nearly 9 percentage points. SaveUSA also increased the proportion of individuals who reported that, relative to study entry, they were saving or investing more, were using more of their tax refund for savings, were keeping money in savings longer, and were more likely to keep money in a bank. This higher incidence of providing answers supportive of savings is a basis for optimism that the SaveUSA group's savings increases will persist over time.

- **SaveUSA had no effect on amount of debt, net worth, financial hardship, or other aspects of financial or material well-being.**

Proponents of programs that encourage nonretirement savings among low- and moderate-income households have often posited that even modest increases in savings can have the positive effect of helping households avoid financial hardship and increase financial well-being. When incentives are offered, however, there is also the possibility that negative effects may

The SaveUSA Evaluation

Table ES.2

Impacts on Selected Outcomes as of 18-Month Interview

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Nonretirement savings</u>				
Has savings (%)	79.4	71.9	7.5 ***	0.002
Total savings (\$)	2,241	1,730	512 *	0.052
Total savings (%)				
\$0	20.6	28.1	-7.5 ***	0.002
\$1 - \$500	31.9	30.9	1.0	0.722
\$501 - \$1,000	11.0	11.0	0.1	0.968
\$1,001 - \$2,000	12.5	10.2	2.2	0.219
\$2,001 - \$5,000	14.4	12.7	1.8	0.374
\$5,001 - \$10,000	5.2	3.9	1.3	0.281
More than \$10,000	4.4	3.3	1.2	0.288
<u>Savings goals and attitudes</u>				
Has a current savings goal (%)	78.2	69.4	8.8 ***	0.000
Thinks it very important to have money in a savings account (%)	84.7	76.1	8.6 ***	0.000
<u>Financial security</u>				
Used high-interest credit since random assignment (%)	20.8	20.3	0.5	0.813
Total non-housing-related debt (\$)	9,695	9,276	419	0.632
Has liquid net worth greater than zero (%)	33.8	33.4	0.4	0.876
Had financial hardship since random assignment (%)	63.3	62.6	0.7	0.802
Sample size (total = 1,258)	631	627		

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City and Tulsa who were ages 18 to 64 at their time of random assignment.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

result: Some people may incur *more* debt or experience *increased* financial hardship in order to meet the requirements for the incentive. At the 18-month point of follow-up, there is no indication that SaveUSA has had any of these positive or negative effects. Similar proportions of SaveUSA and Regular Tax Filer group members — about 20 percent — reported that, since study entry, they had used a high-cost source of credit, such as a cash advance with a credit

card, overdrawing a checking account, or a payday loan. Average non-housing-related debt levels for the two groups also were similar, at about \$9,500, and nearly one-quarter reported debt levels that exceeded \$10,000. Similar proportions of both research groups — only a third — also reported that their total savings of any type were greater than their total non-housing-related debt; in other words, their liquid net worth was greater than zero. Finally, almost two-thirds of both groups reported that, since study entry, they had experienced at least one type of financial hardship, such as an inability to pay housing or utilities costs, food insecurity, or forgone use of medical care or prescription drugs.

- **In general, SaveUSA did not have different effects for subgroups of sample members. These subgroups were defined by city, age, income, educational attainment, and tax filing status.**

Impacts for the full research sample might mask effects for certain subgroups that may have had different exposure to SaveUSA or different responses to the program. Effects for New York City and Tulsa, for example, could differ due to New York City’s prior experience in operating \$aveNYC, the previous version of SaveUSA (although participants in \$aveNYC were excluded from the SaveUSA impact sample), or due to the different characteristics of VITA tax filers or the different costs of living in the two cities. The results of the analysis show, however, that effects for the two cities were generally similar. In addition, effects did not generally differ across the other subgroups examined, except that SaveUSA appears to have increased nonretirement savings for sample members age 35 or older but did not increase savings for those under 35.

Discussion

Overall, SaveUSA achieved its designers’ primary short-term goals — increasing short-term nonretirement savings without increasing debt and engendering greater support for savings. At this point in follow-up, however, the program has not yet achieved its longer-term goal of increasing financial security.

Positive effects were intended to be realized from the program in several ways. It was hoped that individuals who kept in savings all or most of their pledged savings, along with the SaveUSA match (if they received it), would have more resources to meet future financial emergencies or would have a start toward saving for future goals. SaveUSA appears to have achieved this effect, at least in the short term: As of 18 months after opening SaveUSA accounts, individuals held more in nonretirement savings than they would have had in the absence of the program.

Benefits in the form of greater financial security were also expected if people withdrew their pledged savings (or savings plus the match) at any point, even before the end of the one-year savings period, to make necessary purchases, invest in education or training, reduce their debts and the use of credit cards or other high-cost loans, or use their set-aside savings to cover an emergency or avert a crisis. It appears that SaveUSA has *not* achieved these effects so far. It could be that the SaveUSA-produced savings increase of \$512 — while of a magnitude *associated* in past studies with increased financial security — was not enough to markedly improve the financial situations of the sample members who already had some savings at study entry.

It may also be the case that more follow-up is needed. Thus, results from an examination of longer-term effects, to be available in 2015, will be crucial in assessing SaveUSA's long-run potential to result in sustained impacts on saving and any impacts on overall financial security. Longer exposure to opportunities to deposit from tax refunds and get a match may help produce such effects, but the drop in SaveUSA pledge rates in the second year of the program suggests that the offered match may influence the savings behavior of fewer 2011 enrollees over time. Nonetheless, SaveUSA did lead to increases in account holders reporting pro-savings attitudes, and it is possible that this increased support for saving might sustain the savings impacts and eventually lead to impacts on financial security.

Finally, it should be recognized that interventions that focus solely on increasing savings, like SaveUSA, may not be enough on their own to measurably improve low- and moderate-income households' overall financial security, particularly for households with high levels of non-housing-related debt. Additional services may be needed, such as counseling on debt reduction and financial management or interventions that effectively help participants find better jobs and increase their income.

Chapter 1

Introduction

Many U.S. households do not have enough savings to help them manage temporary losses of income or increased expenditures from unexpected events. Increasing liquid assets for emergency expenses has become an important policy issue, highlighted with the recent economic downturn that resulted in significant job loss, underemployment, and an increase in financial hardship for many Americans. Having emergency savings is even more critical for low- and moderate income families, who are more likely to experience emergency shocks and lack the income to weather financial crises.¹

In 2008, the New York City Department of Consumer Affairs Office of Financial Empowerment (OFE) developed \$aveNYC, a tax-time matched savings program that encouraged emergency savings for low- and moderate-income tax filers. The program is being replicated by the New York City (NYC) Center for Economic Opportunity (CEO), OFE, and nonprofit partners under the name “SaveUSA” in four cities: New York City, Tulsa, Newark, and San Antonio. SaveUSA encourages low- and moderate-income tax filers to directly deposit a portion of their tax refund into a special matched savings account that they can later use to pay for unexpected or emergency expenses or for any other purpose. Individuals who leave their money untouched for about a year are eligible to earn a 50 percent matching incentive (hereafter referred to as the “savings match”). The program thus seeks to increase individuals’ unrestricted-use savings, capitalizing on the moment when individuals learn the size of their tax refunds.

MDRC is conducting a randomized controlled trial (RCT) to measure the effects of SaveUSA in New York City and in Tulsa. Individuals who meet SaveUSA eligibility criteria are assigned, at random, to a SaveUSA group or to a control group (also called the “Regular Tax Filers” group). Those in the SaveUSA group are eligible to open a special savings account (or “SaveUSA account”) and receive the savings match, while those in the Regular Tax Filers group are not eligible to open the special savings account. The evaluation will show whether short-term incentivized tax-time savings can encourage participants to save more than they normally would have without the program in the short term and also lead to longer-term savings habits, reduce material hardships, result in accrued assets, and improve the overall financial well-being of participants.

The SaveUSA program and its evaluation are being funded through the federal Social Innovation Fund (SIF), an initiative enacted under the Edward M. Kennedy Serve America Act.

¹Abbi (2012).

The SIF, administered by the Corporation for National and Community Service, is a public-private partnership designed to identify and expand effective solutions to critical social challenges. This particular SIF project is led by the Mayor’s Fund to Advance New York City and the NYC Center for Economic Opportunity (CEO) in collaboration with MDRC and OFE. (Box 1.1 lists the local nonprofit organizations, financial institutions, and funding partners that are involved in the project.)

This report presents initial findings from the SaveUSA evaluation. It examines the implementation of the program in all four cities. The report also looks at the savings patterns over two years for study participants who were eligible to open a SaveUSA account, and it assesses the proportion of individuals who received a savings match during these years. In addition, the report presents early findings on the program’s effects, or “impacts,” on a number of outcomes, including savings, debt, and measures of financial well-being. The impact results cover the 18 months after individuals entered the study.

The results show that the SaveUSA program was implemented successfully in all four cities, with some variation across them. One challenging aspect of implementation was integrating SaveUSA recruitment, enrollment, and account opening into the tax preparation process. About a year after enrollment, the majority of SaveUSA group members received the first savings match for which they were eligible, and 39 percent again deposited part of their tax refund in the program’s second year. The initial impact findings show that the SaveUSA program increased the percentage of individuals with short-term, nonretirement savings and their total amount of savings beyond what would have occurred in the absence of the program. The program also increased the percentage of individuals with pro-savings attitudes. These were the designers’ primary short-term goals for the program. The final SaveUSA report will have findings covering a longer follow-up period (36 to 42 months), which will permit a much more complete assessment of whether SaveUSA can sustain savings increases and improve individuals’ overall financial well-being.

Policy Context and Background

Many U.S. households do not save enough money to smooth consumption throughout their lifetime and to weather economic storms. Prior to the Great Recession of 2007, Americans saved, on average, less than 1 percent of their disposable income. More recently, savings rates have increased, as consumer spending has decreased. However, it is unclear whether consumers will continue to hold down their spending as economic conditions improve — or in what

Box 1.1
SaveUSA Partners

Nonprofit Agencies

- Ariva
- CAP Tulsa (formerly known as Community Action Project of Tulsa County)
- Food Bank For New York City
- Newark Now
- United Way of San Antonio and Bexar County

Financial Institutions

- Bank of Oklahoma
- Capital One Bank
- Carver Federal Savings Bank
- Citibank
- Select Federal Credit Union
- Spring Bank (formerly known as CheckSpring Bank)

SaveUSA Funders

- Corporation for National and Community Service
- Bloomberg Philanthropies
- Open Society Foundations
- The Rockefeller Foundation
- The Annie E. Casey Foundation
- Ford Foundation
- George Kaiser Family Foundation
- MetLife Foundation
- Tulsa Community Foundation
- United Way of San Antonio and Bexar County

direction future savings rates will move for low- and moderate-income and low-wealth families.² In addition, many Americans have accumulated large amounts of debt. Roughly 30 percent of working families have zero or negative net worth.³ This is particularly true for

²The personal savings rate is expressed in terms of saving as a percentage of disposable personal income. See McCully (2011).

³McKernan and Ratcliffe (2008).

families who have low and moderate incomes — one-fifth of whom do not have a bank account in which to save — and especially for families who do not own their own home.⁴

Consumer survey data indicate that, among households earning less than \$50,000 per year, holding even small amounts of unrestricted, “emergency” savings — as little as \$500 — is associated with a lower incidence of unfavorable financial events, such as overdrawing a checking account, initiating high-cost loans, or failing to meet monthly bills, such as rent and minimum credit card payments.⁵ Building a cushion of accessible savings may help families manage temporary losses of income or increased expenditures from unexpected events — such as illness, job loss, or death.⁶

Although many low- and moderate-income individuals recognize the importance of saving, many of them report barriers to building or increasing their savings, such as not having enough income to save and lacking access to financial products that make it easy to save.⁷ Furthermore, even among individuals who save, many underestimate how much they need to save. One study found that, among households in the lowest income quintile, people perceive their annual emergency savings needs at about \$1,500, even though their typical annual unexpected expense was around \$2,000.⁸

Past Programs and Research

Various types of interventions that were designed to increase saving by low- and moderate-income families have been tried, and most of them have been studied. (See Table 1.1.) These interventions have varied on several dimensions, including (1) the savings goal (for a specific purpose or any purpose), (2) how deposits were made, (3) when savers could access their accounts, and (4) whether additional savings incentives were offered.

⁴Federal Deposit Insurance Corporation (2012).

⁵Brobeck (2008a). This association does not necessarily mean that holding unrestricted savings of at least \$500 was the cause of this lower incidence of unfavorable financial events. The overall financial circumstances of people who have and do not have emergency savings are likely to be quite different.

⁶In addition, prior research suggests that asset accumulation leads to benefits ranging from improved financial stability to better health and education outcomes for families and children. Asset accumulation may also have a positive effect on children’s wage-earning potential and the likelihood of their building savings into adulthood (Lopez-Fernandini, 2010; McKernan, Ratcliffe, and Vinopal, 2009; Rank, 2008; Lerman and McKernan, 2008; Chase, Gjertson, and Collins, 2011).

⁷Edin and Lein (1997); Collins and Gjertson (2013); Abbi (2012); Brobeck (2008a).

⁸Brobeck (2008b).

The SaveUSA Evaluation

Table 1.1

Characteristics of Asset-Building Programs for Low- and Moderate-Income Individuals

Program	Source of Deposit	Required Delay of Withdrawal of Funds	Restrictions on Savings Use	Additional Incentive
SaveUSA	Tax refund	1 year	None	Savings match
SaveNYC	Tax refund	1 year	None	Savings match
Savings bond programs	Tax refund	Multiple years	None	Varied
Refund to Savings (R2S)	Tax refund	None	None	None
Save to Win	Varies	One withdrawal allowed per year	None	Prize-linked savings
Individual Retirement Accounts	Tax refund	Multiple years	Retirement	Varied
Save More Tomorrow	Pay check	Multiple years	Retirement	None
IDA programs (ADD)	Varies	6 months	Housing, education, business	Mortgages/expenditure match
AutoSave	Pay check	None	None	Varied
Family Self-Sufficiency Program escrow accounts	Rent increase	3-5 years	None	None

NOTE: Programs shown in bold type used a randomized controlled trial (RCT) or are currently using one to test the effects of the intervention in at least one locality.

One type of savings intervention focuses on saving for specific assets. For example, the American Dream Demonstration (ADD) and select Temporary Assistance for Needy Families (TANF)-funded initiatives have offered Individual Development Account (IDA) programs, which pair financial education with matched savings incentives for making home purchases, educational payments, or business investments.⁹ As of 2010, about 80,000 people participated in IDA programs, of which approximately 34,000 made expenditures from their IDA accounts that triggered a savings match.¹⁰ The ADD evaluation found that access to an incentivized IDA program increased asset holdings, particularly among subgroups of low- and moderate-income participants, including African-Americans, those not on public assistance, and those who did not initially have a checking or savings account.¹¹ However, IDAs have been costly to administer, and they seem to require considerable commitment and long-term planning by low-income households. An analysis of an IDA program previously implemented showed that cumulative administrative costs exceeded the total amount of savings match dollars paid to program participants.¹² In short, IDA programs may be too expensive to bring to a large scale, and, moreover, they are focused on saving for specific assets — not on saving for any use, including emergency use.

Other programs focus on increasing retirement savings. For example, Save More Tomorrow (or the SMarT program) encouraged people to commit in advance to allocating a portion of their future salary increases toward retirement savings. A nonexperimental study found that 78 percent of those who were offered the program joined and that the average savings rates for participants increased from 3.5 percent to 13.6 percent over the course of 40 months.¹³ A study by HelloWallet suggests, however, that some households may be better off postponing saving toward retirement until an emergency fund has been established. The study found that one of four households withdrew early from their retirement accounts to pay day-to-day expenses — many because they lacked access to liquid savings.¹⁴

Other interventions attempt to increase unrestricted savings. One strategy encourages individuals to regularly set small amounts aside for savings. An example of this strategy is AutoSave. Currently operated as a pilot program, AutoSave automatically diverts, through payroll deduction, a small amount of low- and moderate-income workers' wages into a savings account. Unlike most existing workplace saving programs, which focus on building retirement assets, AutoSave savings are intended to be fully liquid and available both to cover short-term

⁹Authorized withdrawals were matched at 2:1 for home purchase and at 1:1 for all other allowable uses.

¹⁰U.S. Department of Health and Human Services (2012).

¹¹Mills, Patterson, Orr, and DeMarco (2004).

¹²Schreiner (2005).

¹³Thaler and Benartzi (2004).

¹⁴Fellowes and Willemin (2013).

needs and, potentially, to increase attachment to mainstream financial services or to serve as building blocks to longer-term asset accumulation.¹⁵

Some savings interventions are embedded within programs that offer multiple services to enhance the financial security of low- and moderate-income families. An example of this strategy is the U.S. Department of Housing and Urban Development’s Family Self Sufficiency (FSS) program, which provides case management services to Housing Choice (Section 8) Voucher recipients to increase employment and has an asset-building component. Voucher recipients generally pay 30 percent of their income in rent (with the government making up the balance); as their earnings rise, so does their rent. FSS allows families to build savings by diverting these rent increases into interest-bearing “escrow accounts” maintained by their local housing authority and paid to participants after several years when they complete the program.¹⁶ A study showed that, 18 months after enrollment in FSS, about 29 percent of the households had accumulated some savings in FSS escrow savings accounts. In addition, among households with any escrow savings, those in a group subject to normal FSS procedures saved an average of \$1,112, while those in a special group that received special incentives, which paid to encourage sustained full-time employment or educational training, accrued \$1,312.¹⁷

Among the savings interventions previously tried is a group of programs that leverage the tax-time moment to encourage savings, because tax refunds — supported by the Earned Income Tax Credit (EITC) and other credits — typically constitute the largest source of cash that low- and moderate-income individuals receive at any one time. Some theories of tax refund use suggest that individuals are more willing to save when receiving money in lump sum.¹⁸ In fact, a study found that over a quarter of EITC recipients were planning to save part of it.¹⁹ Some tax-time interventions have focused on increasing the use of tax refund dollars to purchase U.S. savings bonds or to invest in Individual Retirement Accounts (IRAs). The take-up rates for these interventions ranged between 3 percent and 14 percent.²⁰ Other interventions, like the SaveNYC program in New York City (described below), encourage low- and moderate-income tax filers to deposit tax refund dollars in an unrestricted savings account.

Many of the interventions that encourage savings have focused on financial incentives as a potential tool to increase saving. As noted above, the ADD evaluation found that providing incentives increased asset holdings. Similarly, a small tax-time pilot study found significant increases in participation rates and initial savings amounts among tax filers who were offered

¹⁵Lopez-Fernandini and Schultz (2010).

¹⁶U.S. Department of Housing and Urban Development (2014).

¹⁷Verma et al. (2012).

¹⁸Shefrin and Thaler (1988); Mendenhall et al. (2012).

¹⁹Smeeding (2000).

²⁰Bronchetti, Dee, Huffman, Magenheimer (2011); Duflo et al. (2006); Doorways to Dreams Fund (2012).

the opportunity to open an IRA with a savings match, compared with those who were not offered a match.²¹ Another strategy is creating prize-linked savings (PLS) products to help motivate individuals to save by rewarding savings. For example, in Michigan, the D2D fund ran a pilot study called “Save to Win” whereby credit unions offered a prize-linked account that gave individuals the opportunity to win a \$10,000 annual jackpot and a range of regularly awarded smaller prizes. Results from the pilot study show that 80 percent of Save to Win accounts that were opened in December 2011 were still open a year later.²² Finally, a study of the SaveNYC program found that offering the savings match incentive increased participation and the likelihood of maintaining savings for about a year.²³

Regardless of monetary incentives, the application of behavioral economics concepts has illustrated the power of certain lower-touch interventions to influence saving behavior. For example, participation by low-wage workers in employer-sponsored retirement plans can be doubled or tripled by structuring enrollment and periodic contribution increases as automatic; these are referred to as “opt-out plans.”²⁴ Similar interventions have been tested that suggest that saving might be increased via such techniques as simplifying the array of savings options that individuals must choose from, presenting “default” choices for individuals who are indecisive about selecting from among saving options, and streamlining the amount of time and effort required to initiate a savings habit. A recent large random assignment study tested electronic messages embedded in the TurboTax software — informed by behavioral economics — to encourage economically vulnerable households to save part of their refund.²⁵ The study found that the messages significantly increased the percentage of individuals who saved.

Among the asset-building programs for lower-income individuals that have been tried previously, only a limited number of them help individuals save for emergencies or for uses that are not restricted — and random assignment studies of the effects of such unrestricted, short-term savings programs are rare. The SaveUSA program and evaluation are thus breaking new ground in determining the extent to which such programs can be implemented at tax time in different settings and can appeal to low- and moderate-income households. Most important, the SaveUSA study will determine whether this program can result in people’s saving more than

²¹Duflo et al. (2006).

²²Duch (2013).

²³The study evaluated SaveNYC by using a quasi-experimental design. The study identified a comparison group meant to be similar, in terms of demographic and financial characteristics, to those who took up the offer to open SaveNYC accounts (Key, Grinstein-Weiss, Tucker, Holub, 2013). SaveNYC study participants were not randomly assigned to program and control groups, as is being done in the SaveUSA evaluation, and the two SaveNYC study groups’ comparative baseline levels of motivation to save are unknown.

²⁴Thaler and Benartzi (2004).

²⁵Grinstein-Weiss, Ariely, Key, and Holub (2013).

they normally would save and whether it can improve their overall financial situation over the short and long term.

The SaveUSA Program Model

SaveUSA replicates the \$aveNYC program, which has shown promising results in recent studies of the program’s implementation and outcomes.²⁶ \$aveNYC was developed by the New York City Department of Consumer Affairs Office of Financial Empowerment (OFE). Piloted in selected Volunteer Income Tax Assistance (VITA) organizations in New York City between 2008 and 2010, \$aveNYC offered tax filers the opportunity to open a savings account with their tax refund at a participating financial institution and to receive a 50 percent match on their initial deposit if they kept that deposit for about a year.²⁷ \$aveNYC participants could use their savings and savings match for any purpose. During 2009 and 2010 — the program’s primary years of operation — \$aveNYC enrolled an average of 1,255 tax filers per year.²⁸ Over 90 percent of enrollees deposited tax refund dollars in their \$aveNYC savings account, and nearly three-quarters of enrollees (or 80 percent of depositors) maintained their deposits for about a year and received the savings match. The \$aveNYC study that was conducted by the Center for Community Capital at the University of North Carolina found that 31 percent of \$aveNYC participants did not have a bank account (that is, were “unbanked”) and that 36 percent reported having no savings when they entered the program.²⁹

\$aveNYC’s administrators and funders, and the researchers who studied the program, concluded that \$aveNYC met several requirements for making the program a potential model for implementation on a larger scale. These included (1) successful integration with other tax preparation services offered by VITA organizations, (2) enrollment of large numbers of low- and moderate-income families, (3) ongoing participation of financial institutions, and (4) relatively high rates of receipt of the savings match. Creation of the SaveUSA program and running an RCT study to test its effects represented the next steps in a process that, eventually, may lead to a version of the program being offered nationwide. In August 2013, the Financial Security Credit Act was introduced in Congress. This federal legislation proposes offering a savings incentive through the tax code in the form of a refundable tax credit to all qualifying low- and moderate-income tax filers in the United States.³⁰

²⁶Manturuk, Gorham, and Dorrance (2013).

²⁷In 2011, \$aveNYC was offered to a limited number of former participants.

²⁸New York City Department of Consumer Affairs Office of Financial Empowerment (2010).

²⁹Manturuk, Gorham, and Dorrance (2013).

³⁰Library of Congress (2013).

SaveUSA builds on the free tax preparation services provided by participating VITA organizations in four cities: New York City, Tulsa, Newark, and San Antonio.³¹ Starting in 2011 (for the 2010 tax filing season), SaveUSA offered both single filers and couples who filed jointly the opportunity to open a SaveUSA account at a local financial institution by directly depositing a portion of their tax refund into it and to earn a matching incentive by leaving their savings untouched for about one year.³² The SaveUSA account was designed to minimize risks and to facilitate the maintenance of small savings by account holders. Thus, by design, the accounts were intended to have no automated teller machine (ATM) card, no minimum deposit requirement, no fees for withdrawals of funds, and no dormant account fees. (Chapter 3 provides more details about the intended account features and how, in the course of implementation, the account features varied from what was intended and across the SaveUSA-involved financial institutions.)

When preparing their tax returns, SaveUSA participants instructed the VITA tax preparer to fill out forms that would result in the Internal Revenue Service (IRS) or state taxing agency directly depositing at least \$200 from their tax refund into the SaveUSA account, described above. In each of the three years that the program has been offered, participants could pledge to keep a certain amount of their initial deposit — from \$200 to \$1,000 — in their account for approximately one year. Participants who fulfilled this pledge would receive a 50 percent savings match, up to \$500, about a year later. After receipt of the savings match, participants could use their accumulated savings and savings match dollars for any purpose or could continue to save at the market rate of interest (typically, a rate of about 1 percent or less).

Account holders who withdrew any funds below their pledge amount at any time during the follow-up year would lose their eligibility for a savings match, even if they subsequently replaced the funds. However, the program design specified that they would incur no further penalty for withdrawing the funds. Regardless of whether they withdrew funds or received a savings match, account holders could pledge (to save) again the following year if they had their tax returns prepared at a SaveUSA-participating VITA site.

³¹VITA sites offer free tax return preparation to low-income individuals. Internal Revenue Service-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals in local communities, and they inform taxpayers about special tax credits for which they may qualify, such as the Earned Income Tax Credit (EITC). VITA sites are typically located at community and neighborhood centers, libraries, schools, and other convenient locations. Across the United States in 2012, about 1.6 million returns were completed at more than 6,000 VITA sites, according to the National Community Tax Coalition. Other types of tax-time savings strategies, currently in use or proposed, rely on other providers or would be available to individuals who file their tax return on their own.

³²“Single filers” include any tax filer who was unmarried or who did not file jointly with his or her spouse at study entry.

The model applies design principles suggested by prior behavioral economics research — simplified options to save, a separate account for savings, electronic deposit into the account, incentives (high match rate) to maintain savings and disincentives (ineligibility for the match) to remove even small amounts of savings — to a tax-linked savings program for low- and moderate-income families.

The Research Design

The SaveUSA evaluation is measuring the program’s effects, or “impacts,” through a randomized controlled trial (RCT) that MDRC is conducting in New York City and Tulsa. In these two cities, eligible tax filers who were interested in opening a SaveUSA account and who volunteered to enter the study in 2011 were randomly assigned into one of two groups:

- **The SaveUSA group.** Members of the SaveUSA group were offered a 50 percent savings match, up to \$500, if they deposited at least \$200 of their tax refund into a SaveUSA account and maintained their initial deposit for approximately one year. In 2012 and 2013, SaveUSA group members were again eligible to deposit money from their tax refunds into their SaveUSA account and were eligible to receive the 50 percent match.
- **The Regular Tax Filers group.** Regular Tax Filers were offered the opportunity to deposit money in any other savings product that the VITA organization made available to tax filers who receive a tax refund. They were not, however, offered the special SaveUSA matched tax refund savings account in 2011, 2012, or 2013.

The random assignment design will produce reliable estimates of the effectiveness of the SaveUSA program. It ensures that there were no systematic differences in the characteristics, both measured and unmeasured, of sample members in the two research groups. Thus, any differences between the two groups that emerge over time — for example, in savings or financial stability — can be attributed to the SaveUSA program. These differences in outcomes are known as *impacts*.

Random assignment was not conducted in Newark and San Antonio, where all eligible tax filers who were interested could open a SaveUSA account.

Expected Effects and Timing

SaveUSA is hypothesized to produce a number of different intended effects and at different points in time — all of which are being investigated in the SaveUSA evaluation. To provide

background on the types of outcomes examined in the evaluation, the program’s hypothesized intended effects and their timing are discussed below.

Immediately, SaveUSA is intended to increase savings by encouraging some tax filers to deposit tax refund dollars into a SaveUSA account — filers who would not otherwise have saved any of their refund. Some of these filers may have been previously “unbanked” or have had no history of savings. The anticipation of receiving a 50 percent match on savings may also encourage some tax filers who normally would have saved some of their tax refund to deposit more money into savings than they otherwise would have saved. Furthermore, having the accounts available at the VITA site and the special account features mentioned above may also result in some individuals saving who may not otherwise have saved or in some individuals saving more than they normally would have saved.

Over the first year after opening an account, among those who maintain their initial balance and receive their 50 percent savings match, account holders may realize positive effects from SaveUSA in several ways, depending on their subsequent savings and spending decisions. Some account holders will opt to withdraw all or most of their initial deposit plus the match. Having increased their disposable income (from savings plus the match), these account holders may make necessary purchases, invest in education or career training courses, continue to save or invest in other savings vehicles, reduce their debts and use of credit cards or other high-interest loans, or have more resources immediately on hand to meet financial emergencies. These actions would increase their financial well-being. Other account holders will choose to keep all or most of their funds in their SaveUSA account to save for future “big purchases” (for example, a home, car, or education) or to serve as a resource for meeting future financial emergencies.

In addition, over the first year after opening an account, a more ambiguous situation concerns account holders who withdraw funds before the match point and do not receive a savings match. Some account holders may still experience benefits from opening a SaveUSA account if, for example, they withdraw only part of their initial deposit and continue to save the rest or if they use their withdrawals for an emergency or to avert a crisis. Other account holders may not experience benefits if they close their accounts soon after opening them and use the money similarly to other tax filers who are not participating in SaveUSA and who spend their entire refund right away.

Over the three years following account opening, SaveUSA account holders, and especially those who make yearly repeated deposits of tax refund dollars into their SaveUSA accounts, are expected to receive additional benefits. (Account holders who deposit the maximum match-eligible amount each year from 2011 to 2013 could end up accumulating up to \$4,500 in individual savings — \$3,000 in direct deposits and \$1,500 in possible match pay-

ments.) Account holders who repeatedly receive a match and then use their funds soon after may lower their debt by paying it down at set yearly intervals as well as make purchases and payments minimizing the use of high-interest loans or credit cards. Other account holders who maintain their savings longer may be able to afford larger purchases with less debt three years out. Moreover, account holders may become accustomed to save and may be encouraged by their accumulation of savings and match dollars. They may contribute additional dollars to savings for several years — beyond those they pledged to save from their tax refunds — and thereby may realize additional purchasing power, lower debt, and, perhaps, higher credit scores. Over time, SaveUSA account holders may also develop a greater sense of financial security and greater confidence in their ability to manage their family’s finances and, if necessary, may be better able to weather financial crises.

Under some circumstances, having a SaveUSA account may also have related effects. For example, it may contribute to greater employment stability for account holders, if they use their accumulated savings and match dollars to support more reliable transportation or child care or to deal with family issues that might otherwise require time off from work to address.

There are several possible reasons, however, why SaveUSA may not lead to positive effects. First, the SaveUSA account and savings match may simply provide a windfall for people who are already inclined to save. If so, the program may not encourage more people to save or may not cause people to increase the amount they would otherwise have saved.³³

Second, while it is generally assumed that increased savings are beneficial, SaveUSA’s requirement to forgo the use of savings for about a year could motivate some people to incur more debt or to incur penalties by postponing paying off or paying down debt, in order to qualify for an eventual savings match.

Third, while there is a growing consensus among researchers and policymakers that even small savings amounts can help low-income families weather short-term financial emergencies or prevent small debts from spiraling out of control, it must still be determined whether SaveUSA will boost savings *enough* to produce these effects and whether these effects will continue in the long term.

These hypothesized positive or negative effects of opening a SaveUSA account are being rigorously tested in this evaluation. Effects intended to occur immediately or in the first year

³³A windfall effect from the SaveUSA match may be interpreted by some policymakers as a reasonable way to increase the income of low- and moderate-income tax filers by several hundred dollars annually. However, it could be argued that other strategies, such as increasing the EITC, could achieve the same goal more efficiently and at lower cost.

after account opening are examined in this report; longer-run effects will be examined in the next and final SaveUSA report.

Research Questions

The SaveUSA evaluation includes three major components: (1) an implementation analysis, which studies how the program was operated in four cities; (2) a participation analysis, which examines the savings patterns of study participants with access to a SaveUSA account; and (3) an impact analysis, which examines a series of financial outcomes and assesses what difference the SaveUSA program made relative to what would have happened in the absence of the program.

This interim report focuses on the following questions about SaveUSA's implementation, participation, and impacts:

Implementation

- How successful were the VITA organizations in adding the SaveUSA program to their other services for low- and moderate-income individuals?
- Was it possible to engage financial institutions in marketing, opening, and administering SaveUSA accounts?
- What proportion of tax filers eligible for SaveUSA were interested in opening such accounts? How do their characteristics differ from those of tax filers who were eligible but were not interested in opening a SaveUSA account?

Participation

- What are the patterns of saving over a two-year period for filers who opened SaveUSA accounts in 2011?
- How much, on average, did filers initially deposit?
- What proportion of SaveUSA account holders received the savings match on their 2011 and 2012 deposits?
- How often, and when, did SaveUSA account holders withdraw the savings and, possibly, the match, in their accounts?
- What were the characteristics of repeat savers and repeat match recipients, and how did their characteristics differ from those of SaveUSA account holders who did not attain these outcomes?

Impacts

- Did SaveUSA increase eligible tax filers' accumulated savings and other financial assets, relative to what would have happened in the absence of the program (represented by the experiences of Regular Tax Filers)?
- Did SaveUSA increase eligible tax filers' financial well-being, ability to maintain control over family finances, and/or ability to weather financial emergencies, relative to what would have happened in the absence of the program (represented by the experiences of Regular Tax Filers)?
- Did SaveUSA decrease eligible tax filers' total debt, reliance on high-interest credits and loans, and material hardship?
- Did any program effects vary by city or for certain subgroups of tax filers?

Evaluation Data Sources

The data sources examined for each type of analysis in the report are described below.

Baseline Data

For each sample member, program staff recorded some tax return data in an MDRC database used to enroll and/or randomly assign individuals into the study. MDRC also collected data on demographic characteristics from the VITA sites' intake surveys.

Financial Institution Data

SaveUSA account activity and balance information were collected from the six financial institutions participating in the study (Box 1.1). These data were used by MDRC to determine who was eligible for the savings match and the savings match amount. (See Appendix E for more information.)

SaveUSA 18-Month Follow-Up Survey Data

MDRC conducted a survey of SaveUSA group members and Regular Tax Filers in New York City and Tulsa about 18 months after their date of random assignment. The survey explored what members of both research groups did with their tax refunds after the 2011 tax season. It also measured the amount of savings, income, assets, and debt that these individuals had at the time of their follow-up interview, as well as their financial stability and material hardship throughout the follow-up period. Among SaveUSA group members, the survey also examined their experience with the SaveUSA program, and among those who received the first

savings match, it examined what individuals did with their savings match amount and individuals' reasons for participating or not participating in subsequent years.

Tax Return Data

MDRC was able to collect data from Tax Year 2010 tax returns from all cities except San Antonio. The data included information on tax filers' adjusted gross income, total refund amount, and how individuals allocated their refunds (to paper checks, checking accounts, savings accounts, or other destinations).

Aggregate Data

Where available, VITA partners provided aggregate reports of the demographic characteristics of tax filers at VITA organizations who were eligible for SaveUSA. These reports were used to compare the characteristics of SaveUSA study participants with those of eligible tax filers who declined to participate.

Nonparticipant Survey Data

These data include responses from a survey conducted on a few selected days during the tax return preparation season in 2011, which asked eligible tax filers at the VITA sites the main reasons why they did not enroll in the study.

Qualitative Data

These data include field notes on the implementation of SaveUSA from researchers' visits to VITA offices and from conversations with VITA organization administrators and staff. Researchers also collected documents from VITA organizations, including SaveUSA marketing materials, Frequently Asked Questions documents, Web site materials, memos, and e-mail exchanges with MDRC.

Evaluation Follow-Up Periods

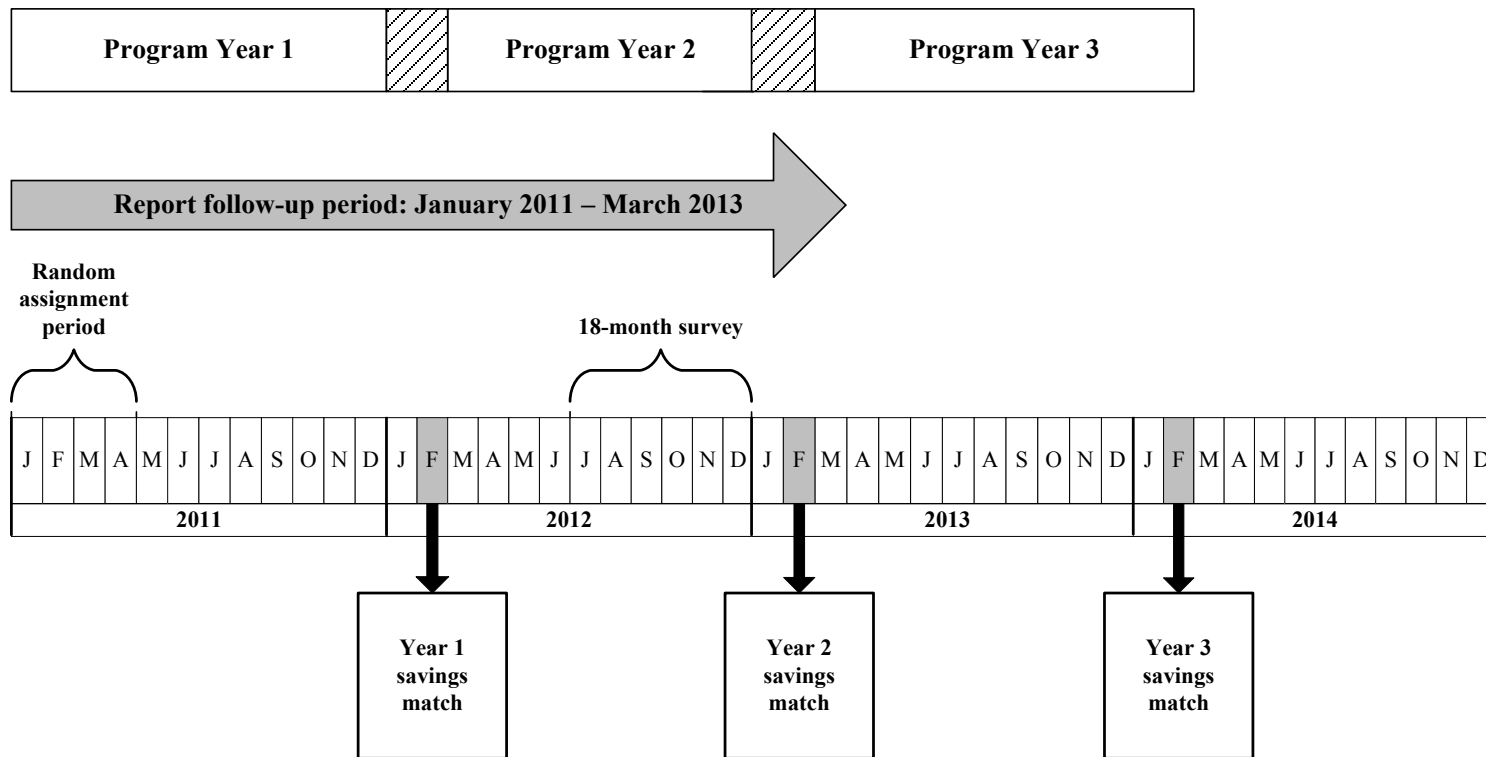
For this interim report, follow-up periods vary in length for the different parts of the analysis that use different data sources. Figure 1.1 shows the random assignment and report follow-up periods. As noted above, random assignment took place during the Tax Year 2010 tax filing season, from January to April 2011.³⁴ The follow-up period is then divided into "program

³⁴SaveUSA enrollment occurred in 2011, 2012, and 2013. However, MDRC is tracking only the 2011 cohort in depth for research purposes.

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Figure 1.1

Random Assignment and Follow-Up Periods



years.” A *program year* is defined as the months between the start of the tax filing season and the date when SaveUSA account holders who maintained their pledge amount qualified to receive the savings match. For example, the first program year starts in January 2011 and ends on January 31, 2012. Account holders who qualified for a savings match received the money on February 1.

This report examines program enrollment data and account activity data through the end of March 2013 for enrollees in all four cities. Therefore, results from the first two savings match distributions are provided. The report also presents interim findings on the program’s effects, or impacts, over the first 18 months after study enrollment in two cities (New York City and Tulsa). Hence, the impact findings show the effects of SaveUSA as of about six months after SaveUSA group members could have received their initial savings match and had the opportunity to pledge to save part or all of their tax refund again.

The final SaveUSA report, to be produced in 2015, will assess program effects covering a longer period of time — for at least 36 months following study entry.

The Structure of This Report

Chapter 2 begins the analysis by describing the process of enrolling individuals into the SaveUSA evaluation and the characteristics of the study enrollees. Chapter 3 examines the four cities’ experiences of replicating \$aveNYC as SaveUSA and describes the recruitment process and challenges in the enrollment and account-opening procedures. Chapter 4 focuses on the percentage of individuals who received the savings match in 2012 and/or 2013, the savings match amounts that individuals received, the factors associated with receiving a savings match, and SaveUSA account savings patterns. Chapter 5 reports on SaveUSA’s impacts on Tax Year 2010 refund allocations and on levels of nonretirement savings, retirement savings, and liquid assets that SaveUSA group members and Regular Tax Filers accumulated over 18 months. Chapter 6 examines SaveUSA’s effects on measures of financial well-being, and Chapter 7 examines SaveUSA’s effects for several key subgroups. Finally, Chapter 8 conveys some conclusions.

Chapter 2

Overview of the SaveUSA Study Enrollment Process and Characteristics of Study Participants

In January 2011, enrollment in the SaveUSA study began in select Volunteer Income Tax Assistance (VITA) sites in New York City, Tulsa, Newark, and San Antonio. In addition to providing tax return preparation services to hundreds of clients per week, VITA staff marketed the SaveUSA account, enrolled individuals in the study, and helped SaveUSA group members open their SaveUSA account.¹ The program was voluntary, but anyone meeting the program's eligibility requirements and interested in opening a SaveUSA account had to agree to participate in the study to be eligible to open an account. The VITA sites recruited about 2,500 individuals into the study between January and April 2011, the 2010 tax return preparation season.

Chapter 2 briefly describes the enrollment process used for the study, including the random assignment process.² The chapter then describes the characteristics of the study sample. In addition, with the goal of determining whether those who were interested in SaveUSA have special characteristics, the chapter compares the study enrollees' characteristics with the characteristics of individuals who were eligible for the SaveUSA study but declined to enroll. Findings presented come from observations of the outreach and enrollment process, MDRC's baseline data, responses to VITA surveys, results from the nonparticipant survey, and aggregate reports provided by the VITA sites.

VITA staff were able to enroll a large number of individuals within a very short period of time. As with any voluntary program, enrollees may differ from other members of the larger target population. SaveUSA enrolled a group of VITA tax filers who were the "most motivated" to save and who also appear to have been more able to save. In many aspects, however, the study sample members are similar to the larger VITA target population, and many of them have characteristics that may have made saving difficult: The average annual income for the full sample was about \$18,000 at the time of study entry, and most reported having debt. Almost

¹See Chapter 1 for a full description of the SaveUSA program, research design, expected effects, and data sources used in this report.

²While this chapter provides an overview, Chapter 3 supplies more details on SaveUSA's implementation. It describes the involved partners and their roles, explains recruitment methods, provides more detail on enrollment and account opening, explores implementation factors that might have affected enrollment, and describes how SaveUSA account balances were tracked over time.

two-thirds had dependent children, and most sample members were single tax filers.³ Many also reported having financial difficulties making ends meet.

The Study Enrollment and Random Assignment Process

As discussed in Chapter 1, the SaveUSA designers wanted to target low- and moderate-income individuals and to leverage the tax-time moment, when many low-income individuals receive a lump sum of money from their tax refund and, therefore, may be in the best position to save, in contrast with other times of the year. In the 2010 tax return preparation season, from January through April 2011, the VITA sites offering SaveUSA collectively completed tax returns for well over 30,000 low- and moderate-income tax filers.

To be eligible for the SaveUSA program, tax filers had to be at least 18 years old and had to meet income eligibility requirements (\$50,000 or less for filers with dependents and \$25,000 or less for filers without dependents).⁴ In most cities, the study's income requirement followed the VITA income requirement to receive free tax preparation services. Prospective study participants also had to anticipate at least a \$200 tax refund to meet the minimum deposit requirement for opening a SaveUSA account. This rule added a level of complexity to the enrollment process, since neither VITA staff nor prospective participants knew for certain the exact refund amount that would be recorded on the tax return and, thus, who was eligible for SaveUSA until the last stages of the tax preparation process.

Figure 2.1 illustrates the enrollment flow and research design of the SaveUSA program. VITA staff had to take several steps before study enrollment occurred.

As a first step, tax preparers filled out tax returns through the regular VITA process. Once it was determined that a tax filer was eligible for SaveUSA, the VITA staff explained the SaveUSA program, the features of the SaveUSA account, and the SaveUSA study. In New York City and Tulsa, the 50 percent chance of being randomly assigned to the Regular Tax Filers (control) group was also described. Tax filers who were interested in opening a SaveUSA account and in taking part in the SaveUSA study subsequently signed a series of informed consent forms that authorized MDRC to collect data on filers from tax returns, financial institution records, and survey responses.

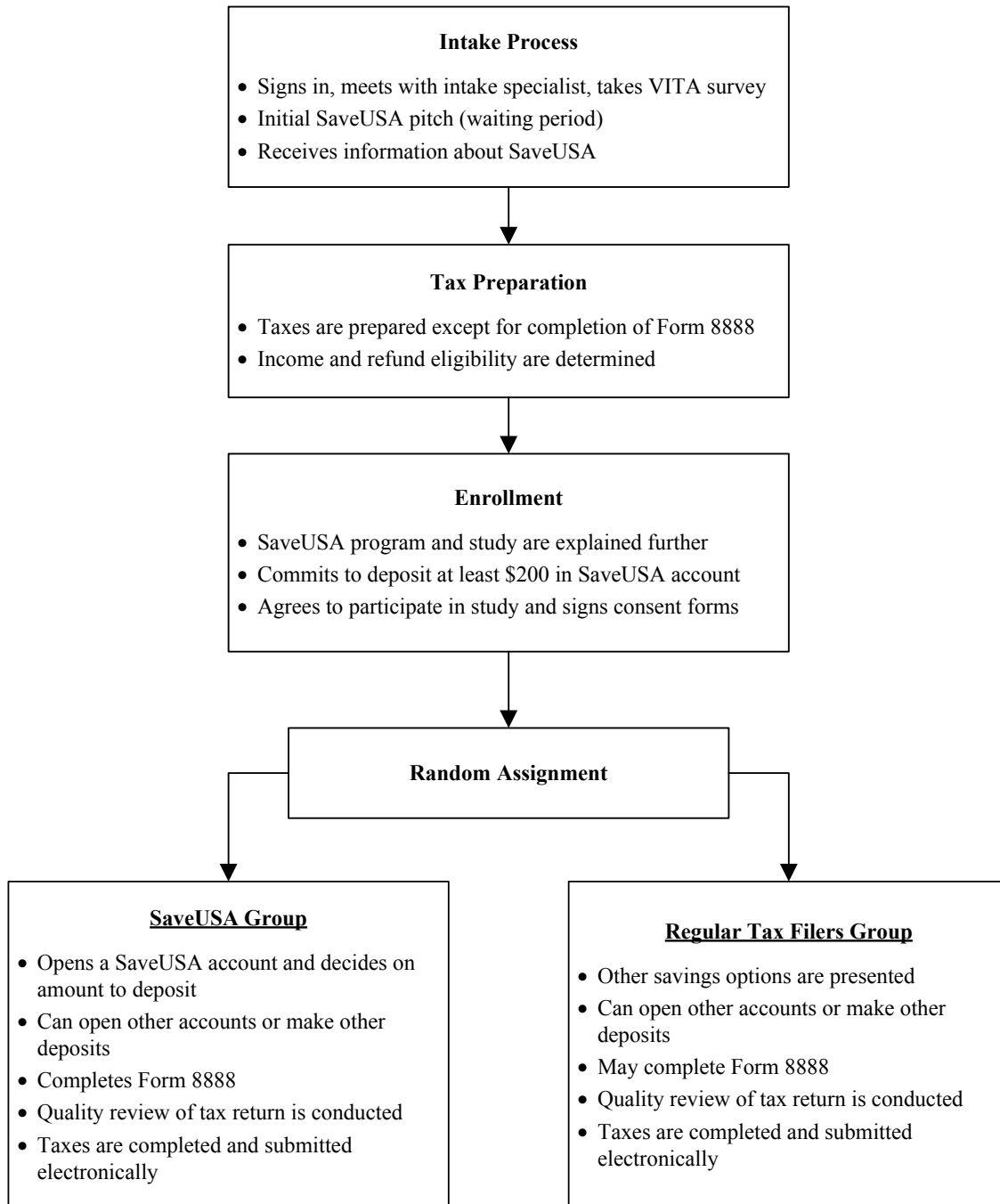
³“Single filers” include any tax filer who was unmarried or who did not file jointly with his or her spouse at study entry.

⁴To qualify for VITA services in New York City, filers without dependents (filing as single or married/jointly) needed to have an adjusted gross income of \$18,000 or less. Note that although a dependent can be a qualifying adult relative, “dependents” in this evaluation usually refers to children.

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Figure 2.1

Recruitment and Random Assignment Process



VITA staff then entered information on study participants into a database designed by MDRC to enroll individuals in the study. Immediately following data entry, tax filers in the two cities that used a randomized controlled trial (RCT) for the study — New York City and Tulsa — were randomly assigned to the SaveUSA group or to the Regular Tax Filers group. Tax filers in the two non-RCT cities — Newark and San Antonio — enrolled in the study in a similar way, except that MDRC’s random assignment application assigned every eligible and interested tax filer to the SaveUSA group. Those who were assigned to the SaveUSA group subsequently continued with the account-opening procedures, which are described in Chapter 3.

In New York City and Tulsa, Regular Tax Filers were not allowed to open a SaveUSA account, but they were offered other savings products normally offered by the VITA site. It is important to note that all Regular Tax Filers (as well as all those in the SaveUSA group) were intending to save prior to random assignment, either because that was their original goal with their tax refund or because the VITA site staff convinced them that saving some of their tax refund and participating in the program was a good idea.

As noted in Chapter 1, SaveUSA account opening occurred in 2011, 2012, and 2013. However, MDRC is tracking only the 2011 cohort in depth for research purposes. Appendix Table A.1 shows the characteristics of the cohort enrolled in each of the three years for all four cities combined, totaling 7,502 enrollees.

Characteristics of the Study Sample

Table 2.1 shows selected demographic and tax return characteristics of sample members between ages 18 and 64 at the point they entered the study.⁵ The table shows the results by city and for the full sample.⁶ At their time of study entry, the average age of enrollees was 39 years, and about three-quarters of the sample members are female. A total of 62 percent had children at study entry, and, except for in Tulsa, the majority of sample members are either black or

⁵Almost 2,500 tax filers were enrolled in the study in 2011 across all four cities. However, this report focuses on the 2,338 tax filers who were between ages 18 and 64 at the time of study enrollment. This decision was made since the characteristics (and expected savings behavior) of enrollees age 65 and older are very different from those of younger enrollees (Appendix Table A.2). For example, most of the older sample members were filers without tax dependents. Therefore, most did *not* receive the Earned Income Tax Credit. (Only 17 percent of individuals 65 and older in New York City and Tulsa received it, compared with 70 percent of individuals between ages 18 and 64 in those same two cities.) In addition, the average anticipated tax refund amount and average adjusted gross income for the older adults are much lower than for those between ages 18 and 64.

⁶The baseline characteristics for enrollees in the RCT cities were examined by research group (Appendix Table A.3) and — as expected, given random assignment — only a few small differences were found between the research groups.

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Table 2.1

Selected Baseline Characteristics of Sample Members Enrolled in 2011, by City

Characteristic	New York City	Tulsa	Newark	San Antonio	All Cities
<u>Demographic characteristic</u>					
Average age (years)	39	39	38	43	39
Age (%)					
18-24	15.0	15.2	17.8	8.1	14.2
25-34	26.9	26.1	28.1	19.1	25.4
35-44	22.5	20.9	21.6	26.1	22.5
45-59	32.5	32.2	29.2	38.5	33.0
60-64	3.1	5.6	3.2	8.1	4.7
Gender (%)					
Male	24.4	28.6	29.2	NA	26.7
Female	75.6	71.4	70.8	NA	73.3
Number of children ^a (%)					
0	39.0	35.5	39.1	NA	37.8
1	33.5	32.4	30.3	NA	32.6
2	19.9	22.0	22.2	NA	21.0
3 or more	7.6	10.1	8.4	NA	8.6
Race/ethnicity (%)					
Hispanic/Latino	39.8	9.3	31.6	NA	27.9
White	3.3	44.8	3.9	NA	17.7
Black/African-American	50.0	36.9	54.9	NA	46.3
Other	7.0	9.0	9.5	NA	8.1
Highest educational credential (%)					
GED certificate	4.6	3.2	NA	NA	3.3
High school diploma	51.5	62.5	NA	NA	59.8
Technical credential or associate's degree	10.8	26.3	NA	NA	14.4
4-year college degree or higher	16.0	2.2	NA	NA	10.9
None of the above	17.1	5.9	NA	NA	11.5
<u>Tax filing information</u>					
Number of tax filers (%)					
1	92.4	84.1	92.4	80.6	88.0
2	7.6	15.9	7.6	19.4	12.0

(continued)

Table 2.1 (continued)

Characteristic	New York City	Tulsa	Newark	San Antonio	All Cities
Tax filing status (%)					
Single filer without children	36.6	30.2	32.7	24.2	32.0
Single filer with children	55.9	54.0	59.6	56.5	56.0
Joint filer without children	0.8	3.2	1.2	3.1	1.9
Joint filer with children	6.8	12.7	6.4	16.3	10.1
Average adjusted gross income (\$)	16,353	18,497	18,659	20,504	18,034
Adjusted gross income amount (%)					
\$0 - \$9,999	30.5	26.1	22.2	18.4	25.9
\$10,000 - \$19,999	39.2	32.5	36.5	32.8	35.8
\$20,000 or more	30.3	41.4	41.2	48.8	38.3
Average total tax refund amount (\$)	4,198	3,646	3,862	3,637	3,894
Average federal tax refund (\$)	3,076	3,289	3,432	3,637	3,288
Average state and city tax refund ^b (\$)	1,122	357	429	0	606
Received federal Earned Income Tax Credit (%)	68.9	72.3	67.3	67.5	69.4
Among those who received the EITC, average amount ^c (\$)	2,162	2,179	2,231	2,548	2,244
Month of study entry (%)					
January 2011	7.3	16.9	12.3	7.2	10.7
February 2011	40.5	35.8	37.7	40.4	38.8
March 2011	31.5	33.4	36.3	30.9	32.6
April 2011	20.8	13.9	13.7	21.5	18.0
Sample size	922	656	342	418	2,338

SOURCES: MDRC calculations from MDRC baseline data, VITA survey data, 2010 tax return records, and responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: Indicators of respondent's gender, number of children, race/ethnicity, and highest educational credential were recorded from responses to the 18-Month Follow-Up Survey for respondents with missing data at baseline. The 18-month survey responses for these indicators are available only for participants from New York City and Tulsa.

The sample includes SaveUSA group members who were ages 18 to 64 at their time of study entry.

Demographic characteristics data were collected for one tax filer when couples filed jointly.

Rounding may cause slight discrepancies in calculating sums.

Sample sizes for specific measures may vary because of missing values.

No statistical significance tests were performed on differences across the cities.

"NA" refers to data that are "not available."

^aThis refers to the number of dependents claimed in 2010 tax return records.

^bOnly New York City has a city income tax. Texas does not have a state income tax.

^cThe maximum possible Earned Income Tax Credit was \$5,666 in tax year 2010.

Hispanic. As shown, the majority had at least a high school diploma or a General Educational Development (GED) certificate.⁷ Only 12 percent did not have any education credential, and an almost equal percentage had a 4-year college degree or higher credential.

The vast majority (88 percent) of enrollees were single tax filers. Over half of all enrollees (56 percent) were single tax filers with at least one tax dependent, and the majority (69 percent) received the federal Earned Income Tax Credit (EITC).

As expected, all study participants reported receiving low or moderate levels of income. The average enrollee reported an adjusted gross income of \$18,034 on the federal tax return.⁸ About a quarter of the sample (26 percent) had an income of less than \$10,000, and 38 percent had an income of \$20,000 or more.⁹ The average tax refund anticipated to be received in 2011 was \$3,894.

The majority of enrollees were “banked,” meaning that they already had a checking or savings account. Evidence for this finding derives from tax return data collected in Tulsa and New York City that show that, among Regular Tax Filers, 85 percent in Tulsa and 69 percent in New York City directed their refunds into a checking or savings account (shown in Chapter 7, Table 7.2). These percentages are higher than what has been found among the general population at similar income levels. For example, the proportion of households “fully banked” ranges from about 48 percent for households with annual income under \$15,000; to 60 percent for households with annual incomes between \$15,000 and \$30,000; and to about 69 percent for households with annual incomes between \$30,000 and \$50,000.¹⁰

As noted above, all individuals who enrolled in the study had volunteered; thus, they were all interested in saving. Therefore, it is not surprising that many of the individuals in the sample appear to have been saving before study enrollment. According to VITA survey data, 61 percent of the Newark sample had savings at the time of study enrollment, and 47 percent of the Tulsa sample were planning to use part of their tax refund for savings (not shown).¹¹ These results also suggest that SaveUSA may have induced some individuals who were *not* planning to save their tax refund to open a SaveUSA account.

⁷Data for educational attainment are available for only New York City and Tulsa.

⁸“Adjusted gross income” is defined as gross income minus adjustments to income. Adjustments include but are not limited to deductions for student loans and contributions to individual retirement accounts (IRAs). If there are no deductions, then adjusted gross income is the same as total income.

⁹According to the Census Bureau in 2011, the average household income received by the lowest quintile (where households are ranked by income) was \$11, 239.

¹⁰“Fully banked” households are those that have a bank account of any kind and have not recently relied on any Alternative Financial Services, including nonbank check-cashing places, payday loans, and nonbank money orders (Federal Deposit Insurance Corporation, 2012).

¹¹Comparable data for enrollees in New York and San Antonio are not available.

Although many SaveUSA study sample members may have been predisposed to save, SaveUSA sample members still faced significant barriers to saving: Over half of them were single tax filers with at least one dependent, and their average income was about \$18,000. Furthermore, as indicated by data available in only certain cities, 27 percent of the Tulsa and Newark sample reported not having enough money to make ends meet (not shown), and about half the New York City sample and the majority of the Tulsa and Newark sample reported having debt (not shown). Over half the sample from Tulsa who reported having debt noted a debt amount of \$3,000 or more (not shown).

SaveUSA Study Take-Up Rate

SaveUSA was a voluntary program, so anyone who was eligible for and interested in opening a SaveUSA account could enroll. Across all four cities, between 6 percent and 13 percent of eligible tax filers expressed interest in opening a SaveUSA account and enrolled in the study in 2011. These take-up rates are comparable to (and, in some cases, higher than) the take-up rates found in other, similar tax-time asset-building studies. For example, the \$aveNYC take-up rates ranged from 6 percent to 10 percent during program operating years 2008, 2009, and 2010. The savings bond participation rates reported in several studies done by the Doorway to Dreams (D2D) Fund ranged from 5 percent to 9 percent, following extensive marketing campaigns.¹²

To shed some light on why the majority of individuals who were eligible for SaveUSA did not take up the program, MDRC conducted two analyses. The first analysis compared study enrollees' characteristics with the characteristics of individuals who were eligible for the SaveUSA study but declined to enroll. The second analysis examined the responses to a nonparticipant survey of individuals who declined to participate in SaveUSA on the day that they completed their tax return at the VITA sites.

The first analysis — a comparison of available characteristics data of study participants and of nonenrollees — suggests that enrollees were more likely to be female and to have dependent children, making them more likely to receive the EITC than nonenrollees. Although both groups had low or moderate incomes from employment or other sources (Appendix Table A.5), enrollees were better positioned to save than nonenrollees because they had more resources available for savings: They reported somewhat higher average adjusted gross incomes and had larger tax refunds. (Other factors that may have influenced individuals' enrollment decisions are discussed in Chapter 3.)

¹²New York City Department of Consumer Affairs (2010); Doorways to Dreams Fund (2009, 2011, 2012); Bronchetti, Dee, Huffman, and Magenheim (2011).

The second analysis examined data collected over several days during the middle of tax season. On these days, MDRC asked SaveUSA staff to administer an informal survey to tax filers who were eligible to sign up for SaveUSA but declined to do so.¹³ This helped the project team to better understand the factors that influenced individuals' decisions about enrolling in SaveUSA, and it helped the VITA sites to refine their marketing and recruitment efforts. Among the filers who appeared to be eligible and gave reasons for why they were not interested in SaveUSA, most who declined to enroll indicated that they had already earmarked all their anticipated refunds to spend on bills or pay off debts. An additional, smaller group reported that they were not interested in saving or that they already had savings accounts and did not want to open an additional account. A small number reported that they did not trust banks in general or that they did not like the particular financial institution that was offering the SaveUSA account.¹⁴ These findings are consistent with past studies.¹⁵

Conclusion

Despite the many challenges of weaving SaveUSA enrollment and study procedures into the already-busy VITA operations, all four cities were successful in enrolling a large number of their tax filers in the study in a very short period — about 3 months. The VITA organizations were able to achieve a take-up rate comparable to, or slightly higher than, the rates of similar tax-time initiatives. Study participants and nonenrollees had low or moderate incomes, but, on average, enrollees had somewhat higher incomes and received larger tax refunds. Furthermore, the individuals who enrolled in the study were interested in saving, and many of them were already saving before enrollment in SaveUSA.

¹³Across the four cities, about 700 VITA tax filers were asked in this informal survey why they were not interested in SaveUSA.

¹⁴Very few individuals mentioned either the study enrollment procedures or the random assignment process as a reason that they did not want to sign up for SaveUSA.

¹⁵Mendenhall et al. (2010); Smeeding (2000); Bronchetti, Dee, Huffman, and Magenheim (2011).

Chapter 3

Implementing SaveUSA

Participants were recruited for the primary SaveUSA research sample during the 2010 tax preparation season, held between January and April 2011. Chapter 3 focuses on how the program was implemented in 2011, describing how tax filers were recruited into SaveUSA, how they opened SaveUSA accounts and made their initial savings deposits, how their accounts were tracked over time to determine whether they earned match payments, and how these match payments were deposited into their accounts. The chapter also describes the role played by each partner organization that helped operate SaveUSA.

Operating Partners and Their Roles

SaveUSA implementation was led by organizations that operate Volunteer Income Tax Assistance (VITA) programs, which provide free tax preparation to income-eligible filers. These organizations managed SaveUSA with assistance from participating financial institutions, MDRC, and the New York City Office of Financial Empowerment (OFE).

VITA Operators

As described in Chapter 2, SaveUSA enrollment was integrated into existing VITA tax preparation services. The SaveUSA recruitment and enrollment process included marketing the SaveUSA opportunity to tax filers who had come to file taxes at the VITA sites; screening to see whether interested filers were eligible to participate in SaveUSA; enrolling eligible filers into the study; coordinating the opening of SaveUSA savings accounts; and designating, on each SaveUSA enrollee's tax return form, a SaveUSA deposit amount to be placed into their account. VITA program operators performed these functions, concurrently with the preparation of SaveUSA enrollees' tax returns. During and after the tax season, the VITA operators also provided customer service to participants who had questions about their SaveUSA deposits or their subsequent savings match payments.¹

The SaveUSA VITA operators prepared tax returns for a high volume of customers, of whom SaveUSA participants were a small portion. Like other VITA programs nationwide, SaveUSA operators provided their tax preparation services at public and nonprofit host sites and

¹SaveUSA cities and lead agencies were selected by the Mayor's Fund for the City of New York and the Center for Economic Opportunity (CEO), through a competitive grant process in which nonprofit organizations submitted proposals to operate SaveUSA.

other convenient community-based locations, typically during weekday, evening, and weekend hours to accommodate the varied schedules of working tax filers. In 2011, about 28,000 of the filers at SaveUSA VITA sites were eligible to enroll in the SaveUSA study, and, of these, nearly 2,500 did enroll.

In Tulsa and Newark, SaveUSA was staffed by a single agency in each city; in New York and San Antonio, a lead agency collaborated with one or more community partners. Table 3.1 shows the SaveUSA site locations, lead agencies, and local partner organizations in each city. In addition to tax preparation, many VITA sites also offered other services, such as financial counseling or screening for eligibility for the federal Supplemental Nutrition Assistance Program (SNAP).² Similarly, SaveUSA was offered as a supplemental program to tax customers. However, unlike many other such supplemental services, VITA operators delivered SaveUSA as (an optional) *part of* the tax preparation process itself.

Financial Institutions

Each lead VITA agency worked with one or more financial institutions that offered SaveUSA savings accounts. These included two national banks, one regional bank, two community banks, and one community credit union. (See Box 1.1 in Chapter 1.) The financial institutions facilitated the opening of SaveUSA accounts and furnished account numbers that were entered on participants' tax returns.

The designers of SaveUSA intended that the accounts would be free of monthly service fees; would offer customers limited access, to discourage early withdrawals; and would be available even to customers with problematic banking histories. The account terms were intended to make it likely that participants would leave their funds in their accounts until they earned the SaveUSA match payment, and the terms discouraged use of the accounts for other types of banking transactions that might incur fees, such as automatic overdraft transfers, wire transfers, and withdrawals via automated teller machines (ATMs) — all of which could inadvertently drop a participant's balance below the minimum required to receive the match. With some exceptions, SaveUSA financial institutions were able to offer and maintain these terms.³

After the tax season, the financial institutions provided quarterly statements to account holders. They also periodically provided individual account activity data to MDRC, which analyzed the data and calculated eligibility for, and the amounts of, the SaveUSA match

²SNAP replaced the Food Stamp Program in 2008.

³Some financial institutions did provide ATM or online account access when participants requested such access after opening their accounts. Also, as discussed in Appendix E, in some cases financial institutions did allow customers to conduct types of transactions that were not originally intended to be feasible using SaveUSA accounts — for example, automatic overdraft transfers to linked checking accounts.

The SaveUSA Evaluation

Table 3.1

SaveUSA Sites in 2011

City	Number of Sites	Lead Agency	VITA Site Hosts and Locations	Financial Institution Partners
New York City	5	Food Bank For New York City	Ariva, South Bronx BronxWorks Morris Senior Center, South Bronx St. Mark's AME Church, Jackson Heights, Queens Capital One Bank branch, Downtown Brooklyn Carver Financial Literacy Center, Harlem	Spring Bank (formerly CheckSpring) Spring Bank Spring Bank Capital One Carver Federal Savings Bank
Tulsa	3	CAP Tulsa (formerly Community Action Project of Tulsa)	CAP headquarters, Southeast Tulsa Bank of Oklahoma branch, North Tulsa McClure Early Childhood Center, South Tulsa	Bank of Oklahoma Bank of Oklahoma Bank of Oklahoma
San Antonio	4	United Way of San Antonio and Bexar County	ACTN @ Claude Black Community Center, East Side Guadalupe Community Center, West Side The Neighborhood Place, West Side YWCA, West Side	Select Federal Credit Union Select Federal Credit Union Citibank Citibank
Newark	4	Newark Now	Essex County College, Central Newark Financial Empowerment Center, North Central Newark Newark City Hall South Ward	Spring Bank Spring Bank Spring Bank Spring Bank

NOTES: In Newark, the South Ward site was replaced with the Essex Community College site in late February 2011.

In New York City, the BronxWorks site was added in March 2011.

In 2012 and 2013, additional sites were added or dropped. In total, 18 VITA sites offered SaveUSA in 2011, 2012, and/or 2013.

Not included in this table are Transfiguration of Christ Church (New York City, 2012 and 2013) and St. Philips College (San Antonio, 2013).

payments. Participants who left their pledged savings deposits untouched for about one year earned the 50 percent match payment, which was directly deposited into their SaveUSA accounts, using a process described in more detail below.

Other Operating Partners

In all cities, the New York City Office of Financial Empowerment and MDRC helped to train SaveUSA staff, and they provided SaveUSA managers with technical assistance regarding marketing and day-to-day operations.

SaveUSA Recruitment

SaveUSA was marketed using a combination of publicity before and during tax filing season, direct outreach to VITA operators' existing customers and customers of nonprofit partner organizations, and on-site recruitment. All four sites in the study — New York City, Tulsa, Newark, and San Antonio — prepared and distributed flyers and posters that highlighted the 50 percent SaveUSA match opportunity and, in some sites, examples of how savings and the match could be used. Press releases and Web announcements were used to generate local newspaper and television news coverage. In Tulsa and New York City, the SaveUSA operators sent mailings to past VITA customers to make them aware of the program. In San Antonio, SaveUSA marketing was also incorporated into neighborhood-based door-knocking efforts to encourage residents to use VITA and other services.

Despite wider promotional efforts, many tax customers heard about SaveUSA for the first time when they arrived at a VITA site to prepare their tax returns. SaveUSA flyers and handouts listing “frequently asked questions” were distributed to each filer as part of the VITA intake process. On-site recruitment was then conducted primarily by dedicated SaveUSA staff — called “asset specialists” — who worked in the VITA sites. While filers waited for their taxes to be prepared, these staff members made announcements about SaveUSA in customer waiting areas and then approached individual filers to explain the program in more detail and to ask whether the filers were interested in it. Tax preparers and on-site bankers from financial institutions played secondary recruitment roles, asking filers whether they had heard about SaveUSA and directing interested filers to speak with the asset specialists. The asset specialists also described other types of (non-SaveUSA) bank accounts and savings bonds that were normally offered on-site to all VITA tax filers, including to both the SaveUSA (program) group and the Regular Tax Filers (control) group.⁴

⁴In some sites, asset specialists also spoke with tax filers about other financial programs and services offered by the VITA operators, such as financial counseling and assistance applying for public benefits.

As the tax season progressed, most of the SaveUSA VITA sites changed their recruitment strategy to more formally incorporate a discussion of SaveUSA into the flow of normal VITA intake. Many sites were able to establish a SaveUSA “station” (a table or desk, if space permitted), where asset specialists would base their work. Immediately following VITA intake, tax customers were directed to visit these stations, where the asset specialists met briefly with each filer, encouraged filers to save part or all of their tax refunds, and reviewed all the savings opportunities offered at the VITA site, including SaveUSA.

Although the underlying intent of the SaveUSA program was to help participants to save for emergencies, the marketing of the program blended this precautionary message — aimed at preventing something bad from happening or at covering an unexpected expense, such as a dental emergency or car repairs — with additional, positive-toned messages about ways in which the saved funds could be used for discretionary spending (if, that is, the funds were not needed in the future for an emergency).⁵ In this vein, asset specialists also asked potential participants to think of examples of specific goals for which they might save — such as a vacation, children’s school supplies or uniforms, or a major purchase. Sometimes the asset specialists suggested examples that aligned with those to which past customers had seemed most responsive or examples that they thought would resonate within a particular community, such as using the money for a security deposit on a new apartment (New York City) or to host a quinceañera to celebrate a daughter’s fifteenth birthday (San Antonio).

Enrolling in the SaveUSA Study and the SaveUSA Program

In addition to marketing SaveUSA, asset specialists were responsible for screening tax filers for program eligibility, explaining the study, obtaining informed consent from enrollees, collecting data on their tax filing characteristics, enrolling participants using an online tool provided by MDRC, and performing random assignment in New York City and Tulsa. The asset specialists also answered questions that filers might have about the SaveUSA study or about whether SaveUSA match payments would be taxable or about how SaveUSA savings and match dollars might affect eligibility for public benefits.⁶

⁵As part of the SaveUSA survey, conducted about 18 months after enrollment, participants were asked what they were saving for. Among SaveUSA (program) group members, the most common reasons for saving included for emergencies, for education, or for a big purchase (Appendix Table D.4). Other findings from the survey are discussed in Chapters 5 and 6.

⁶If they asked about the potential effect of the program on public benefits, participants were provided with general information about the types of public benefits for which eligibility could be affected by SaveUSA deposits and/or match payments. Depending on the benefit program, eligibility could be affected by “asset limits” (based, in part, on the amount of funds held in a bank account) or by “income limits” (based, in part, on the SaveUSA match payment). In most cases, federal and state regulations exempted SaveUSA deposits and
(continued)

For all participants in Newark and San Antonio, and for those who were randomly assigned to the SaveUSA group in New York City and Tulsa, the asset specialists also worked with financial institution bankers to open SaveUSA accounts. They then worked with VITA tax preparers to arrange for savings deposits to be made directly from the filers' federal or state tax refunds. In each city, the lead agency designated a research coordinator who helped ensure that enrollment procedures were implemented consistently.⁷

Integrating SaveUSA into Tax Preparation

The SaveUSA enrollment process at the VITA sites was divided into several steps described below, which were completed intermittently, alongside tax preparation activities for each participant.

Screening

Eligibility screening for SaveUSA was conducted in two discrete steps within the tax preparation process. SaveUSA income eligibility could usually be ascertained immediately after VITA intake. However, a tax filer's refund amount could not be estimated until after a preparer completed the main portion of the filer's return. Only at that point in the tax preparation process would a filer learn whether the anticipated tax refund would be at least \$200 — the minimum SaveUSA pledge. Therefore, filers who were interested in the program had to pause their tax preparation process to enroll in SaveUSA.

Study Enrollment

As described in Chapter 2, this step included completing an informed consent process (including consent for account tracking); providing some basic personal information and tax filing information to be used in the study; and, in New York City and Tulsa, random assignment into the SaveUSA (program) group or the Regular Tax Filers (control) group.

Opening an Account

Once filers enrolled in the study, the next step for those assigned to the program group was to open a SaveUSA account and obtain an account number — which would be needed before finalizing their tax return. Account-opening procedures varied by financial institution.

match payments from both types of eligibility limits. One human services agency, in New York, confirmed these rules in writing for SaveUSA. However, in all four cities, participants were encouraged to check with their benefit managers if they needed confirmation that participation in SaveUSA would not jeopardize their eligibility for a particular benefit or program.

⁷In the second and third years of the program, a SaveUSA hotline, staffed by MDRC, was added to help answer customers' questions about the program and the study.

One bank used a certificate of deposit (CD) product for SaveUSA accounts. These accounts could be opened online, with assistance only from an asset specialist. However, most SaveUSA financial institutions required a banker to meet with each SaveUSA enrollee in order to conduct federally regulated “Know Your Customer” due diligence (that is, confirming the identity of the customer by meeting him or her), perform a brief banking-history check, and complete the process of opening a savings account.⁸ Bankers in some sites were stationed at the VITA sites during most operating hours, while bankers in other sites were available to appear on call or could meet at nearby branches; three sites were located next door to a partnering bank. In sites where bankers were not available to meet in person (or after banking hours), SaveUSA account opening typically could be initiated by telephone, on the condition that the customer would later visit a financial institution branch to meet a banker and thereby complete the account activation process. In rare cases, filers who were interested in SaveUSA postponed their tax preparation and returned to the VITA site at another day or time, when a banker would be present.

Designating a Savings Pledge

Once an account had been opened and an account number assigned by the financial institution, the filer could then finish the tax preparation process. The final step in SaveUSA enrollment was for the filer to decide on a pledge amount and then to designate this amount as the portion of the tax refund to be directly deposited into a SaveUSA account. The asset specialist gave the filer a written summary of the program rules and the filer’s pledge amount. Then the tax preparer entered the SaveUSA account number and bank routing number on the tax form, in the place on the form where filers indicate the destination where they wish their tax refunds to be sent.

So long as the SaveUSA pledge met or exceeded the \$200 minimum, a filer could choose to pledge to save any proportion of the tax refund, up to the \$1,000 maximum matchable pledge. As discussed above, many VITA filers already had plans for spending their refunds when they first heard about SaveUSA. For this reason, asset specialists and tax preparers generally did not recommend particular pledge amounts to filers who had particular refund amounts or to those whose incomes fell within certain brackets. Rather, they asked filers to estimate the portion of their refunds that they could set aside and successfully leave untouched for a year. If a filer did not wish to deposit the entire federal refund into a SaveUSA account, the tax preparer completed IRS Form 8888, which allowed the filer to split the refund into more

⁸SaveUSA financial institutions usually used a lenient set of guidelines when reviewing SaveUSA enrollees’ banking histories. This is discussed further below.

than one deposit destination (for example, putting \$400 of the refund in a SaveUSA account and the remainder in an existing checking account).^{9,10}

In total, for those who were randomly assigned to the SaveUSA program group, completing SaveUSA enrollment added about 25 minutes to the VITA tax preparation process (which, without SaveUSA, typically took about one hour but could extend to two hours or more, depending on how long filers waited to meet with VITA tax preparers).¹¹ SaveUSA enrollment time was slightly less than 25 minutes on occasions when a given filer was able to complete some of the SaveUSA steps (such as screening for bank-account eligibility) during times that would otherwise be idle, such as while waiting to meet with a tax preparer. Conversely, SaveUSA enrollment could require *longer* than 25 minutes if any SaveUSA steps required waiting to meet with an asset specialist or a banker or waiting to resume tax preparation after enrolling in SaveUSA. Drop-off — that is, when filers failed to complete each of the SaveUSA enrollment steps — sometimes occurred in cases where potential participants were unwilling to wait to complete a given step of the enrollment process.¹²

Operational Factors Affecting Enrollment

Overall, about 9 percent of tax filers who were eligible for SaveUSA chose to sign up. In addition to the factors explored in Chapter 2, there were differences among site characteristics and staffing, types of marketing, and enrollment flow design that may have influenced tax filers' willingness and ability to enroll in SaveUSA. Recruitment and enrollment procedures varied by VITA site, as did the number of SaveUSA staff and the extent to which tax preparers and financial institutions were involved in marketing the program.

⁹Filers were encouraged to list their SaveUSA deposits first (rather than second) on this form, so that the pledged deposit would be minimally affected in case the Internal Revenue Service later reduced the tax refund amount issued to the filer. This could happen if the IRS corrected the tax return or withheld part of the refund for unpaid child support, student loans in default, or taxes owed from prior years.

¹⁰State tax refunds could be deposited into SaveUSA accounts but could not be split into more than one destination.

¹¹Enrollment steps that were needed exclusively for the SaveUSA study (not for the SaveUSA program) accounted for about 5 to 10 minutes of the 25-minute enrollment time. Even had there been no study, program operators would still have had several enrollment steps to complete: determining the tax refund amount, opening an account, documenting permission to track the account, and designating the deposit amount on the tax return.

¹²Usually drop-off occurred before study enrollment, but it also could occur after enrollment. This helps explain why some SaveUSA group members did not complete the account-opening and refund-deposit steps. Occasionally, SaveUSA program group members discovered after study enrollment that they were unable to open an account because of their prior banking history. Bankers and SaveUSA staff attempted to prevent this problem by prescreening interested tax filers to make sure that they would be able to open a SaveUSA account.

Staffing and Customer Flow

Asset specialists were hired to work on the project as temporary staff. Most came with backgrounds in sales or social services; few had backgrounds in banking or money management.¹³ Although all SaveUSA staff members were trained in similar recruitment techniques, they adapted their marketing methods to suit their own skills — and the characteristics of their VITA sites and their customer base.

The asset specialists who recruited the highest numbers of SaveUSA enrollees seemed to divide their time effectively between having focused, one-on-one customer interactions and being able to rotate their attention among multiple prospective enrollees who were progressing through the tax preparation and SaveUSA enrollment steps. At most times, VITA sites had enough SaveUSA staff to respond to all interested filers. However, because SaveUSA recruitment and enrollment were conducted within an often-busy service-delivery setting, asset specialists reported that they were most effective working in teams of two or three or in collaboration with other staff on-site. Most VITA tax customers had a limited amount of time to learn about the program and the study and to decide whether to participate. Some interested filers were unwilling to spend the extra time required to enroll in SaveUSA, while others forgot to complete the process when asset specialists were unable to follow up with multiple customers simultaneously during peak VITA hours. Site managers reported greater enrollment rates when other VITA staff and volunteers were also enthusiastic and assertive in talking with filers about SaveUSA.¹⁴

Having a banker on-site — rather than off-site or on call — made it easiest for participants to enroll. With a banker available at the tax site, potential participants were able to ask questions that they had for the bankers, and enrollees were able to complete the entire account-opening process at the VITA site, on the same day that they enrolled in SaveUSA and filed their taxes. Also, importantly, many filers who were interested in SaveUSA could check with an on-site banker, even before enrolling in the SaveUSA study, to learn whether they would be able to open an account. All participating financial institutions had agreed to be lenient on their bank-

¹³Because asset specialist positions were temporary and because many of the specialists worked part time, staff turnover during the tax season was a challenge in all SaveUSA sites. Replacement staff had to be hired and trained quickly, and some potential participants were missed during staffing transitions.

¹⁴Some VITA tax preparers were paid staff, while others were part-time or full-time volunteers. (Full-time AmeriCorps volunteers were important during part of the Tulsa tax season.) Paid staff and full-time volunteers may have contributed more reliably to SaveUSA recruitment because they were more frequently exposed to the program and because they may have been more receptive to VITA managers' requests to promote SaveUSA as an "extra" program added to core VITA services. Managers in Tulsa reported that some longstanding volunteers were reluctant to become familiar with, and promote, the new program; they preferred to focus on tax preparation. Managers reported one instance of a tax preparer who recommended that filers *not* participate in SaveUSA if they owed credit card balances or other high-interest debt.

ing-history reviews for SaveUSA enrollees.¹⁵ For example, some banks agreed to open SaveUSA accounts even for customers who owed money to other banks (that is, due to overdrawn and closed checking accounts). Nevertheless, some VITA customers were unable to enroll in SaveUSA because they could not qualify to open a bank account with the participating financial institution, even under these lenient requirements. This group appears to have been largest in Tulsa, where VITA managers reported that about 11 percent of filers who were otherwise eligible for SaveUSA did not qualify to open an account and, thus, did not enroll in the study.¹⁶ On-site bankers often were able to take the time to perform qualification checks and then let filers know, before SaveUSA enrollment, whether they would qualify for an account. This prescreening approach helped to minimize wasted time on the part of SaveUSA enrollees and staff as well as the number of SaveUSA group members who discovered, after enrollment, that they would not be able to open an account and participate.

On-Site and Word-of-Mouth Marketing

The configuration of VITA sites — and the path followed by their customers to complete the tax preparation process — may also have affected SaveUSA sign-up rates. Asset specialists preferred to work from a designated station at which they could meet with an interested filer while remaining in visual contact with the rest of VITA operations. As discussed above, partway through the tax season, many sites modified their VITA service flow to integrate SaveUSA as a more routine, consistent step in the tax preparation process. After making this change, asset specialists reported that it lent the program greater legitimacy and made it easier to engage filers and ask them to consider enrolling in SaveUSA.

Some sites prominently posted the numbers of tax filers who had already enrolled, in hopes of generating interest among new filers. Also, based on comments by tax customers, site managers reported that word-of-mouth information about SaveUSA — both within the tax sites and in the community — grew over the course of the tax season and seemed to contribute increasingly to enrollment as the tax season progressed.¹⁷

¹⁵Most financial institutions checked applicants' banking histories using the proprietary ChexSystems service or a similar electronic database. These databases recorded past negative account activity, such as bouncing checks, overdrawing an account, or using an account for fraud. All SaveUSA financial institutions rejected applicants who had a documented past case of banking fraud.

¹⁶Many such applicants were identified before enrolling in the SaveUSA study. However, as discussed in Chapter 4, some SaveUSA group members were never able to open a SaveUSA account because of banking-history issues that surfaced after SaveUSA enrollment or because they did not complete the account-opening process. This was more of a problem in Tulsa and New York City, where banking history often was not checked until after a participant was randomly assigned to the SaveUSA group.

¹⁷SaveUSA staff indicated that, later in the tax season, it was more common for filers to mention that they had heard about the program from a friend or family member. In subsequent tax seasons, participant testimony

(continued)

Based on sign-up rates observed during the initial weeks of enrollment, and on the volume and types of customers observed in SaveUSA and non-SaveUSA VITA sites, the SaveUSA managers added two new sites midseason: one was a high-volume neighborhood VITA site in New York City, and a second one was housed on the campus of a community college in Newark. Meanwhile, SaveUSA recruitment was ended early in one Newark neighborhood site, due to low sign-up rates there.

Post-Tax-Season Implementation

By design, SaveUSA staff had only limited contact with participants following their SaveUSA enrollment at VITA sites.

The SaveUSA operators, however, contacted a small number of participants whose accounts were opened but not funded by the IRS or state revenue department.¹⁸ Some refunds inadvertently had been issued as paper checks rather than direct deposits into the SaveUSA accounts. Other refunds were reduced because of IRS or state adjustments in the calculation of the refund or because of partial capture of refunds.¹⁹ This sometimes meant that the actual SaveUSA deposit was less than the amount that the filer had pledged to deposit. Participants in these situations were extended a time-limited opportunity to visit their SaveUSA financial institutions to deposit their pledged funds, up to the amount that they had pledged or the amount of their actual refund (whichever was lower). For tracking and match calculation purposes, the initial deposit amount was established as the lower of (1) the pledge amount that the participant specified when enrolling in SaveUSA or (2) the actual initial deposit amount as reflected in the SaveUSA financial institution's account records. In this way, participants would not be penalized if the initial deposit was reduced below the pledged amount because of an IRS or state refund adjustment to the tax refund amount. Under such circumstances, participants were allowed to earn a match on the actual deposit amount, even if the deposit was lower than the \$200 minimum SaveUSA pledge.

Some participants also came forward on their own, before the match payment date on February 1 of the following year, either to resolve problems with their initial deposits or to ask questions or check on whether exceptions could be made to the program rules about withdrawing their pledged funds prior to February. It may be that because SaveUSA enrollment was

als were also incorporated into outreach materials, and word of mouth was cited as an increasingly valuable help to outreach efforts.

¹⁸MDRC provided this information to SaveUSA staff.

¹⁹This could happen if the IRS withheld part of the refund for unpaid child support, student loans in default, or taxes owed from prior years.

completed rather quickly in a sometimes-hectic VITA setting, some participants did not initially fully understand how the program worked. This issue is discussed further in Chapter 4.

The SaveUSA model did not incorporate additional financial advising or reminders to participants, beyond reminders in late 2011 to encourage the SaveUSA group members to return to a VITA site and participate again in 2012 (and similar reminders in late 2012 to participate again in 2013). Rather, the program model relied primarily on the influence of the match incentive to encourage participants to leave their initial SaveUSA deposits untouched.

Maintenance of the Pledged Savings

SaveUSA program rules were structured similarly to a traditional certificate of deposit — in which interest (in place of a savings match) is paid only after a designated number of months. When participants enrolled in SaveUSA, asset specialists emphasized that the accounts should not be used for frequent transactions, though, in practice, most participants could deposit and withdraw money in and out of their accounts just as with traditional savings accounts.

For example, participants could deposit more money than the maximum \$1,000 SaveUSA pledge amount, either to establish a buffer to help protect their pledged balance or just for convenience (depositing all of their tax refund into one account, rather than splitting it). This practice was not encouraged, however, because it would mean that participants needed to carefully calculate their consequential balances if they moved money into or out of their SaveUSA accounts. A miscalculation could result in the account balance falling below the pledged amount, making the participant ineligible for the match.²⁰

Many SaveUSA accounts, like other bank savings accounts, were subject to a limit of six withdrawals per statement period; this guideline has been set by federal bank regulators. Exceeding this limit meant that the account could be subject to fees and eventual closure by the financial institution.²¹

²⁰Another deviation from SaveUSA's intended program rules affected a small number of participants in early fall 2011, when two SaveUSA financial institutions began to offer secured loans to a small number of program participants, using SaveUSA account funds as a guarantee. Although secured loans can be a legitimate credit-building strategy for consumers who have no or poor credit histories, SaveUSA project managers required the practice to be ended because it was inconsistent with the intent of SaveUSA's program rules.

²¹Guidelines restricting the number of withdrawals have been set by the Board of Governors of the Federal Reserve System in a rule known as Regulation D (Reserve Requirements of Depository Institutions). Spring Bank was the only financial institution that used a CD product (instead of a savings account product) for SaveUSA. Spring Bank staff, echoing the guidance of SaveUSA asset specialists, usually steered participants to an all-or-nothing approach to managing their balances, that is, either retaining the entire initial balance or withdrawing the entire balance and closing the account.

Chapter 4 describes various patterns of SaveUSA account activity, including patterns that were consistent with SaveUSA program rules as well as those that were not.

Account Balance Tracking

Using account data provided to MDRC by SaveUSA financial institutions, account activity was tracked, and eligibility for match payment was calculated. Consent forms signed by participants gave permission to release account data for match calculation and for analysis as part of the SaveUSA research study. When accounts were opened, financial institutions attempted to flag or mark each SaveUSA account, to facilitate later extracting and transfer of account data to MDRC for tracking. Files were given to MDRC periodically beginning in mid-May 2011 and continuing throughout the study's follow-up period.²²

Financial institutions' data systems were not equipped to facilitate calculation of the savings match. Although these systems were capable of monitoring account transactions and balances on a monthly or quarterly basis, they did not make it easy for financial institutions to extract, summarize, and report on such information to outside entities such as MDRC or to adjust maintained-balance calculations to disregard fees. Account data files were sometimes shared in a "snapshot" format that required additional calculations to be made in order to infer whether account balances were otherwise maintained. Extracting the account data often required considerable work on the part of financial institution staff, over and above what they would normally do to manage day-to-day account business and generate account statements for customers. Appendix E provides additional details about the process that was used to track account data and calculate match payments. This information may be useful for future replication of SaveUSA, if account tracking is structured in a similar way.

Delivery of Match Payments

Preliminary lists of the match payments were prepared by MDRC and sent to program lead (VITA) organizations and financial institutions in November and December 2011. Then, in January 2012, MDRC prepared the final lists of accounts that were eligible to receive a savings match and indicated the dollar amount of each match. The SaveUSA VITA program lead organizations in each city made the first annual match payments on or before February 1, 2012. These deposits were made either directly into individual SaveUSA accounts or as lump-sum payments to the financial institutions, which then distributed the match amounts among the eligible SaveUSA accounts.

²²MDRC provided identifying information to financial institutions to help match participants to financial institution records.

Repeat Savings Pledges

SaveUSA group members who enrolled in 2011 were offered the opportunity to deposit again in 2012 and 2013, regardless of whether they earned the match during their first year. SaveUSA VITA program lead organizations contacted them before and during each tax season to encourage repeat participation. In order to do so, past participants needed to return to a SaveUSA VITA site to have their taxes prepared, be receiving at least a \$200 tax refund in 2012 or 2013 (as in 2011), and verify that they still owned an open SaveUSA account (or if not, they needed to open a new account). Past participants were allowed to deposit again even if their incomes had increased beyond the initial SaveUSA income-eligibility cap.²³

Besides repeat participants from 2011, VITA sites also enrolled new SaveUSA participants in 2012 and 2013. However, members of the Regular Tax Filers group (the control group in New York City and Tulsa) were not able to participate in the SaveUSA program in 2011, 2012, or 2013.

Conclusion

Overall, SaveUSA was implemented as designed. Through some trial and error, VITA operators were able to integrate SaveUSA recruitment, enrollment, account-opening, and deposit arrangements into the tax preparation process, although not seamlessly. Usually, sites were adequately staffed with SaveUSA asset specialists, most of whom enrolled large numbers of tax filers in the SaveUSA study during the course of the three-month 2011 tax season. Bank account eligibility and account-opening procedures varied by site, leading to some differences in the proportion of SaveUSA group members who successfully opened an account and made an initial deposit. Nonetheless, most SaveUSA group members fully completed the enrollment process. Chapter 4 discusses SaveUSA account activity, match payment outcomes, and repeat participation in detail.

²³SaveUSA VITA sites continued to offer free tax preparation to SaveUSA participants, even if their incomes rose above the usual VITA income-eligibility guideline.

Chapter 4

SaveUSA Participation and Account Use

Chapter 3 describes the efforts of the Volunteer Income Tax Assistance (VITA) organizations to market SaveUSA, explain the program's rules for obtaining the savings match, and enroll individuals in the program. Now, Chapter 4 first examines how well individuals who entered the study in 2011 understood the program rules, judging from their knowledge 18 months later, when they were surveyed as part of the evaluation.¹ Second, using data collected from the financial institutions participating in SaveUSA, the chapter examines the percentage of SaveUSA group members who successfully opened a SaveUSA account. Third, it looks at the extent to which SaveUSA group members took advantage of the program by analyzing their savings match receipt rates and amounts, repeat participation rates, and account use patterns. It then examines what factors were associated with receiving the savings match and with other specific SaveUSA account savings patterns. The last section of the chapter describes how SaveUSA group members used the money from their SaveUSA accounts.

It is important to keep in mind that this chapter focuses on SaveUSA group members (the program group) and not on Regular Tax Filers (the control group). The findings from this chapter provide information on how individuals used the SaveUSA account and, thus, are helpful in interpreting the results reported in subsequent chapters, which describe how successful SaveUSA was in increasing savings and other outcomes, by comparing the behavior and situations of the SaveUSA group with those of the Regular Tax Filers group.

Main Findings

- During the first program year, nearly two-thirds of the 2011 SaveUSA group members received the savings match and received, on average, \$191 in savings match dollars (including zeros for those who did not get a match).
- During the second program year, 39 percent of the 2011 SaveUSA sample participated again, and about 27 percent subsequently received the savings match. On average, SaveUSA group members received \$96 in savings match dollars in the second program year (including zeros for those who did not get a match).

¹A survey response bias analysis was conducted. Overall, there is little evidence to suggest that the survey is not reliable or that results for the survey respondent sample cannot be generalized to the report sample. (See Appendix B.)

- Over the first two program years in which SaveUSA was offered to the 2011 SaveUSA group members, the majority of them (67 percent) received at least one savings match. On average, SaveUSA group members received a total of \$286 in savings match dollars over these two program years (including zeros for those who did not get a match). Among those who received at least one savings match, the average amount was \$428.
- Overall, those who received a savings match in both years appear to have been in a better position to save. They tended to be older, were more likely to have more income, and were more likely to have pledged the maximum amount allowed of \$1,000, compared with other SaveUSA group members. SaveUSA group members who had especially low incomes or who pledged the minimum amount of \$200 were the least likely to ever receive a savings match.
- After receiving a savings match, most individuals withdrew the savings (initial deposit and savings match) from their SaveUSA account. This suggests that SaveUSA group members mainly used their SaveUSA accounts to obtain the savings match and did not continue to use the accounts for general saving.

Participants' Understanding of the Program Rules

For any incentive program to be effective, its participants must be aware of and understand the offer and the program rules. As discussed in Chapter 3, VITA staff went over the program terms and conditions when enrolling SaveUSA group members, and participants were also given this information in writing.

Analyses from responses to the SaveUSA 18-Month Follow-Up Survey, which was administered in New York City and Tulsa, indicate that the majority of SaveUSA group members understood the program rules. Appendix Table D.1 shows that most of those who withdrew their pledged savings from their SaveUSA account before the match date (86 percent) knew the minimum balance that was required to be maintained in order to receive the savings match. A smaller percentage of those who withdrew money before the match, but still a majority (65 percent), knew that withdrawing money from the account would disqualify them for the savings match.

A key component of the intervention was to encourage participation in multiple years so that participants could accumulate a substantial amount of savings and match dollars and also develop a habit of saving, which could result in additional benefits to participants over the follow-up period. It appears that the efforts of the VITA organizations to make individuals aware that they could participate again — described in Chapter 3 — paid off. According to

survey respondents, nearly all the members of the SaveUSA group (about 94 percent) were aware that they could participate in the program again in 2012, although — as is discussed in detail below — most did not (not shown).

Most SaveUSA group members were also aware of their SaveUSA account status, based on a comparison between the 18-month survey responses and the financial institution data. For example, only about 11 percent of the SaveUSA survey respondents incorrectly reported that they had not received the savings match in 2012 (Appendix Table C.1). Surprisingly, according to financial institution data, many of these respondents had received \$500 — the maximum match amount.

Opening SaveUSA Accounts and Savings Match Rates

Using financial institution data collected for all SaveUSA group members, Table 4.1 displays the SaveUSA account participation and savings match outcomes for the first program year, the second program year, and across both years for 2011 enrollees for all cities combined.²

During the first program year — that is, the 2011 year that culminated in the savings match in early 2012 — the majority of SaveUSA group members (97 percent, with rounding) successfully opened a SaveUSA account at study entry. A small percentage of SaveUSA group members did not open an account because of VITA or bank staff errors while opening the account or because they failed a separate financial institution qualification check.³ Finally, a few chose not to open an account after having been enrolled in the study. These situations occurred more often with some financial institutions than others, resulting in account-opening rates at financial institutions that varied from 91 percent to 100 percent (not shown).

Among all SaveUSA group members in the first program year, about 37 percent pledged to save the minimum amount of \$200, and 30 percent pledged to save the maximum amount of \$1,000 (Table 4.1). The average initial deposit into the SaveUSA account was about \$500 in Year 1. The amount that individuals pledged to save, however, differed in some cases from the amount that was actually deposited into their SaveUSA accounts, for two primary

²Appendix Table D.2 shows the results by whether the city conducted a randomized controlled trial (RCT) or not. The RCT cities are New York City and Tulsa; the non-RCT cities are Newark and San Antonio.

³Most financial institutions report negative account activity (including overdrawing an account, bouncing checks, and fraud) to industrywide databases, the most common of which is called ChexSystems. When applying to open a savings account, most financial institutions will run the applicant's name through one of these databases. Some financial institutions may deny everyone whose name appears in one of these databases, while others may only deny people with certain types of reported activity. As noted in Chapter 3, although financial institutions participating in SaveUSA agreed to be more lenient when reviewing past account activity, some of them were not able to ignore all past negative account activity.

The SaveUSA Evaluation

Table 4.1

SaveUSA Account Activity, by Program Year

Outcome	Year 1	Year 2	All Years
SaveUSA account opened or pledged (%)	97.5	39.1	97.8
Distribution of pledged deposit ^a (%)			
\$0	0.0	60.8	0.0
\$1 - \$200	36.7	8.5	26.5
\$201 - \$999	33.3	15.1	34.8
\$1,000	30.0	15.6	38.8
Average initial deposit amount ^b (\$)	506	293	799
Distribution of initial deposit ^b (%)			
\$0	10.0	62.2	9.0
\$1 - \$200	32.0	7.6	22.7
\$201 - \$999	29.8	14.4	31.0
\$1,000 or more	28.3	15.8	37.4
Received savings match (%)	65.5	27.5	67.0
Average amount of savings match (\$)	191	96	286
Average savings match, among those who received the savings match (\$)	291	348	428
Distribution of savings match (%)			
\$0	34.5	72.5	33.0
\$1 - \$100	20.1	4.3	15.0
\$101 - \$499	22.1	10.0	22.0
\$500	23.3	13.2	30.0
Sample size			1,554

SOURCES: MDRC calculations from MDRC baseline data and financial institution data.

NOTES: The sample includes SaveUSA group members who were ages 18 to 64 at their time of study entry.

Rounding may cause slight discrepancies in calculating sums.

^aThe pledged deposit refers to the amount of tax refund dollars that individuals committed to savings at the time of study entry.

^bThe initial deposit refers to the tax refund amount directly deposited into the SaveUSA account by the Internal Revenue Service.

reasons: The Internal Revenue Service (IRS) withheld the refund of 10 percent of SaveUSA group members to pay for owed prior taxes, child support, or federal student loan payments. These individuals became ineligible for the savings match. In other instances, tax filers did not get the full refund that they expected, once the IRS reviewed their tax return.

The majority of SaveUSA group members (66 percent) received the savings match during the first program year and received, on average, \$191 in savings match dollars (including zeros for those who did not get a match). Among those who received the savings match, the average amount was \$291.

Although SaveUSA group members were strongly encouraged to participate again in the second program year, only 39 percent of the 2011 SaveUSA group returned to a participating VITA site in 2012 and made an additional pledge (Table 4.1). A total of 27 percent (with rounding) of all those in the 2011 SaveUSA group received a savings match in early 2013, and the average savings match was \$96 (including zeros for those who did not get a match). Receiving the savings match in the first program year increased the likelihood that a SaveUSA group member would pledge to save again in the second year. Only a small percentage of the nonrecipients decided to participate again in the subsequent year (not shown). Accordingly, only a tiny fraction of SaveUSA group members — about 5 percent of match recipients (and 1.5 percent of all SaveUSA group members) — did not receive a savings match in the first program year but did receive a match in the second program year.⁴

About half the sample who received a savings match in the first program year made a commitment to save again in the second program year and “replenished” their accounts. Among those who pledged to save again in the second year (that is, “repeaters”), 70 percent received a second-year savings match, and the average match was \$348 among individuals who received it. The level of savings commitment for this group was different from what was observed in the first program year. The repeaters were more likely to pledge to save the maximum amount in the second program year and were less likely to pledge to save the minimum amount. In line with this, a higher proportion of second-year savings pledgers than first-year savings pledgers received the maximum savings match of \$500: At the end of the first program year, less than one-quarter of all SaveUSA group members received the maximum savings match of \$500, or 36 percent of those who received the savings match in Year 1 (23.3 percent divided by 65.5 percent). In contrast, among the repeaters, nearly half (13.2 percent divided by 27.5 percent) subsequently received the *maximum* savings match.

Looking over the first *two* years of the program, the amount earned by individuals in match incentives averaged \$286. Among those who received the savings match, the average savings match amount received during the first two program years was \$428. Across the first two program years, 48 percent of SaveUSA group members received zero or an amount up to

⁴These calculations are derived from Table 4.1 by subtracting the percentage of individuals who received the savings match in Year 1 or Year 2 by the percentage of individuals who received the savings match in Year 1 ($67.0 - 65.5 = 1.5$). The 5 percent is calculated by dividing the 1.5 percent by the percentage who received the savings match in Year 2 ($1.5/27.5 = 5.4$ percent).

\$100 in the savings match; 22 percent received between \$101 and \$499; and 30 percent received \$500 or more.⁵

As noted above in this chapter, the majority of individuals who were surveyed 18 months after study entry reported that they knew that they could participate in SaveUSA again during the second program year. The survey provides some information on why individuals decided to participate or not to participate again (Appendix Table D.1). Among those who participated again in the second year, the most common reason for pledging to save for a second time was a general commitment to save (51 percent). The second-most-common reason was the possibility of receiving the savings match (35 percent). Among those who decided not to pledge to save for a second time, a total of 34 percent reported that they did not receive a refund or their refund was too small;⁶ another 31 percent responded that they needed to use their refund to pay debts or bills or to make expenditures.

Large differences were found in the savings match rate between the RCT cities (New York City and Tulsa) and the non-RCT cities (Newark and San Antonio). In the RCT cities, about 59 percent (with rounding) of SaveUSA group members received the savings in either program year, compared with 75 percent in the non-RCT cities (Appendix Table D.2). Multiple factors likely contributed to these large differences in match rates between the RCT and non-RCT cities. As discussed in Chapter 3, tax filers opened accounts after study enrollment in the RCT cities, since random assignment to the two research groups had to occur after enrollment and the random assignment result indicated whether an individual was eligible to open an account. In contrast, tax filers in non-RCT cities could open accounts before study enrollment. Therefore, individuals in the non-RCT cities who changed their mind or failed the financial institutions' background check were not enrolled in the study, resulting in a larger percentage of individuals in the non-RCT cities being eligible for the savings match from the beginning of the study. In addition, it was more difficult to withdraw money before the savings match from the financial institution that provided the SaveUSA account in Newark, a non-RCT city, given that the financial institution was located in New York City. In contrast, two large banks with many branches were among the financial institutions that offered the SaveUSA account in the RCT cities.

⁵Although the minimum pledge amount was \$200, some accounts were underfunded by the IRS. This resulted in an initial deposit that was less than the minimum pledge and, thus, in match payments that were less than \$100.

⁶Some of these respondents may have received refunds greater than \$200, which made them eligible to participate again, but they may have felt that they could not set aside money to save.

Differences in Characteristics of Savings Match Recipients and Nonrecipients

This section explores differences in characteristics among SaveUSA group members who never received the savings match (33 percent), those who received the savings match in either Year 1 or Year 2 (41 percent), and those who received the savings match in both Year 1 and Year 2 (26 percent).⁷

Table 4.2 pools the research samples from all four cities and shows several significant differences among the three groups. Individuals who received the savings match in both years were older (their average age was 43 years, compared with 38 years and 39 years in the other two groups). A total of 47 percent of those who received the match in both years were between ages 45 and 64 at the time of random assignment — a higher percentage than among those who received one match payment (36 percent) and those who never received a match (32 percent).

In 2011, those who received the savings match in both years also were more likely to have pledged to save the maximum amount of \$1,000. In contrast, those who never received the savings match were more likely to have pledged the minimum amount of \$200. A total of 45 percent of those who received the match in both 2012 and 2013 pledged the maximum amount, compared with 19 percent who never received the savings match and 30 percent of those who received the savings match just once.

Individuals who received the savings match in both years also had higher adjusted gross incomes at the time of study enrollment, compared with those who received a match in one year or, especially, with those who did never received a match. Almost half of those who received the savings match in one year or in both years had an adjusted gross income between \$20,000 and \$50,000 at the time of study entry, compared with only 29 percent of those who never received a savings match. Those who never received the match were also more likely to have received the Earned Income Tax Credit (EITC), which is discussed further below.

Finally, across the four cities, there were large differences in the percentage of individuals who received the savings match in both years, one year, or never. As discussed above, differences in enrollment and in the financial institutions providing the accounts in each city may have resulted in these differences.

The foregoing analysis may be imprecise if two or more characteristics of SaveUSA group members were strongly associated with each other and varied in a consistent way. For

⁷As noted above, only 1.5 percent of all SaveUSA sample members received the savings match in Year 2 and not in Year 1. Therefore, those who received the match in either year (but not both years) mostly include SaveUSA group members who received the savings match in program Year 1 but not in program Year 2.

The SaveUSA Evaluation

Table 4.2

Selected Baseline Characteristics of SaveUSA Group Members,
by Savings Match Receipt Status

Characteristic	Received Savings Match in			P-Value
	Neither Year	1 Year	2 Years	
Average age (years)	38	39	43 ***	0.000
Age (%)			***	0.000
18-24	18.1	15.2	10.6	
25-34	28.1	28.4	15.8	
35-44	21.4	20.1	26.7	
45-59	29.2	30.9	39.9	
60-64	3.1	5.3	6.9	
Savings pledge amount in 2011 (%)			***	0.000
\$200	49.5	36.4	21.0	
\$201 - \$999	31.8	34.1	33.9	
\$1,000	18.7	29.5	45.0	
Tax filing status ^a (%)				0.113
With children	63.2	64.7	69.6	
Without children	36.8	35.3	30.4	
Adjusted gross income amount (%)			***	0.000
\$0 - \$9,999	33.9	22.8	18.3	
\$10,000 - \$19,999	37.4	33.8	33.7	
\$20,000 or more	28.8	43.5	48.0	
Average total tax refund amount (\$)	3,619	3,702	3,922	0.237
Received federal Earned Income Tax Credit ^b (%)	74.5	63.7	66.6 ***	0.000
Month of random assignment (%)			**	0.045
January 2011	13.1	9.6	8.2	
February 2011	40.7	35.9	41.8	
March 2011	30.4	34.5	31.7	
April 2011	15.8	19.9	18.3	
City (%)			***	0.000
New York City	31.4	27.0	32.2	
Tulsa	31.4	15.7	17.3	
Newark	13.5	30.6	19.3	
San Antonio	23.8	26.7	31.2	
Sample size (total=1,554)	513	637	404	

(continued)

Table 4.2 (continued)

SOURCES: MDRC calculations from MDRC baseline data and financial institution data.

NOTES: The sample includes SaveUSA group members who were ages 18 to 64 at their time of study entry.

Tax filing information and refund amounts refer to 2010, the tax year prior to random assignment.

Demographic characteristics data were collected for one tax filer when couples filed jointly.

Rounding may cause slight discrepancies in calculating sums.

Sample sizes for specific measures may vary because of missing values.

A chi-square test for categorical variables and an F-test for continuous variables were run to determine whether there is a difference in the distribution of the characteristics across the years that the savings match was received. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

^aThis includes single and joint filers.

^bThe maximum possible Earned Income Tax Credit was \$5,666 in tax year 2010.

example, the above finding that age and pledge amount each affected the likelihood of receiving a savings match would be less certain if, on average, older SaveUSA group members pledged to deposit larger amounts than younger members. To address this issue, MDRC performed a multivariate analysis, using logistic regression. The logistic regression model tests the effect of each characteristic on the likelihood of receiving a savings match while holding the value of all other characteristics constant. Appendix Table D.3 presents the results from this analysis.

The analysis indicated that the findings shown in Table 4.2 are generally upheld when a range of factors are held constant. Several variables are significant in predicting the likelihood of receiving the savings match in either of the two years. Being older, pledging \$1,000, having higher income (but still under the VITA income cap), and the month of study enrollment are all positively related to an individual's receiving the savings match — as opposed to not receiving the match. In addition, those who received the EITC at the time of study enrollment were less likely to receive the savings match than those who did not receive the EITC at study enrollment. Finally, opening an account in Newark increased the likelihood of receiving the savings match, compared with opening an account in the other cities. Similar variables are significant in predicting the likelihood of receiving the match in both the first and the second year. In fact, the magnitude of the relationship increased for some of these variables. Neither of these analyses found that the total refund amount and tax filing status were associated with receiving a savings match.

To further examine the puzzling association between receiving the EITC and the lower likelihood of receiving the saving match, Table 4.3 examines some baseline characteristics and the 2012 savings match rate, by EITC receipt and tax filing status at the time of study entry. Among individuals who received the EITC at study entry, single filers without children had the lowest income, lowest refund amount, and lowest incidence of receiving the savings match. As shown, the groups with the lowest matching rates relied more on their refunds as a source of income (refund as a percentage of average gross income [AGI]) and pledged a larger percentage

The SaveUSA Evaluation

Table 4.3

Selected Baseline Characteristics and 2012 Savings Match Rate, by EITC and Tax Filing Status

	Average Adjusted Gross Income (AGI) (\$)	Average Refund Amount (\$)	Average Pledge Amount (\$)	Pledge Amount as Percentage of AGI (%)	Pledge Amount as Percentage of Refund (%)	Received Savings Match (%)	Sample Size
<u>Received Earned Income Tax Credit</u>							
Single filer without children	8,099	1,334	379	4.7	28.4	53.8	197
Single filer with children	18,320	5,345	587	3.2	11.0	63.7	728
Joint filer (with or without children)	24,536	5,610	705	2.9	12.6	67.4	132
All EITC recipients	17,192	4,631	563	3.3	12.2	62.4	1,057
<u>Did not receive Earned Income Tax Credit</u>							
Single filer without children	15,448	1,194	423	2.7	35.5	68.8	311
Single filer with children	28,929	2,915	502	1.7	17.2	75.6	131
Joint filer (with or without children)	31,250	2,539	631	2.0	24.8	83.6	55
All EITC nonrecipients	20,750	1,796	467	2.3	26.0	72.2	497

SOURCES: MDRC calculations from MDRC baseline data and financial institution data.

NOTES: Tax filing information and refund amounts refer to 2010, the tax year prior to random assignment.

The sample includes SaveUSA group members who were ages 18 to 64 at their time of study entry.

Sample sizes for specific measures may vary because of missing values.

of their AGI, which may have made it harder for them to keep their pledge deposit untouched for a full year. Since most filers who did not receive the EITC at the time of study entry had higher average incomes, it was likely easier for them to leave their initial pledge deposit untouched for a year.

Note that in order to determine the impact of SaveUSA on different groups of individuals, the behavior of the Regular Tax Filers — the control group — needs to be taken into account. SaveUSA may not have had large effects for the subgroups that had high savings match rates if their Regular Tax Filer counterparts were saving at the same level. Conversely, subgroups with low match rates may show large benefits from SaveUSA if their Regular Tax Filer counterparts had saved little or not at all. Chapter 7 examines the effects of SaveUSA for different subgroups of study sample members.

Patterns of SaveUSA Account Use

The designers of SaveUSA believed that individuals should have access to their savings without any penalty. Although individuals were encouraged to keep their initial deposit in the SaveUSA account long enough to receive the savings match, they could withdraw their initial deposit at any time, for any reason, without penalties or fees.

Figure 4.1 shows, as expected, that eligibility for the savings match during the first program year declined over time across all four cities in the study. Most SaveUSA group members who became ineligible for the savings match did so soon after enrollment. This group includes the 10 percent of SaveUSA group members, noted above, who could not open an account or who received no tax refund deposit from the IRS. Furthermore, wide differences were found across cities.

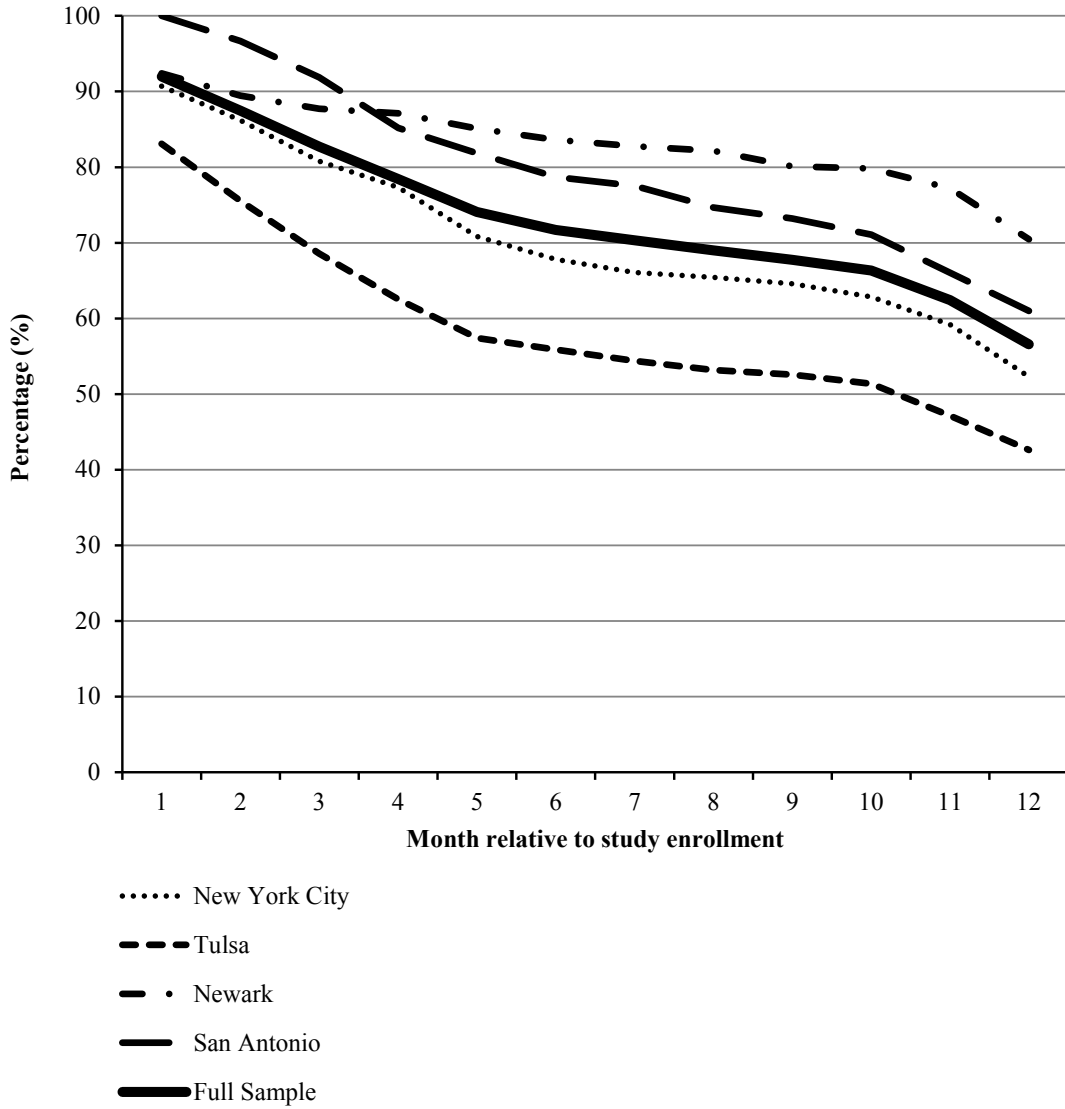
Figure 4.2 shows the two-year trend in the percentage of SaveUSA accounts with balances greater than \$10.⁸ These trends are limited only to activity in the SaveUSA accounts. Chapter 5 explores whether SaveUSA group members had other savings and checking accounts in which they kept additional savings. Over two years, the percentage of SaveUSA group members with a balance in their SaveUSA account declined steadily across all four cities. It peaked at 79 percent in Month 5, and it gradually declined to 43 percent at Month 26, the end of the follow-up period. The balance patterns varied, however, based on whether the sample member pledged again in 2012.

⁸Note that several SaveUSA group members withdrew their initial deposit or their initial deposit and match amount, but they did not withdraw the interest earned. Therefore, many of these accounts had low balances of less than \$20, which reflect the interest amounts that these accounts accrued over the 26 months.

The SaveUSA Evaluation

Figure 4.1

Eligibility for Savings Match in 2012, by City and Month of Follow-Up

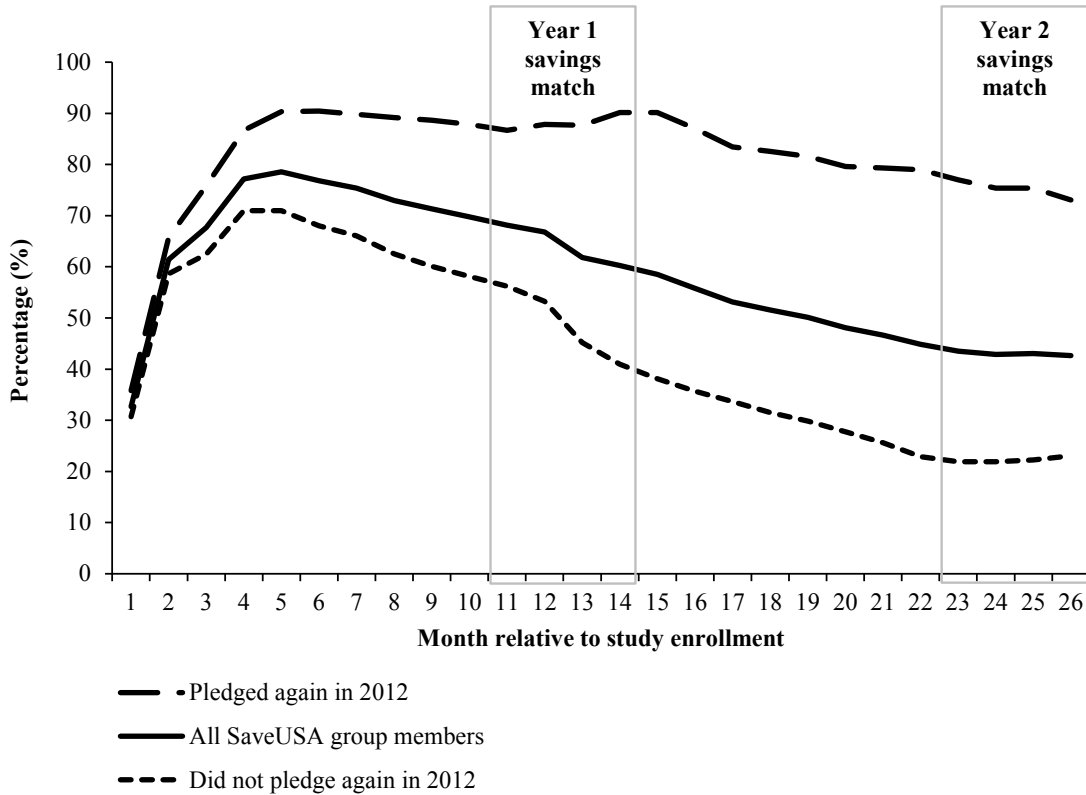


SOURCES: MDRC calculations from financial institution data from all four cities for sample members enrolled in 2011.

The SaveUSA Evaluation

Figure 4.2

Percentage of SaveUSA Accounts with a Balance Greater Than \$10, by Month of Follow-Up



SOURCES: MDRC calculations from MDRC baseline data and financial institution data.

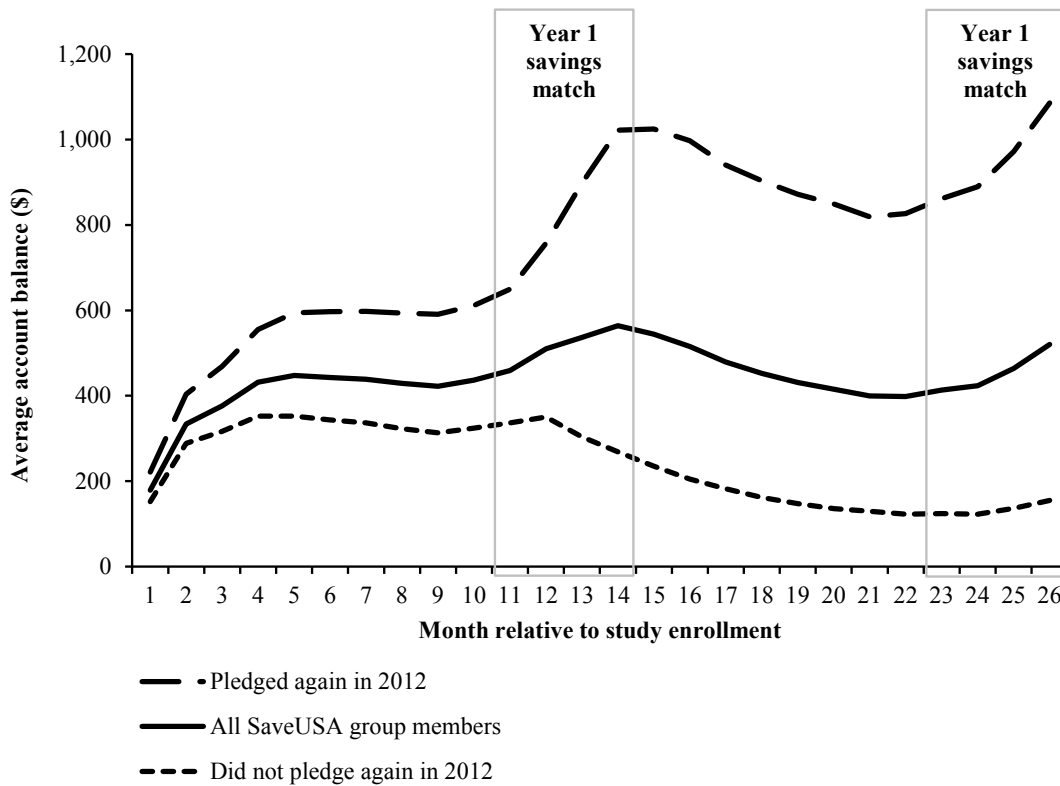
Similar to the results discussed above in this chapter, those who participated in both program years showed an obvious commitment to saving for the long term. In addition to participating again in 2012, the majority kept their SaveUSA accounts open throughout the follow-up period. Among the group who pledged again, the percentage with a balance in the account peaked at 90 percent in Month 5, and it peaked again at 90 percent during Month 14, when individuals made their subsequent deposit in 2012. At the end of the follow-up period, a total of 73 percent still had a balance in the account. In contrast, among those who did not pledge in 2012, the percentage with a balance peaked at 71 percent in Month 4 and gradually declined as individuals withdrew all their money from their accounts; only 23 percent had a balance in Month 26.

Figure 4.3 shows that, over the 26-month follow-up period, individuals' average balances in their SaveUSA accounts ranged from \$179 to about \$600 in any given month. The average balance went up after individuals initially enrolled in SaveUSA and as deposits from the IRS were put in the accounts. The average balance peaked after each savings match was deposited in February 2012 (between Months 11 and 14) and in February 2013 (between Months 23 and 26). As shown, the savings balances declined after the first savings match, as individuals withdrew money from their accounts.

The SaveUSA Evaluation

Figure 4.3

Average Balance of SaveUSA Accounts, by Month of Follow-up



SOURCES: MDRC calculations from MDRC baseline data and financial institution data.

The patterns of average account balances are different for those who pledged again in 2012 and those who did not pledge again. As shown in the graph (Figure 4.3), the average balances increase as the Year 2 savings matches are deposited in 2012 and as the accounts received the IRS deposits from the new Year 2 pledges. The average balances gradually decrease over the course of Year 2 as individuals withdrew their Year 1 savings and as some withdrew all

or part of their Year 2 deposits as well. The balances peak again as the accounts received the Year 2 savings matches in 2013. Among those who did not pledge again in Year 2, account balances diminished over time as individuals withdrew their savings from their accounts.

About half of the individuals who received an IRS deposit in their SaveUSA accounts but did not receive a match in the first program year became ineligible for the match within the first three months after study enrollment (not shown). According to the 18-month survey (Appendix Table D.1), the most common reasons why individuals withdrew money from their SaveUSA account before the Year 1 savings match were for an emergency expense (61 percent), to pay bills or debts (57 percent), or to buy necessities (36 percent).⁹ As noted above, very few individuals who were not eligible for the savings match in Year 1 participated in Year 2.

To get a detailed understanding of the timing of withdrawals from SaveUSA accounts, further analysis on account activity was performed.¹⁰ The analysis indicated that, among those who received the savings match in the first program year, the majority of individuals (63 percent) withdrew their initial deposit and savings match within three weeks after February 1, when the savings match distribution occurred (not shown). About a quarter of the sample left their Year 1 savings untouched, and 10 percent withdrew some but not all of the money from their SaveUSA account. The withdrawal patterns after the Year 2 savings match are similar to those from the first program year. In general, these results suggest that most SaveUSA group members were using their SaveUSA accounts for the sole purpose of receiving IRS tax refund deposits and the associated savings matches and that they were not using them as regular savings accounts (to hold deposits other than ones made as part of SaveUSA or for long-term savings).

How Did Individuals Use Money from Their SaveUSA Accounts?

Unlike the Individual Development Account (IDA) model discussed in Chapter 1, in which the use of matched savings incentives is restricted to home purchases, educational payments, or business investments, SaveUSA group members could use their initial deposit and savings match for any purpose. Data from the 18-month survey indicate how respondents used the money from their SaveUSA accounts (Appendix Table D.4). Among the 30 percent of survey respondents who reported receiving the savings match and reported withdrawing money from their account, about 40 percent used their money to pay debts or bills. Over half (53 percent)

⁹Note that these responses are not mutually exclusive. Survey respondents could provide multiple reasons for withdrawing the funds.

¹⁰This analysis was conducted for the 64 percent of savings match recipients with detailed records of deposits and withdrawals. For other match recipients, only quarterly snapshots of SaveUSA account balances were available.

used their money for some type of expenditure (other than paying debts or bills), and only about 7 percent used it for savings.

Among those who used money for expenditures, about 1 in 5 of these individuals used their money for a big purchase; about 1 in 10 used it for emergency expenses; another 1 in 10 used it for education; and the remainder used it for a variety of expenditure types. However, the ways in which their money is used may change as some individuals accumulate more savings. This issue will be examined again in the 2015 SaveUSA report, using longer-term survey data.

Conclusion

This chapter shows that the SaveUSA program was implemented successfully in all four cities. The majority of SaveUSA group members were able to open a SaveUSA account, and the majority understood the program terms and the conditions of the account. Furthermore, the majority of the SaveUSA group members received the savings match during the first program year, although only 27 percent received the savings match in the second program year. Across both years, individuals received an average of \$286 in savings match (including zeros for those who never got a match). Among just those who qualified for a match in either year, individuals were given an average savings match of \$428.

Receiving the savings match in the first program year was a strong predictor of whether someone would pledge to save again in the following program year. Individuals who participated again in the second year were more likely to pledge the maximum amount. About a quarter of the sample received a savings match in both years. Individuals in this group — compared with those who received only one match or no match — were more likely to be older, to have pledged the maximum amount, and to have had higher incomes. Overall, individuals who received a savings match in both years appear to have been in a better position to save.

SaveUSA account activity suggests that program group members are mainly using their SaveUSA accounts for getting the savings matches and not as regular savings accounts. Most SaveUSA group members who did not pledge to save part of their tax refund in the second program year ceased to use their account. Similarly, the majority of SaveUSA group members who received a savings match withdrew their initial deposit and savings match shortly after receiving the match.

Chapter 5 compares the SaveUSA group's overall savings activities (not just the activity in their SaveUSA accounts) with the savings activities of the Regular Tax Filers in the control group. This analysis indicates whether the SaveUSA program had an effect on individuals' propensity to save and on how much they saved.

Chapter 5

Impacts of SaveUSA on Savings and Liquid Assets

Chapter 5 presents the estimated effects (or impacts) of the SaveUSA program on study participants' short-term nonretirement savings, longer-term retirement savings, and total savings, also referred to as "liquid assets."¹ As discussed in previous chapters, SaveUSA encourages accumulation of short-term nonretirement savings to protect households from financial hardship due to unforeseen expenses or sudden decreases in income or for other purposes. Accordingly, the analysis focuses primarily on whether SaveUSA increased SaveUSA group members' short-term, nonretirement savings above the levels (as represented by the Regular Tax Filers group) that low- and moderate-income tax filers with a strong interest in saving would be expected to accumulate without access to a SaveUSA account and savings match. The chapter analyzes SaveUSA's impacts on nonretirement savings cumulatively and at different points during the 18-month follow-up period. Gauging the possibility of longer-term effects on savings, the chapter also explores whether SaveUSA group members, when surveyed, expressed a greater confidence in their ability to save compared with Regular Tax Filers. Finally, the chapter considers whether SaveUSA may have encouraged some low- and moderate-income households to shift the target of their savings from longer-term retirement savings to nonretirement savings without affecting the total amount that they saved.

This is the first of three chapters that analyze SaveUSA's impacts on household finances. Chapter 6 covers the impacts of SaveUSA on more general measures of financial security, and Chapter 7 explores whether impacts on key outcomes varied for selected subgroups among study participants.

Main Findings

- SaveUSA increased short-term, nonretirement savings above levels for the Regular Tax Filers. SaveUSA led to impacts on the incidence of having nonretirement savings and on total dollars saved.
- SaveUSA led to more frequent reporting of savings-oriented responses on questions concerning attitudes toward savings.

¹While there are different definitions of "liquid assets," this analysis adopts the one used by the Corporation for Enterprise Development (CFED): "Liquid assets are those that are held in cash or can be liquidated quickly: bank accounts and other interest-earning assets; and equity in stocks, mutual funds and retirement accounts (IRAs, 401(k)s and KEOGH accounts). Liquid assets exclude equity in businesses, vehicles, homes and other real estate" (Corporation for Enterprise Development, 2013).

- SaveUSA resulted in differential effects on longer-term retirement savings and on liquid assets, producing increases for study participants with relatively little money to save and decreases or no impacts for study participants with larger amounts to save.

Data Sources and Estimation Procedures

Most outcomes included in the impact analyses for this report were calculated from responses to the SaveUSA 18-Month Follow-Up Survey. Additional outcomes concerning how study participants allocated their 2010 federal tax refund were calculated from tax records. Survey response rates were high for all measures discussed below, which increases confidence that findings for respondents can be generalized to the full research sample. As is common with survey data, some respondents' recall error, exaggeration, or reluctance to divulge sensitive information decreases the precision of specific estimates for each research group. Nevertheless, the findings on program effects presented below may be considered as reliable and unbiased. (See Appendixes B and C for further details. To improve precision, when estimating program effects on dollar-value measures, such as total nonretirement savings, values above the 99th percentile were identified as outliers and were excluded from the calculations.)

The analysis uses ordinary least squares (OLS) regression to estimate the values for each research group. The regression model controls for randomly occurring differences in the characteristics of study participants recorded at baseline (such as highest educational credential, adjusted gross income, and total refund amount) that could affect a participant's savings, debt, or other financial outcomes during the follow-up period. The impact of SaveUSA is estimated by calculating the difference in average outcomes for the SaveUSA group and the Regular Tax Filers. Differences with a statistical significance of 10 percent or lower are considered to be impacts of SaveUSA and not the result of chance. (See Box 5.1.) Estimates for SaveUSA group members and Regular Tax Filers combine results for the research samples in New York City and Tulsa, the two sites that conducted a randomized controlled trial (RCT). (See Chapter 7 for discussion of impact results for each city.) No special weighting was used to control for possible differences in program effects by city.

Impacts on the Use of Tax Refund Dollars for Savings in 2011 and 2012

Although they were not eligible to open a SaveUSA account, Regular Tax Filers, when filing their taxes, could also directly deposit tax refund dollars into one or more savings products. Analysis of tax return data and survey responses suggests that a minority of Regular Tax Filers did so. Based on federal tax data, only about 15 percent of Regular Tax Filers directed the

Box 5.1

How to Read the Impact Tables in the SaveUSA Interim Report

Most impact tables in this report use a similar format, illustrated below. The data show requests by SaveUSA group members and Regular Tax Filers concerning how they wished to receive their 2010 federal tax refund. For example, the table shows that about 98 (98.2) percent of the SaveUSA group and about 76 (75.6) percent of Regular Tax Filers asked the IRS to directly deposit all or part of their refund in a bank account — either savings or checking.

Because individuals were assigned randomly either to the SaveUSA group or to the Regular Tax Filers, the effects of the program can be estimated by the difference in outcomes between the two groups. The “Difference (Impact)” column in the table shows the differences between the two research groups’ rates — that is, the program’s *impacts* on requesting a particular way of allocating tax refund dollars. For example, the impact on the incidence of requesting the IRS to directly deposit tax refund dollars in a bank account can be calculated by subtracting 75.6 percent from 98.2 percent, yielding 22.6 percentage points.

Differences marked with asterisks are described as “statistically significant” and are considered to be true program effects. For each measure, the number of asterisks indicates whether the impact is statistically significant at the 1 percent (***), 5 percent (**), or 10 percent (*) level, meaning that there is only a 1, 5, or 10 percent probability, respectively, that the impact arose by chance. The p-value shows the exact level of statistical significance of the difference in decimal form, as a number that ranges from 0.000 (near zero percent probability of having occurred by chance) to 0.999 (near 100 percent probability). By convention, three asterisks are used for any p-value below 0.01, and the difference is described as being statistically significant at the 1 percent level. For example, as shown below, the SaveUSA group had a statistically significant impact of 22.6 percentage points at the 1 percent level on the measure of requesting the IRS to directly deposit tax refund dollars in a bank account.

Impacts on Allocation of 2010 Federal Tax Refund

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)		P-Value
<u>Allocation of tax refund (%)</u>					
To any bank account	98.2	75.6	22.6	***	0.000
Savings account	93.1	14.6	78.5	***	0.000
Checking account	71.0	68.3	2.7		0.230
To tax refund check	18.6	25.2	-6.7	***	0.001

Internal Revenue Service (IRS) to deposit all or part of their federal tax refund into a savings account immediately following random assignment, in early 2011.² Alternatively, nearly 70 percent of Regular Tax Filers requested that the IRS directly deposit all or part of their 2010 federal tax refund into their checking account, and about a quarter of the group asked to receive a tax refund check (Table 5.1). Using tax data alone, however, probably understates Regular Tax Filers' initial commitment to save at least a portion of their tax refund. A more expansive definition of depositing tax refund dollars into nonretirement savings would include any additional funds directly deposited in a checking account or initially received as a refund check that Regular Tax Filers subsequently redeposited into nonretirement savings. No specific information on redepositing of tax refund dollars was collected for this study for either year of follow-up. Nonetheless, responses to the 18-month survey provide some clues about Regular Tax Filers' redepositing of tax refund dollars into nonretirement savings. In 2012, the second year of follow-up, about 35 percent of Regular Tax Filers reported directly depositing Tax Year 2011 refund dollars into a savings account at a bank or credit union (Table 5.2). It may be assumed that this much-higher incidence of depositing tax refund dollars into nonretirement savings (about 20 percentage points higher than was recorded on federal tax forms the previous year) encompasses both direct deposits by the IRS or state tax agencies and Regular Tax Filers' subsequent redeposits of refund dollars received in other ways. It may also be assumed that a similar proportion (that is, about one-third) of Regular Tax Filers deposited 2010 Tax Year refund dollars into nonretirement savings by direct deposit or redeposit during Year 1.³

When filing their federal taxes, Regular Tax Filers could also allocate tax refund dollars for the purchase of U.S. savings bonds. Based on available tax data and survey responses, it appears that very few Regular Tax Filers used this savings option during either year of follow-up. Less than 3 percent of Regular Tax Filers in Tulsa purchased savings bonds immediately

²Tax records identify requested deposits to savings but provide no further details about account type. For this analysis, it was assumed that savings accounts listed on tax returns were for nonretirement savings, although it is possible that some study participants requested direct deposit of refund dollars into an Individual Retirement Account (IRA). Data from national surveys suggest that relatively few low- and moderate-income households contribute to an IRA in any given year. See, for example, Copeland (2012), Figure 12a, p. 18; and Copeland (2011), Figure 2, p. 6. In the first of these articles, the author analyzed responses to the Federal Reserve 2010 Survey of Consumer Finances and estimated that less than 10 percent of families with an annual income below \$25,000 own an IRA. In the second article, Copeland analyzed responses to the U.S. Census Bureau, 2008 Panel of the Survey of Income and Program Participation (SIPP) Topical Module Wave 5. He estimated that, in 2009, fewer than 3 percent of workers ages 21 to 64 and with an annual family income below \$30,000 made a tax-deductible contribution to an IRA.

³One reason why the reported Year 2 level of tax-time savings is probably not an increase over Year 1 is that most Regular Tax Filers filed their taxes at the same Volunteer Income Tax Assistance (VITA) tax preparation facility in both years. Field observations at these facilities during 2012 suggest that VITA administrators and tax preparers did not encourage Regular Tax Filers or tax filers who were not participating in the study to deposit tax refund dollars in alternative savings products any more strongly in Year 2 than in Year 1.

The SaveUSA Evaluation

Table 5.1

Impacts on Allocation of 2010 Federal Tax Refund

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Allocation of tax refund (%)</u>				
To any bank account	98.2	75.6	22.6 ***	0.000
Savings account	93.1	14.6	78.5 ***	0.000
Checking account	71.0	68.3	2.7	0.230
To tax refund check	18.6	25.2	-6.7 ***	0.001
<u>Amount allocated (\$)</u>				
To any bank account	3,298	3,027	272 ***	0.002
Savings account	686	226	460 ***	0.000
Checking account	2,613	2,801	-188 *	0.055
To tax refund check	510	758	-248 ***	0.004
<u>Percentage of total refund allocated (%)</u>				
To any bank account	85.4	75.0	10.5 ***	0.000
Savings account	28.7	8.4	20.3 ***	0.000
Checking account	56.7	66.5	-9.8 ***	0.000
To tax refund check	14.2	24.8	-10.6 ***	0.000
Sample size (total = 1,578)	794	784		

SOURCE: MDRC calculations from 2010 tax return records.

NOTES: Calculations include sample members from New York City (N = 922) and Tulsa (N = 656) who were ages 18 to 64 at their time of random assignment.

A small number of sample members allocated tax refund dollars for the purchase of U.S. savings bonds (not shown).

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

after random assignment (not shown).⁴ The following tax season, less than 2 percent of survey respondents in the Regular Tax Filers group from both cities reported that they had purchased savings bonds with tax refund dollars (Table 5.2).

⁴Tax data on savings bond purchases for New York City were not available.

The SaveUSA Evaluation

Table 5.2

Impacts on Tax Refund Receipt and Use During Year 2 of Follow-Up (2012)

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
Filed a tax return (%)	94.6	91.6	3.0 **	0.030
Received a tax refund (%)	90.3	87.7	2.7	0.123
Total tax refund (\$)	2,934	2,776	157	0.157
Total tax refund (%)				
\$0	9.8	13.1	-3.4 *	0.054
\$1 - \$500	10.0	10.1	-0.1	0.975
\$501 - \$1,000	14.2	11.4	2.9	0.116
\$1,001 - \$2,000	15.3	19.0	-3.7 *	0.082
\$2,001 - \$5,000	31.4	28.9	2.5	0.312
\$5,001 - \$10,000	19.2	17.5	1.7	0.360
How refund was received (%)				
Direct deposit into savings account	61.1	34.7	26.4 ***	0.000
Purchase U.S. savings bonds	5.4	1.5	3.8 ***	0.000
Direct deposit into checking account	68.9	66.0	2.8	0.272
Prepaid debit card	8.2	7.7	0.5	0.757
Refund check in the mail	18.7	18.9	-0.2	0.911
Had plan to save all or part of tax refund (%)	57.2	44.7	12.5 ***	0.000
Amount of tax refund currently saved (%)				
All	7.5	2.3	5.2 ***	0.000
More than half	3.9	3.0	0.9	0.407
About half	7.7	6.0	1.7	0.246
Less than half	23.6	17.3	6.3 ***	0.006
None	57.3	71.3	-14.0 ***	0.000
Primary use of tax refund (%)				
No refund	10.2	13.1	-2.9 *	0.100
Savings	20.5	12.0	8.4 ***	0.000
Pay bills, debts, or taxes owed	38.6	42.0	-3.4	0.218
Expenditures	30.8	32.9	-2.1	0.425
Pay for emergency expenses	2.6	2.8	-0.2	0.820
Pay for housing costs and household expenses	6.8	8.4	-1.6	0.294
Pay for clothing and other items for family members	2.1	2.3	-0.2	0.817
Pay for work- or business-related expenses	0.5	0.6	-0.2	0.716
Pay for education	2.8	3.0	-0.1	0.894
Pay for a major purchase	7.7	9.4	-1.7	0.265
Give to a family member	2.4	2.6	-0.1	0.885
Pay for dining out, entertainment, vacation, or travel	3.2	2.1	1.1	0.215
Other uses	2.7	1.7	1.0	0.250
Sample size (total = 1,258)	631	627		

(continued)

Table 5.2 (continued)

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

Most Regular Tax Filers did not save their tax refund dollars for very long. Among respondents to the 18-month survey, nearly all (89 percent) Regular Tax Filers reported spending all or most of their Tax Year 2011 tax refund within about six months of receiving it. Regular Tax Filers most often listed paying bills, debts, or taxes owed as their primary use of refund dollars (Table 5.2).

During both years of follow-up, SaveUSA led to large increases in directly depositing tax refund dollars into nonretirement savings, compared with Regular Tax Filers. As noted in Chapter 4, at their time of random assignment in Year 1 (2011), nearly all SaveUSA group members asked the IRS to directly deposit all or part of their tax refund into a savings account, compared with 15 percent of Regular Tax Filers. A similar proportion of each research group requested direct depositing of tax refund dollars into a checking account, but fewer SaveUSA group members opted to receive a refund check (Table 5.1). (The difference between research groups in depositing tax refund dollars into nonretirement savings would still be large, using the higher estimate for Regular Tax Filers of around 35 percent, discussed above.) According to survey data, in Year 2 (2012), about 61 percent of SaveUSA group members directly deposited tax refund dollars into savings accounts at a bank or credit union — an increase of about 26 percentage points above the level for Regular Tax Filers. Perhaps indicative of some SaveUSA group members' greater propensity to save, the program also led to a small but statistically significant increase of 4 percentage points in purchasing savings bonds with tax refund dollars.⁵ SaveUSA led to gains of more than 10 percentage points above Regular Tax Filers in the

⁵Most SaveUSA group respondents who reported purchasing savings bonds in 2012 also reported depositing tax refund dollars in their SaveUSA account that year (not shown).

likelihood of having had a plan to save tax refund dollars and in saving at least part of the tax refund until the time of their 18-month interview (Table 5.2).

Impacts on Nonretirement Savings as Measured at the Time of the 18-Month Survey

After 18 months of follow-up, most Regular Tax Filers had accumulated nonretirement savings but, on average, had only a small amount of savings on hand. About 72 percent of Regular Tax Filers reported having some type of short-term, nonretirement savings at the time of their 18-month interview (Table 5.3). Most often, Regular Tax Filers maintained a savings account or kept a minimum balance in their checking account.⁶ Regular Tax Filers averaged \$1,730 in nonretirement savings, although more than half had less than \$500 or no savings.⁷

SaveUSA led to increases over levels for Regular Tax Filers on several measures of nonretirement savings as of 18 months of follow-up. About 79 percent of SaveUSA group members reported that they currently had nonretirement savings, a gain of 7 percentage points (with rounding) over the Regular Tax Filers. Having access to the SaveUSA account led to greater use of savings accounts overall by SaveUSA group respondents (an impact of 11 percentage points) and, to a lesser extent, a higher incidence of maintaining a checking account balance each month (an impact of 6 percentage points, with rounding). The typical SaveUSA group respondent reported having a total of \$2,241 in nonretirement savings, an increase (with

⁶Survey results displayed in Table 5.3 may be overstating the incidence of owning a whole life (cash value) life insurance policy, as opposed to owning any type of policy. Bricker, Kennickell, Moore, and Sabelhaus (2012), Table 6.B, p. 28: Based on responses to the Federal Reserve 2010 Survey of Consumer Finances, 11 percent of households in the lowest income quintile and 17 percent of households in the second quintile reported owning a life insurance policy with cash value.

⁷About 5 percent of Regular Tax Filers reported that they had exactly \$500 in nonretirement savings (not shown but included in the "\$1-\$500" category in Table 5.3). Interviewers asked respondents a series of yes-or-no questions about having different types of savings at present and then asked respondents to report a single total for their nonretirement savings. Before recording the dollar amount, interviewers prompted respondents by saying, "Please include money in savings accounts, all of the other types of non-retirement savings that you just mentioned, and any minimum balance that you typically keep in your checking account every month." The amount of savings reported by Regular Tax Filers seems in line with general savings estimates for low- and moderate-income individuals. According to Bricker, Kennickell, Moore, and Sabelhaus (2012), Table 3.1, p.16: Respondents in the lowest income quintile reported a median desired savings level to meet emergencies ("precautionary savings") of \$2,000; Abbi (2012), pp. 2-4. In 2011, the Doorways to Dreams (D2D) Fund commissioned a survey of households with incomes ranging from \$20,000 to \$60,000. About half of the respondents reported having no emergency savings, and an additional 28 percent (0.49 x 0.58) reported having savings of under \$2,000.

The SaveUSA Evaluation

Table 5.3

Impacts on Savings as of the 18-Month Interview

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Nonretirement savings</u>				
Has nonretirement savings (%)	79.4	71.9	7.5 ***	0.002
Nonretirement savings type (%)				
Savings account	71.8	60.8	11.0 ***	0.000
Certificate of deposit	8.6	7.3	1.2	0.440
U.S. savings bond	9.6	6.0	3.6 **	0.019
Stocks, bonds, or mutual funds	8.8	7.4	1.5	0.342
Education savings plan	3.0	3.8	-0.8	0.445
Whole-life insurance policy	28.5	26.3	2.2	0.355
Individual Development Account	1.0	0.5	0.5	0.338
Cash, jewelry, or gold	33.3	35.6	-2.3	0.393
Money loaned with expectation of repayment	16.5	14.7	1.8	0.375
Money in some other place	10.1	7.6	2.5	0.124
Maintain minimum balance in checking account	55.5	49.1	6.5 **	0.022
Total nonretirement savings (\$)	2,241	1,730	512 *	0.052
Total nonretirement savings (%)				
\$0	20.6	28.1	-7.5 ***	0.002
\$1 - \$500	31.9	30.9	1.0	0.722
\$501 - \$1,000	11.0	11.0	0.1	0.968
\$1,001 - \$2,000	12.5	10.2	2.2	0.219
\$2,001 - \$5,000	14.4	12.7	1.8	0.374
\$5,001 - \$10,000	5.2	3.9	1.3	0.281
More than \$10,000	4.4	3.3	1.2	0.288
<u>Retirement savings</u>				
Has retirement savings (%)	32.5	28.4	4.0	0.101
Total retirement savings (\$)	2,582	3,279	-697	0.146
Total retirement savings (%)				
\$0	67.5	71.6	-4.0	0.101
\$1 - \$2,000	11.5	9.2	2.3	0.188
\$2,001 - \$5,000	8.6	5.5	3.1 **	0.034
\$5,001 - \$10,000	5.7	6.0	-0.4	0.777
\$10,001 - \$25,000	4.6	3.8	0.7	0.536
More than \$25,000	2.1	3.8	-1.7 *	0.070
<u>Liquid assets: Nonretirement + retirement savings</u>				
Has liquid assets (%)	81.8	75.3	6.5 ***	0.006
Total liquid assets (\$)	4,114	4,265	-151	0.750

(continued)

Table 5.3 (continued)

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
Total liquid assets (%)				
\$0	18.2	24.7	-6.5 ***	0.006
\$1 - \$2,000	44.6	42.5	2.1	0.461
\$2,001 - \$5,000	15.7	12.8	3.0	0.148
\$5,001 - \$10,000	10.1	7.9	2.2	0.196
\$10,001 - \$25,000	7.6	7.9	-0.3	0.851
More than \$25,000	3.8	4.3	-0.5	0.653
Sample size (total = 1,258)	631	627		

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

rounding) of \$512, or 30 percent, above the average for Regular Tax Filers.⁸ SaveUSA's impact on total nonretirement savings resulted from the program's turning some nonsavers into savers and also because SaveUSA group savers averaged about \$400 more in total nonretirement savings than Regular Tax Filer savers.⁹

When estimating SaveUSA's effect on nonretirement savings, it is also important to consider whether the increase in dollars saved included study participants at different savings levels or was concentrated among particular types of savers. To help answer these questions, the analysis presents additional findings on SaveUSA's effects on nonretirement savings, based on

⁸See Key, Grinstein-Weiss, Tucker, and Holub (2013), p. 25. For their evaluation of the \$aveNYC program, the authors conducted a regression-adjusted comparison-group analysis involving 145 treatment group members who filed their taxes at participating VITA organizations in 2009 and had access to a \$aveNYC matched savings account and 123 comparison group members who filed their taxes at other VITA facilities that did not offer the \$aveNYC account. Based on calculations from responses to an 18-month follow-up survey, the authors found that the treatment group averaged nearly \$300 more in nonretirement savings than the comparison group at the time of their interview.

⁹Based on data in Table 5.3 and with rounding, average savings for the SaveUSA group savers = \$2,823 (\$2,241/0.794), whereas average savings for Regular Tax Filer savers = \$2,405 (\$1,730/0.719).

an estimation procedure called “quantile regression.” Unlike OLS regression, which estimates program effects on specific summary measures, such as average total nonretirement savings, *quantile regression* estimates how SaveUSA changed the distribution of savings among study participants. To do so, the quantile regression procedure orders outcome values from lowest to highest *within each research group* and then compares values by research group that share the same relative position within each distribution. For example, the analysis considers whether the value of nonretirement savings at the 50th percentile (or median) for the SaveUSA group exceeds the corresponding value at the 50th percentile for Regular Tax Filers.¹⁰ The analysis then considers the consistency of research group differences at various places within the distribution. Accordingly, SaveUSA’s overall effect on nonretirement savings may be considered to be positive and robust if the SaveUSA group has higher values than Regular Tax Filers throughout the distribution. Alternatively, the effect may be concentrated among the lower, middle, or higher levels of savings.

The top panel of Table 5.4 presents a summary of results from the quantile analysis of nonretirement savings. As shown, SaveUSA increased nonretirement savings above levels for Regular Tax Filers at the 20th percentile and within the 40th to 90th percentiles. Thus, it may be concluded that SaveUSA’s effect on nonretirement savings was relatively robust, but it was less prevalent for those with the least savings.

These impact findings demonstrate that SaveUSA achieved its primary short-term goal of increasing nonretirement savings beyond expected levels for low- and moderate-income households that expressed a strong interest in saving (as evidenced by their enrollment in the SaveUSA study). Nonetheless, like their counterparts among Regular Tax Filers, most SaveUSA group members reported maintaining a relatively small amount of nonretirement savings at the time of their 18-month interview. At least 70 percent of both groups had savings below \$2,000 (Table 5.3) — a level of savings reported by low- and moderate-income respondents in a national survey as being most likely to provide protection against sudden increases in expenses or losses of income.¹¹

¹⁰Relative positions within a range of values may be expressed as quantiles which vary from 0 to 1, or as percentiles, which vary from 0 to 100. The regression procedure also calculates the level of statistical significance for each difference. As previously, differences that are statistically significant at the 10 percent level or below are considered to be real effects of SaveUSA.

¹¹Bricker, Kennickell, Moore, and Sabelhaus (2012), Table 3.1, p. 16. About 5 percent of SaveUSA group members and 3 percent of Regular Tax Filers reported that they had exactly \$2,000 in nonretirement savings (not shown but included in the “\$1,001-\$2,000” category in Table 5.3).

The SaveUSA Evaluation

Table 5.4

Effects of SaveUSA on the Distribution of Nonretirement Savings,
Retirement Savings, and Total Liquid Assets as of the 18-Month Interview

Outcome (\$)	SaveUSA Group	Regular Tax Filers	Difference
<u>Nonretirement savings</u>			
10th percentile	0	0	0
20th percentile	23	17	6 *
30th percentile	106	88	18
40th percentile	320	251	70 *
50th percentile	565	455	109 *
60th percentile	1,005	756	249 *
70th percentile	1,606	1,261	345 *
80th percentile	2,791	2,120	671 *
90th percentile	5,835	4,623	1,212 *
<u>Retirement savings</u>			
10th percentile	0	0	0
20th percentile	0	0	0
30th percentile	0	0	0
40th percentile	0	0	0
50th percentile	58	55	3
60th percentile	924	878	46
70th percentile	1,938	1,830	108
80th percentile	3,592	3,490	102
90th percentile	8,450	8,593	-144
<u>Liquid assets: Nonretirement + retirement savings</u>			
10th percentile	0	0	0
20th percentile	100	83	17
30th percentile	395	319	76 *
40th percentile	848	683	165 *
50th percentile	1,555	1,300	255 *
60th percentile	2,542	2,160	382 *
70th percentile	4,066	3,711	355
80th percentile	6,522	6,520	2
90th percentile	11,686	11,377	309
Sample size (total = 1,258)	631	627	

(continued)

Table 5.4 (continued)

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Estimates were adjusted using quantile regression, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

To calculate "percentiles," respondents were ranked on each outcome from lowest to highest, based on the value estimated (or "predicted") for them by the regression model. Separate rankings were calculated for each research group. Each row shows the estimated values for SaveUSA group members and Regular Tax Filers who occupy the same percentile within their respective research group.

Sample sizes for specific outcomes may vary because of missing values.

An asterisk (*) indicates that the difference in values between research groups is statistically significant at the 10 percent level.

Impacts on Measures of Nonretirement Savings at Any Time During the Follow-Up or Measured as Change over Time

SaveUSA led to additional impacts on nonretirement savings, when savings patterns over the entire currently available follow-up period since random assignment are considered (Table 5.5). About 78 percent of Regular Tax Filers reported that they had kept money in nonretirement savings at some point during the 18-month follow-up, and a slightly smaller proportion had maintained a savings account. Most Regular Tax Filers recalled having deposited money into nonretirement savings at least once or twice since study entry. Nonetheless, only 18 percent of Regular Tax Filers assessed that they currently possessed more in nonretirement savings than they had when they entered the study, and 40 percent of the group assessed that their nonretirement savings had decreased during the follow-up period.

Over 18 months of follow-up, SaveUSA led to a relatively large (15 percentage point) increase above the level for Regular Tax Filers in ever having a savings account following study entry and to a more modest 7 percentage gain in having nonretirement savings. In addition, by margins of 5 to 7 percentage points, a larger proportion of SaveUSA group members reported having added to their savings since study entry and having more savings at interview than they had at study entry. According to survey responses, SaveUSA group members were also more likely to have forgone withdrawing cash from savings. Tempering these positive impacts of SaveUSA on nonretirement savings is the finding that SaveUSA group members also experienced difficulty in maintaining their savings over time. *Within the SaveUSA group*, the largest

The SaveUSA Evaluation

Table 5.5

Impacts on Savings in the 18 Months Since Random Assignment

Outcome (%)	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Nonretirement savings</u>				
Ever had savings account	87.9	72.7	15.3 ***	0.000
Had at least \$1 in nonretirement savings	84.8	78.2	6.6 ***	0.003
How often added money to savings				
At least once per month	37.5	36.2	1.3	0.642
A few times per year	14.3	11.4	2.9	0.130
Once or twice	9.7	9.1	0.5	0.760
Never	38.6	43.2	-4.7 *	0.092
Have automatic system for adding money to savings	22.5	21.9	0.6	0.791
Direct deposit from employer	15.6	15.2	0.3	0.865
Automatic transfer from checking account	10.9	9.8	1.1	0.513
Automatic transfer from other account	1.9	1.9	0.0	0.987
How often withdraw money from savings				
Every week	11.6	11.0	0.5	0.762
Once or twice per month	23.5	21.3	2.2	0.367
A few times per year	14.0	14.6	-0.6	0.772
Once or twice	16.0	12.5	3.6 *	0.074
Never	20.2	19.1	1.0	0.648
No savings at any time	14.8	21.5	-6.7 ***	0.002
Wanted to withdraw money from savings but did not	41.5	34.6	6.9 **	0.013
Change in total nonretirement savings				
Increase	24.8	17.8	7.0 ***	0.003
No change	32.8	41.8	-9.0 ***	0.001
Decrease	42.5	40.3	2.2	0.439
<u>Retirement savings</u>				
Change in total retirement savings				
Increase	21.7	18.3	3.4	0.113
No change	68.0	73.4	-5.3 **	0.029
Decrease	10.2	8.3	1.9	0.257
Sample size (total = 1,258)	631	627		

(continued)

Table 5.5 (continued)

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

proportion of respondents (about 42 percent, with rounding) reported that their savings had decreased since study entry (Table 5.5).¹²

Impacts on Retirement Savings

SaveUSA was not expected to affect the amount of money that study participants deposited into longer-term retirement savings. Nonetheless, it is important to determine whether either research group accumulated more retirement savings than the other group during the follow-up period. Given that the only difference between the SaveUSA group and the Regular Tax Filers was access to a SaveUSA account, a higher average for SaveUSA group members would suggest that the program inspired a more general commitment to save than anticipated. Alternatively, decreases in retirement savings compared with Regular Tax Filers would suggest that SaveUSA led to a shifting of savings from long-term to short-term accounts among low- and moderate-income households that would have saved anyway.¹³

Based on their responses to the 18-month survey, most Regular Tax Filers experienced one of three patterns of accumulating or using retirement savings. First, a large majority of Regular Tax Filers had no retirement savings at study entry and never deposited funds into retirement savings during the follow-up period. This group of nonsavers comprises nearly all of the Regular Tax Filers with no reported retirement savings at the 18-month interview (72

¹²It is conceivable that some survey respondents (in both research groups) who reported a reduction in their nonretirement savings since study entry were actually comparing their current savings to the maximum amount that they had on hand soon after study entry — for example, following direct deposit or redeposit of tax refund dollars into a SaveUSA account or other savings product.

¹³Retirement savings typically carry penalties for withdrawals made prior to age 59 and a half, making these savings less desirable than nonretirement savings as a source of emergency cash.

percent; Table 5.3) and, likewise, nearly all Regular Tax Filers who assessed that their total retirement savings had not changed since study entry (73 percent; Table 5.5). Second, about 28 percent of Regular Tax Filers reported having retirement savings at the time of their 18-month interview (Table 5.3). According to survey data, most of these Regular Tax Filers increased their retirement savings during the follow-up period, thereby demonstrating their commitment to accumulating longer-term savings.¹⁴ Finally, a small group, encompassing fewer than 10 percent of Regular Tax Filers, decreased their retirement savings since study entry either to a smaller balance or to zero (Table 5.5).

Regular Tax Filers owned a total of \$3,279 in retirement savings (including zeros for nonsavers) — almost twice their average for nonretirement savings.¹⁵ However, a relatively few Regular Tax Filers with retirement savings of more than \$20,000 (Table 5.3) inflate this average considerably.¹⁶

In several respects, SaveUSA group members showed a similar pattern of retirement savings accumulation and use. Like their counterparts among Regular Tax Filers, most SaveUSA group members lacked retirement savings at study entry and throughout the follow-up period, but, among those with retirement savings at the time of their 18-month interview, a majority increased their total retirement savings after study entry. More detailed comparisons reveal some possible differences between the research groups. SaveUSA probably led to a small increase (4 percentage points) above the level for Regular Tax Filers in having retirement savings at interview, although the difference between research groups was just above the 10 percent level of statistical significance (Table 5.3; p -value = 0.101). Less certain, SaveUSA may also have led to a small increase in the proportion of study participants who increased their

¹⁴Since study entry, 18.3 percent of Regular Tax Filers reported that they had increased their retirement savings (Table 5.5). These respondents make up nearly two-thirds of group members who reported having retirement savings as of their 18-month interview (28.4 percent; Table 5.3).

¹⁵For a comparison with a national study of levels of retirement savings by low- and moderate-income households, see Bricker, Kennickell, Moore, and Sabelhaus (2012), Table 6.B, pp. 28-30. Based on responses to the Federal Reserve 2010 Survey of Consumer Finances, 11 percent of households in the lowest income quintile and 31 percent of households in the second quintile reported having money in a retirement account. Median values of total retirement savings (among account holders) were \$8,000 and \$11,000, respectively. It appears that Regular Tax Filers were more likely to have retirement savings than the national sample but that they were saving less, on average. The proportion of Regular Tax Filers with retirement savings more closely resembles the proportion for the second income quintile in the national survey. In contrast, the median value of retirement savings for Regular Tax Filers with savings (\$5,000; not shown) was lower than the median value of retirement savings for either income quintile.

¹⁶See Appendix Tables C.3 and C.4. The top 5 percent of survey respondents (including those age 65 or older at study entry) reported having more than \$20,000 in total retirement savings at their 18-month interview. Excluding from the calculation respondents with total retirement savings above \$20,000 decreases the average for Regular Tax Filers from \$3,279 (Table 5.3) to \$1,415.

retirement savings during the follow-up period (Table 5.5).¹⁷ Thus, to the extent that SaveUSA had any effect on total retirement savings, it appears to have raised the average for the group slightly by changing a small number of nonsavers into households with small amounts of retirement savings. In contrast, Regular Tax Filers had a few more study participants with unusually large amounts of retirement savings (above \$20,000). Including these high values of savings raises average total retirement savings for Regular Tax Filers. These opposite effects on retirement savings lead to an ambiguous overall result, in which the average value of retirement savings for the SaveUSA group (\$2,582) was \$697 lower than the average for Regular Tax Filers, but this difference is not statistically significant (Table 5.3; p-value = 0.146).

A further analysis of SaveUSA's effects on total retirement savings was performed using quantile regression. The middle panel of Table 5.4 presents a summary of research group differences at different levels of retirement savings. As shown, none of the differences between research groups is statistically significant, including the comparison of relatively high values at the 90th percentile. These results suggest that SaveUSA had no overall effect — either positive or negative — on retirement savings.¹⁸

Impacts on Liquid Assets as of the 18-Month Interview

To respond to a large emergency or unexpected expense or to a sustained loss of income, households may need to draw on financial resources beyond their nonretirement savings. For this study, respondents' total liquid assets — defined as the sum of nonretirement and retirement savings — represent the maximum financial resources that they have on hand.¹⁹ As of the 18-month survey, about three-quarters of Regular Tax Filers reported having some type of liquid asset. The typical Regular Tax Filer owned \$4,265 in liquid assets (including zeros for Regular Tax Filers without liquid assets). As noted above regarding retirement savings, totals for a few group members with more than \$20,000 in liquid assets inflate the overall mean (Table 5.3).²⁰

¹⁷The p-value of the difference for having increased retirement savings since study entry is 0.113, indicating slightly greater uncertainty that the difference is a real effect of SaveUSA.

¹⁸Additional evidence supports the finding that a few unusually high values for Regular Tax Filers account for most of the difference in average total retirement savings between SaveUSA group members and Regular Tax Filers. First, the quantile regression analysis showed no statistically significant differences in total retirement savings at the 95th percentile of respondents (not shown). In addition, as shown in Appendix Table C.4, no difference in average total retirement savings was found when the top 5 percent of savers are excluded from the calculation.

¹⁹Home equity would be another potential source of cash to meet emergencies, but, as discussed in Chapter 6, a large majority of study participants rented their place of residence.

²⁰In Table 5.3, the sum of average nonretirement savings and retirement savings does not equal average liquid assets because some respondents reported an amount for one type of savings but not for both types. For comparison, see Bricker, Kennickell, Moore, and Sabelhaus (2012), Table 6.B, pp. 28-30. Based on responses (continued)

SaveUSA led to a moderate increase of 6 percentage points (with rounding) in the proportion of respondents with liquid assets — another indication that SaveUSA turned some nonsavers into savers. Nevertheless, each research group reported an average of a little over \$4,000 in total liquid assets, resulting in no difference between the two research groups (Table 5.3). This finding is somewhat misleading, because the average for Regular Tax Filers is affected once again by inclusion of a few relatively high values (in excess of \$20,000) of retirement savings. A further analysis using quantile regression suggests that SaveUSA increased total liquid assets among study participants with medium levels of assets. As shown in the bottom panel of Table 5.4, values for SaveUSA group members in the 30th to 60th percentiles exceeded the values for Regular Tax Filers. These results are consistent with the pattern of small and not statistically significant increases in the ranges of total liquid assets up to \$10,000 displayed in Table 5.3.

Impacts on Attitudes Toward Saving

Respondents to the 18-month survey answered a series of questions that gauged their level of confidence in their ability to save at present and in the future. It was expected that the experiences of accumulating savings and receiving the savings match would prompt a large number of SaveUSA group members to express strong support for savings and would result in increases above levels for Regular Tax Filers in the incidence of making pro-savings statements concerning attitude or behavior. It should be remembered, though, that members of both the SaveUSA group and Regular Tax Filers demonstrated their interest in saving by volunteering to participate in the study and that most had savings at interview. Accordingly, it would be reasonable to expect that impacts on measures of confidence in ability to save, while positive, would be moderate in size.

Looking to the future, a large majority of Regular Tax Filers (69 percent) stated that they had a savings goal, and a somewhat larger proportion (76 percent) acknowledged the importance of having money in a savings account. Further, nearly half of Regular Tax Filers described themselves as doing more planning for the future than they had as of random assignment.²¹ On other questions about changes over time in savings behavior or attitudes toward saving, the largest proportion of Regular Tax Filers indicated that their views or actions had remained the same since study entry. Among Regular Tax Filers who reported changes in attitude or behavior during the follow-up period, respondents most commonly considered

to the Federal Reserve 2010 Survey of Consumer Finances, 79 percent of respondents in the lowest quintile and 94 percent of respondents in the second-lowest quintile reported having some type of liquid asset. Median values of total liquid assets (among asset holders) were \$1,100 and \$5,200, respectively.

²¹In drafting this survey question, it was assumed that respondents would consider planning household finances as central to planning for the future.

themselves as having grown more strongly in favor of saving. For example, when asked about possible changes since study entry in the likelihood of keeping money in a bank, nearly 7 in 10 Regular Tax Filers reported no change in likelihood. About 22 percent of Regular Tax Filers related that they had become more likely to keep money in a bank, but only 10 percent stated the opposite view (Table 5.6).

As expected, SaveUSA led to moderate increases (of 4 to 10 percentage points) above the level for Regular Tax Filers in the measures of confidence in their ability to save. About 78 percent of SaveUSA group members stated that they had a savings goal, and 85 percent affirmed the importance of having money in a savings account. On both of these measures, the SaveUSA program led to an increase of nearly 9 percentage points above the levels for Regular Tax Filers. In addition, compared with Regular Tax Filers, a larger proportion of SaveUSA group members reported saving or investing more since study entry, using more of their tax refund for savings, keeping money in savings longer, and being more likely to keep money in a bank. Consistent with these findings, slightly more SaveUSA group members than Regular Tax Filers reported that they now did more planning for the future, but the difference between research groups is not statistically significant (Table 5.6).²²

Conclusion

SaveUSA led to positive effects on the types of outcomes that having access to a matched savings account were expected to improve in the short term. The program appears to have encouraged some nonsavers to become savers and additional low- and moderate-income savers to save more than they otherwise would have. SaveUSA group respondents' higher incidence of providing answers supportive of savings is a basis for optimism that savings increases will persist. Such persistence will be examined in an upcoming report based on responses to a survey administered after 36 to 42 months of follow-up. The analysis also found that SaveUSA had not yet increased liquid assets among study participants with the weakest or strongest propensity to save. It will be important to analyze longer-term trends in savings to determine whether SaveUSA's effects became more positive over time for these study participants.

²²It should also be noted that a similar proportion of respondents in both research groups reported that they currently checked their bank account balances more closely than in the past.

The SaveUSA Evaluation

Table 5.6

Impacts on Savings Attitudes and Behaviors

Outcome (%)	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
Has a current savings goal	78.2	69.4	8.8 ***	0.000
Importance of having money in a savings account				
Very important	84.7	76.1	8.6 ***	0.000
Somewhat important	12.9	15.7	-2.8	0.155
Not that important	2.4	8.2	-5.8 ***	0.000
<u>Changes in financial decisions since random assignment</u>				
Amount of money in savings or investments				
More	26.9	22.8	4.0 *	0.096
No change	44.1	52.4	-8.3 ***	0.003
Less	29.0	24.7	4.3 *	0.090
Amount of tax refund used for savings or investments				
More	26.0	16.3	9.7 ***	0.000
No change	49.9	64.4	-14.4 ***	0.000
Less	24.1	19.3	4.8 **	0.045
Length of time that money is saved or invested				
Keep longer	29.7	21.9	7.8 ***	0.001
No change	50.0	59.5	-9.5 ***	0.001
Withdraw sooner	20.3	18.6	1.6	0.474
Amount of planning for the future				
More	52.4	49.1	3.4	0.221
No change	40.0	44.0	-4.0	0.147
Less	7.5	6.9	0.6	0.668
Likelihood of keeping money in a bank				
More likely	28.0	22.4	5.6 **	0.023
No change	63.3	68.0	-4.7 *	0.079
Less likely	8.7	9.6	-0.9	0.594
How closely check bank account balances				
More closely	38.7	37.9	0.8	0.766
No change	57.2	57.6	-0.4	0.887
Less closely	4.0	4.5	-0.4	0.712
Sample size (total = 1,258)	631	627		

(continued)

Table 5.6 (continued)

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

Chapter 6

Impacts of SaveUSA on Household Expenditures, Debt, and Material Well-Being

Chapter 6 analyzes whether the SaveUSA program led to additional positive effects on household finances beyond the greater accumulation of nonretirement savings as reported in Chapter 5. Based on study participants' responses to the SaveUSA 18-Month Follow-Up Survey, this chapter considers whether SaveUSA group members were better able than Regular Tax Filers to (1) pay household expenses and meet financial emergencies with savings or current income, (2) forgo reliance on high-cost nontraditional lending sources, (3) manage debt, and (4) avoid financial hardship. The chapter also analyzes whether SaveUSA group members, on average, reported a greater sense of control over life decisions and more optimism for the future.¹

As noted in Chapter 5, at the 18-month follow-up point, SaveUSA group members had accumulated over \$500 more in nonretirement savings than Regular Tax Filers. Proponents of programs that encourage nonretirement savings among low- and moderate-income households have often posited that even modest increases in savings (of similar magnitude to the impact for SaveUSA) can help households avoid financial hardship and attain other positive outcomes.² In the SaveUSA evaluation, this hypothesis will be tested for a sample of low- and moderate-income tax filers with a strong savings orientation. The analysis also considers other possible results. For example, under some circumstances, effects on financial well-being could be negative if a large proportion of SaveUSA group members maintained their savings by increasing their debt or by delaying payment of existing bills or debts. Finally, it should be recognized that an 18-month follow-up period may be too short to see effects on broader measures of financial security. The follow-up period covers only two tax-filing periods during which SaveUSA group members could deposit tax refund dollars in a SaveUSA account and only one possible savings match. As a result, a future analysis of SaveUSA's impacts after 36 to 42 months will more comprehensively examine SaveUSA's effects on these broader measures.

Main Findings

- Most SaveUSA group members and Regular Tax Filers reported being in relatively precarious economic situations, characterized by their high inci-

¹In this chapter, the terms “material well-being,” “financial well-being,” and “financial security” are used interchangeably.

²See, for example, Collins and Gjertson (2013); Abbi (2012); Lopez-Fernandini (2010); McKernan, Ratcliffe, and Vinopal (2009).

dence of having experienced financial shocks and by accumulating more total non-housing-related debt than savings.

- SaveUSA group members' higher average nonretirement savings provided group members with a modest "financial cushion," reported by them to be the equivalent to having cash on hand to pay expenses for an additional few weeks up to about one month.
- SaveUSA also led to a slightly higher incidence of having a savings or checking account at a bank or credit union as of the 18-month interview. These institutions are generally credited with providing greater security and lower fees for conducting financial transactions than nontraditional financial institutions like check-cashing or payday loan establishments or pawn shops.
- SaveUSA did not affect accumulation of non-housing-related debt. The similarity of debt levels between research groups may be interpreted as a positive short-term finding, as it indicates that SaveUSA group members did not increase their debt levels to maintain their savings.
- After 18 months, SaveUSA had not yet shown positive effects on several indicators of financial security, including having more liquid assets than debt, having a good credit rating, or avoiding experiences of serious financial hardship. Improving these outcomes for SaveUSA group members remains an important longer-term goal for the program.

Background: Respondents' Financial Situation as of the 18-Month Interview

Although the impact analysis in the SaveUSA evaluation focuses on possible effects of increasing nonretirement savings, other factors — such as employment, household income, access to health coverage, and housing status — could affect study participants' financial situations. SaveUSA was not expected to change these outcomes in the short term. Still, it is important to examine whether any differences between the research groups occurred.³

³In theory, impacts on savings could lead to longer-term gains in employment or income if, for example, a larger proportion of SaveUSA group members than Regular Tax Filers could use their savings to pay for reliable transportation to jobs, reliable child care, or health insurance premiums. Additionally, if having access to a matched savings account enhances households' ability to manage debt, SaveUSA group members could eventually receive better credit ratings than Regular Tax Filers. These, in turn, could lower the cost of credit and improve job applicants' prospects of finding a job among the substantial number of employers who check applicants' credit reports.

When surveyed, Regular Tax Filers often described themselves as encountering difficulties maintaining a steady income. As of their 18-month interview, about 7 of 10 Regular Tax Filers were working for pay, but less than half were working full-time hours, defined as 35 or more hours of work per week. (See Table 6.1.) Furthermore, nearly half of Regular Tax Filers indicated that they had experienced at least one month of joblessness since study entry, and 30 percent reported having no employment for six months or more. Regular Tax Filers earned \$306 per week, on average (including zeros for respondents without employment) — equivalent to about \$16,000 per year or, for currently employed Regular Tax Filers, about \$22,000. Most Regular Tax Filers who were employed at interview reported having some type of fringe benefit: paid vacation or sick days, a retirement plan, or medical coverage.

The typical Regular Tax Filer reported that his or her household had received \$1,836 per month, equivalent to about \$22,000 per year, in income from employment or other sources during the month prior to interview.⁴ Most Regular Tax Filers received some type of publicly funded benefit, most often SNAP (food stamps; not shown). A little less than half of Regular Tax Filers reported having experienced at least one month of zero or unusually low household income since study entry, with more than one-quarter of the group reporting three or more months of “income shock” (Table 6.1).

At interview, most Regular Tax Filers had health coverage, either privately or publicly funded, but more than a quarter of the group did not. The coverage level was higher (86 percent) for the children of Regular Tax Filers, among respondents with dependent children. Fewer than 1 in 5 Regular Tax Filers owned their own home (Table 6.1).⁵

As expected, as of their 18-month interview, SaveUSA group members reported similar levels as Regular Tax Filers on most outcomes discussed above, including current employment, weekly earnings, monthly household income, health coverage, and likelihood of owning their own home. Differences between research groups were found for summary measures of employment and income, which appear contradictory and are difficult to explain. By a margin of 3 percentage points, a larger proportion of SaveUSA group members than Regular Tax Filers reported that they had worked for pay at any time since study entry. Over the same time period, SaveUSA also led to a reduction of 5 percentage points below the level for Regular Tax Filers in the proportion of respondents who experienced joblessness for six months or longer. Despite these modest employment gains, a larger proportion of SaveUSA group members (51 percent,

⁴DeNavas-Walt, Proctor, and Smith (2013), Table A-2, p. 40. Annualized, the average for Regular Tax Filers would place the group slightly above the 20th percentile in income among U.S. households in 2012, according to the U.S. Census Bureau.

⁵Therefore, most Regular Tax Filers lacked home equity as an asset and mortgage debt as a liability. The same is true for SaveUSA group members (Table 6.1). These findings are important when analyzing possible effects of SaveUSA on survey respondents’ overall net worth, discussed below in the chapter.

The SaveUSA Evaluation

Table 6.1

Impacts on Employment, Income, Health Coverage, and Housing Status

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Employment</u>				
Employed since random assignment (%)	86.8	83.4	3.4 *	0.086
Currently employed (%)	74.1	71.3	2.8	0.255
Works full-time hours	48.7	48.1	0.5	0.844
Weekly earnings at current job (\$)	312	306	6	0.673
Receives employee benefits (%)				
Sick days with full pay	42.7	40.7	2.1	0.456
Vacation days with full pay	50.2	48.7	1.5	0.592
Enrolled in retirement plan	29.2	25.2	4.0	0.110
Enrolled in health insurance plan	32.7	31.8	0.8	0.743
Number of months without employment since random assignment (%)				
0	56.7	54.4	2.2	0.408
Less than 1	3.5	2.8	0.7	0.478
1-2	6.4	4.6	1.9	0.157
3-5	8.4	7.8	0.6	0.702
6 or more	25.0	30.4	-5.4 **	0.030
<u>Income</u>				
Income sources in prior month (%)				
Respondent employment	76.3	72.9	3.3	0.166
Employment of other household members	30.6	33.0	-2.4	0.355
Public assistance and other government benefits	64.6	64.2	0.4	0.868
Child support or alimony	12.1	13.4	-1.3	0.503
Pension or retirement plan	4.2	4.8	-0.6	0.597
Total household income in prior month (\$)	1,836	1,836	0	0.996
Number of months with unusually low or no income since random assignment (%)				
0	48.8	54.4	-5.6 **	0.049
1-2	20.8	17.7	3.1	0.168
3 or more	30.4	27.9	2.5	0.343
<u>Health coverage</u>				
Currently has coverage (%)				
Respondent	73.2	74.5	-1.3	0.593
All of respondent's children ^a	85.2	86.3	-1.1	0.687

(continued)

Table 6.1 (continued)

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Housing</u>				
Current housing situation (%)				
Own home or apartment	18.8	18.0	0.8	0.681
Rent home or apartment	60.3	60.3	0.0	0.992
Live with family or friends and pay part of rent or mortgage	13.2	14.6	-1.4	0.455
Live with family or friends and do not pay rent or mortgage	4.7	4.3	0.4	0.725
Live in a group shelter	0.3	0.5	-0.1	0.731
Other	2.8	2.4	0.4	0.663
Sample size (total = 1,258)	631	627		

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

compared with 46 percent) reported having experienced at least one month of zero or unusually low household income during the follow-up period (Table 6.1).

Impacts on Managing Expenses with Savings and Current Income

As discussed above, SaveUSA was intended to boost low- and moderate-income households' nonretirement short-term savings to help pay for emergency or unexpected expenses or to meet basic household expenses during times of unusually low income. Because SaveUSA led to an increase in nonretirement savings above the level for Regular Tax Filers, it would be expected that SaveUSA group members would demonstrate greater capacity to manage expenses with savings or current income and without increasing debt. To explore this issue, the analysis begins by comparing (as a ratio) the reported value of each household's nonretirement savings with the value of its total monthly household expenses. The ratio of savings to expenses shows the number of months that a study participant could pay expenses from nonretirement savings alone, should household income cease. This measure may be calculated in different ways, and, for that reason, the impact estimates discussed below are presented as a range of possible effects.

According to survey data shown in Table 6.2, Regular Tax Filers incurred an average of about \$1,550 in household expenses per month.⁶ Using their nonretirement savings alone, Regular Tax Filers could cover their household expenses for 1.3 months. A large majority of Regular Tax Filers (72 percent) reported having nonretirement savings that would cover less than one month of household expenses.⁷ About 6 in 10 Regular Tax Filers reported using a spending plan or budget to manage their household expenses, but only about a quarter of group members stated that they usually had money left over at the end of the month — a potential source of savings.

SaveUSA group members reported having a similar level of monthly household expenses as Regular Tax Filers. Averaged across the entire group, their greater nonretirement savings would pay, at most, for a few weeks up to an additional month of household expenses, compared with Regular Tax Filers — a modest effect.^{8,9} SaveUSA did not increase the likelihood of using a budget or spending plan to manage household expenses; nor did the program

⁶Interviewers asked respondents to include expenses for housing, food, clothing, transportation, child care, phone, utilities, medical care, medical insurance premiums, and prescription drugs, when estimating their typical household expenses. This monthly household expense amount was similar to the average reported by a national sample of low-income households. See U.S. Department of Labor, Bureau of Labor Statistics (2013), Table 1101. Households in the lowest income quintile averaged about \$1,526 in total monthly expenditures (not counting expenditures for cash contributions, education, entertainment, insurance or pension contributions, or vehicle purchases).

⁷Respondents were also asked to estimate how long they could pay for bills and living expenses with money saved, if their income suddenly stopped. About 60 percent of Regular Tax Filers reported having savings that would pay expenses for one month or less (not shown).

⁸The savings-to-expense ratios displayed in Table 6.2 were calculated in multiple steps. First, a ratio of nonretirement savings to monthly household expenditures was calculated for each respondent who had nonmissing data on both measures. Next, a regression-adjusted mean of these ratios was calculated for each research group. Finally, the difference in the research group means was calculated and presented as the impact of SaveUSA. Although the adjusted means for each research group are relatively low, values may be inflated in either of two ways. First, some respondents may report unusually high savings. Second, other respondents may report unusually low expenses. As a sensitivity test, three alternative ways of estimating respondents' ability to use nonretirement savings to cover household expenses were tried. They each yield smaller differences between the research groups. One way uses research group averages only. It constructs a ratio of the SaveUSA group's adjusted mean for nonretirement savings shown in Chapter 5, Table 5.3, to the group's adjusted mean for household expenses, shown in Table 6.2 ($\$2,241/\$1,592 = 1.41$) and a similar ratio for Regular Tax Filers ($\$1,730/\$1,548 = 1.12$). The resulting difference between the research groups is 0.29 month. (Statistical significance is not applicable.) Another calculation method creates a ratio for each respondent, similar to the method used to calculate results shown in Table 6.2, but it drops from the calculations respondents with the highest 1 percent of ratio values. This calculation method yields a difference in adjusted means of 0.22 month (not statistically significant). Finally, respondents were asked to estimate how long they could pay for household expenses with savings alone. No impact was found for this measure (not shown).

⁹See also Key, Grinstein-Weiss, Tucker, and Holub (2013), p. 26. The authors found a similar effect in their regression-adjusted comparison-group analysis of the SaveNYC program.

The SaveUSA Evaluation

Table 6.2

Impacts on Managing Monthly Household Expenses and Emergency Expenses

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
Monthly household expenses				
Total household expenses in prior month (\$)	1,592	1,548	44	0.362
Ratio of nonretirement savings to monthly household expenses	2.43	1.31	1.12 ***	0.009
Ratio of nonretirement savings to monthly household expenses (%)				
0.00 - 0.99	66.3	71.9	-5.5 **	0.042
1.00 - 1.99	11.9	12.5	-0.6	0.765
2.00 - 2.99	7.9	4.6	3.4 **	0.018
3.00 or more	13.8	11.1	2.7	0.158
Uses a spending plan or budget to manage expenses (%)	63.8	61.2	2.6	0.349
Usually has money left over at the end of the month (%)	28.4	25.9	2.5	0.308
Emergency or unexpected expenses				
Had emergency or unexpected expense since random assignment (%)	51.0	44.2	6.8 **	0.015
Total emergency or unexpected expenses since random assignment (\$)	1,079	1,131	-52	0.675
Total emergency or unexpected expenses since random assignment (%)				
\$0	49.6	56.1	-6.5 **	0.020
\$1 - \$500	9.2	8.6	0.6	0.709
\$501 - \$1,000	12.0	9.7	2.3	0.195
\$1,001 - \$2,000	15.1	9.4	5.7 ***	0.002
\$2,001 - \$5,000	10.9	11.3	-0.3	0.851
\$5,001 - \$10,000	2.1	3.8	-1.7 *	0.080
\$10,001 - \$20,000	1.0	1.1	-0.1	0.847
Primary method of paying for emergency or unexpected expenses ^a (%)				
Use money on hand or current income	52.3	48.8	3.5	0.239
To pay for previously incurred expenses	28.0	24.7	3.2	0.220
To pay for future expenses	24.4	24.1	0.3	0.918
Increase debt	39.3	41.5	-2.2	0.439
To pay for previously incurred expenses	22.0	19.1	2.9	0.221
To pay for future expenses	17.2	22.4	-5.2 **	0.028

(continued)

Table 6.2 (continued)

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
Get help from family, friends, government agency, or organization	6.5	7.1	-0.6	0.693
To pay for previously incurred expenses	4.1	3.2	0.9	0.425
To pay for future expenses	2.4	3.9	-1.5	0.151
Do not know how would pay for future expenses	1.9	2.5	-0.7	0.457
Is liquid-asset poor ^b (%)	74.9	78.1	-3.2	0.177
Sample size (total = 1,258)	631	627		

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

^aMethods of paying for emergency or unexpected expenses are mutually exclusive. Respondents who reported having incurred at least one emergency or unexpected expense since random assignment answered follow-up questions on how they had paid for their previously incurred expenses. Other respondents who reported having incurred no emergency or unexpected expense since random assignment answered alternative questions on how they would pay for a future expense of \$500 or more.

^b"Liquid-asset poor" is defined as having insufficient liquid assets (total nonretirement savings + total retirement savings) to subsist at the poverty level for three months in the absence of income.

change the proportion of low- and moderate-income respondents who reported having money left over at the end of each month (Table 6.2). These last two measures may be seen as more general indicators of financial stability and will be analyzed again after three years of follow-up.

In addition to describing their regular household expenses, survey respondents discussed their experiences with dealing with emergency and unexpected expenses during the follow-up period. Only a minority of Regular Tax Filers (44 percent) reported that they had incurred an emergency or unexpected expense since study entry. Including all group members, Regular Tax Filers averaged a total of about \$1,130 in emergency or unexpected expenses since study entry — or about \$2,560 among respondents who reported that they had incurred an emergency or unexpected expense (Table 6.2).¹⁰

¹⁰In comparison, see Abbi (2012), p. 3. Abbi analyzed responses to a national survey of households with annual incomes of between \$20,000 and \$60,000 and found that 62 percent of respondents reported having (continued)

Respondents to the 18-month survey answered a series of questions concerning their preferred method of paying for emergency or unexpected expenses. Those who reported having incurred such expenses since study entry were then asked how they had dealt with them. Examples included paying the expense out of savings or out of current income, using a credit card or another type of loan, getting help from others, or forgoing payment. Respondents who reported having incurred no emergency or unexpected expense since study entry were asked how they would likely pay for a sudden expense of \$500 or more, if it should occur. Combining both groups of respondents, about 49 percent of Regular Tax Filers expressed a preference to use savings or current income to pay for emergency or unexpected expenses, either actual or hypothetical, whereas 42 percent indicated that they would borrow the money to pay for the expense or would allow the expense to go unpaid (Table 6.2).

For reasons that are unclear, a larger proportion of SaveUSA group respondents — by nearly 7 percentage points — reported that they had incurred an emergency or unexpected expense, compared with Regular Tax Filers. Nevertheless, both research groups averaged about the same amount in total expenses of this type.¹¹ Similar to Regular Tax Filers, a larger proportion of SaveUSA group members (52 percent) expressed a preference to pay for emergency or unexpected expenses, either actual or hypothetical, with savings or current income, rather than by borrowing the money or delaying payment (39 percent). The differences between research groups in these composite measures of managing emergency or unexpected expenses are small and are not statistically significant (Table 6.2).¹²

experienced at least one financial shock in the previous 12 months. As another comparison, see Brobeck (2008b), p. 4. Brobeck found that low-income respondents to a national survey reported incurring an average of \$2,000 in emergency or unexpected expenses. Moderate-income respondents reported a similar average. For a final comparison, see Bricker, Kennickell, Moore, and Sabelhaus (2012), Table 3.1, p. 16. Based on calculations from the Federal Reserve 2010 Survey of Consumer Finances, the authors found that respondents in the lowest income quintile reported a median desired savings level to meet emergencies (“precautionary savings”) of \$2,000.

¹¹SaveUSA group members who reported having incurred an emergency or unexpected expense since study entry averaged \$2,118 in total expenses — more than \$400 less than their counterparts among Regular Tax Filers. These results may signal a difference in the perception of expenses among the two groups. That is, the experience of forgoing use of savings to maintain eligibility for the savings match may have made some SaveUSA group members more sensitive to encountering unexpected expenses and more likely to recall smaller expenses as emergency or unexpected.

¹²Results of a nonexperimental comparison among respondents from both research groups who reported that they had never incurred an emergency or unexpected expense since study entry suggest a possible effect. Among these respondents, a larger proportion of SaveUSA group members than Regular Tax Filers (53 percent, compared with 46 percent) reported that they would use savings or current income to pay for a future expense of \$500 or more, and a smaller proportion (38 percent, compared with 42 percent) reported that they would borrow the money or delay payment. No corresponding research group differences were found among respondents who reported having incurred an emergency or unexpected expense since study entry.

To respond to a large emergency or unexpected expense or to a sustained loss of income, households may need to draw on financial resources beyond their nonretirement savings. A useful measure for estimating the potential of each low- and moderate-income household to respond to a financial emergency (loss of income or unexpected expense) is called “liquid-asset poverty.” Households are considered to be liquid-asset poor if they lack sufficient liquid assets, either nonretirement savings or retirement savings, to subsist at the poverty level for three months in the absence of income.¹³ For example, using Census Bureau poverty thresholds for 2012, a household with one parent and two children and with liquid assets that totaled less than \$4,625 would experience liquid-asset poverty.¹⁴ As of their 18-month interview, 78 percent of Regular Tax Filers had total liquid assets below the poverty threshold. The proportion of SaveUSA group members in that situation (75 percent) was slightly smaller, but the difference between research groups is not statistically significant (Table 6.2).

Impacts on Connection to Traditional Financial Institutions and Sources of Credit

Having a savings, money market, or checking account at a bank or credit union and using these institutions to cash checks or as a source of credit can often protect households from paying high fees and high interest rates. It would be expected that having access to the SaveUSA account would lead to increases above levels for Regular Tax Filers in the use of financial products offered by traditional financial institutions. The effect on this outcome would likely be small because of Regular Tax Filers’ relatively strong original orientation to saving and the high incidence of owning a savings or checking account at study entry. (See Chapter 5, Tables 5.1 and 5.3.)

As of their 18-month interview, an overwhelming majority of Regular Tax Filers (86 percent) reported that they currently had a checking or savings account. (See Table 6.3.) Most of them owned a checking account.¹⁵ Relatively few Regular Tax Filers reported using a nontraditional financial institution — such as a payday loan establishment, check casher, or pawn shop — either to cash checks or pay bills (24 percent) or to take out a loan (20 percent).

¹³The Corporation for Enterprise Development (CFED; 2013) estimates that nearly 44 percent of households in the United States are liquid-asset poor.

¹⁴Calculated from DeNavas-Walt, Proctor, and Smith (2013) data displayed in unnumbered table, “Poverty Thresholds for 2012 by Size of Family and Number of Related Children Under 18 Years,” p. 51.

¹⁵Bricker, Kennickell, Moore, and Sabelhaus (2012), Table 6.B, p. 28. Based on responses to the Federal Reserve 2010 Survey of Consumer Finances, 76 percent of households in the lowest income quintile reported having a transaction (savings or checking) account.

The SaveUSA Evaluation

Table 6.3

Impacts on Use of Financial Services

Outcome (%)	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
Has checking or savings account at interview	90.1	85.7	4.4 **	0.015
Checking account	84.4	80.4	4.0 *	0.056
Savings account	71.8	60.8	11.0 ***	0.000
Uses check cashing service at least once per month	30.3	23.6	6.8 ***	0.007
Cash check	17.3	12.3	5.0 **	0.013
Pay bills	19.9	17.2	2.7	0.224
Used high-interest credit since random assignment	20.8	20.3	0.5	0.813
Got a cash advance on a credit card	5.8	5.9	-0.1	0.935
Got a payday loan	3.9	4.2	-0.3	0.790
Wrote a check for more money than was in account	8.1	6.2	1.9	0.210
Borrowed or withdrew money from retirement or insurance plan	3.9	2.5	1.4	0.155
Got a loan from a pawn shop	3.7	4.3	-0.6	0.605
Sample size (total = 1,258)	631	627		

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

SaveUSA led to a small increase (of 4 percentage points) above the level for Regular Tax Filers in the proportion of study participants who reported currently having a savings or checking account. As expected, the program produced gains (of 11 percentage points) in the likelihood of owning a savings account, but it also resulted in a small increase above the level for Regular Tax Filers (84 percent, compared with 80 percent) in the likelihood of owning a checking account. These impacts on “being banked” were counteracted somewhat by SaveUSA group respondents’ more frequent use of check cashing services to cash checks or pay bills, although only a relatively small minority (30 percent) of SaveUSA group respondents reported

using a check cashing service at least once per month.¹⁶ SaveUSA had no effect on the incidence of using nontraditional lending sources (Table 6.3).

Impacts on Non-Housing-Related Debt

Although some use of credit can help individuals establish good credit scores, minimizing debt — especially, high-interest credit card debt — usually increases households' financial security. By encouraging low- and moderate-income households to accumulate nonretirement savings, SaveUSA is expected to lead to reductions in debt, although the effect may take longer than 18 months to occur. There is also the possibility that SaveUSA group members would incur more debt than Regular Tax Filers to maintain their savings, although, as noted above, SaveUSA group members did not report a greater propensity to increase debt to pay for emergency or unexpected expenses.¹⁷

As shown in Table 6.4, nearly all Regular Tax Filers (83 percent) reported that they were currently carrying some type of non-housing-related debt — most often from credit cards (47 percent) but also from student loans (38 percent) or unpaid medical bills (37 percent). On average, Regular Tax Filers owed a substantial amount of debt — nearly \$9,300 (including zeros) — with nearly one-quarter of group members reporting non-housing-related debt levels that exceeded \$10,000.¹⁸ A slightly greater proportion of Regular Tax Filers reported that they had increased their amount of debt since study entry (39 percent) as those who reported that their level had decreased (36 percent).

As of their 18-month interview, SaveUSA group members reported having incurred a similarly high level of debt. Furthermore, SaveUSA had no effect on the proportion of respondents with relatively high or low levels of debt, and SaveUSA group members were equally likely to report that their debt levels had decreased or increased since random assignment (Table 6.4). These results may be interpreted as positive short-term findings, because SaveUSA group members appear not to have increased their debt levels to maintain their savings. Future analyses of SaveUSA's effects on savings and debt will consider whether SaveUSA group

¹⁶Some respondents in both research groups may also have used check cashing services to send money to relatives or friends in other countries. The 18-month survey did not ask about the use of these services.

¹⁷The analysis of debt excludes mortgage or home equity loans. As noted above, relatively few study participants owned their home.

¹⁸About 58 percent of Regular Tax Filers reported having total debts in excess of three times the value of their total nonretirement savings (not shown). Bricker, Kennickell, Moore, and Sabelhaus (2012), Table 13.B, p. 63, shows similar levels of non-housing-related debt for respondents in the lowest quintile, with median values of debt, by source, as follows: from installment loans (\$7,600); credit cards (\$1,000); lines of credit, not secured by real estate (\$1,000); and other, not secured by real estate (\$2,000).

The SaveUSA Evaluation

Table 6.4

Impacts on Non-Housing-Related Debt

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
Has debt at interview (%)	84.7	82.8	1.9	0.369
Car loan	22.7	21.6	1.1	0.620
Student loan	37.3	38.3	-1.0	0.710
Owed hospital or medical bill	33.8	37.3	-3.5	0.195
Credit card bill	50.5	46.8	3.7	0.185
Store bill	21.5	20.9	0.6	0.793
Unpaid child support	2.8	2.4	0.4	0.633
Unpaid rent	12.5	10.5	2.0	0.259
Payday loan	4.2	3.3	0.9	0.400
Loan from a pawn shop	3.7	4.3	-0.6	0.605
Loan from family members or friends	17.4	16.2	1.1	0.600
Other loan	4.8	4.0	0.8	0.471
Total debt at interview (\$)	9,695	9,276	419	0.632
Total debt at interview (%)				
\$0	15.8	18.2	-2.4	0.249
\$1 - \$500	9.7	9.8	-0.1	0.960
\$501 - \$1,000	8.5	9.5	-1.0	0.562
\$1,001 - \$2,000	12.4	10.0	2.4	0.188
\$2,001 - \$5,000	14.1	14.1	-0.1	0.972
\$5,001 - \$10,000	16.1	14.1	1.9	0.353
\$10,001 - \$50,000	19.4	21.0	-1.6	0.489
More than \$50,000	4.1	3.3	0.8	0.442
Change in total debt since random assignment (%)				
Increased	37.5	39.4	-1.9	0.504
Stayed about the same	26.6	25.0	1.6	0.535
Decreased	35.9	35.6	0.3	0.910
Sample size (total = 1,258)	631	627		

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

members become better able than Regular Tax Filers to use accumulated savings to finance both present consumption and debt reduction. This effect would be an important indicator of SaveUSA’s ability to attain the program’s longer-term goal of increasing financial security for low- and moderate-income households.

Impacts on Measures of Financial Security and Material Well-Being

Ultimately, savings programs and other types of financial interventions aim to increase the financial security of low- and moderate-income households by helping them avoid financial hardships and exercise greater control over their financial decisions. Improving these households’ financial security may take longer than 18 months, particularly during years of recession or slow economic growth.¹⁹

When surveyed, a relatively large proportion of Regular Tax Filers reported experiencing some type of financial insecurity or material hardship since study entry. (See Table 6.5.) About two-thirds of Regular Tax Filers reported having negative “liquid net worth” as of their 18-month interview, owing, on average, nearly \$5,000 more in non-housing-related debt than they could cover with the liquid assets that they owned. A similar percentage of Regular Tax Filers reported that they had experienced a financial shock since study entry — either a sudden loss of income or an emergency or unexpected expenditure — and almost as many reported having experienced at least one type of financial hardship, such as the inability to pay housing or utility costs, food insecurity, or forgone use of medical care or prescription drugs. Finally, only one-third of Regular Tax Filers reported that their credit rating was “good.”

As of 18 months of follow-up, SaveUSA had not yet realized positive effects on these measures of financial security. Compared with Regular Tax Filers, a larger proportion of SaveUSA group members reported having experienced a financial shock since random assign-

¹⁹Collins and Gjertson (2013), p. 13. As one example of longer-term research on financial well-being, the authors cite studies that conclude that, in terms of upward mobility, accumulating savings can help low- and moderate-income households experience upward mobility within two decades or among the next generation.

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Table 6.5

Impacts on Indicators of Financial Security

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Managing credit and debt</u>				
Average liquid net worth ^a (\$)	-5,871	-4,780	-1,092	0.299
Has liquid net worth greater than zero (%)	33.8	33.4	0.4	0.876
Current credit rating (self-reported) (%)				
Good	36.2	33.4	2.8	0.309
Average	33.7	33.3	0.3	0.908
Bad	30.1	33.3	-3.2	0.254
<u>Experiencing financial shocks and hardships</u>				
Experienced financial shock ^b (%)	73.6	66.5	7.1 ***	0.006
Had financial hardship since random assignment (%)	63.3	62.6	0.7	0.802
Unable to pay rent, mortgage, or utility bills	38.3	36.4	1.9	0.475
Had phone service disconnected due to late payment	27.0	31.0	-4.1	0.111
Did not have enough money to buy food	27.8	25.2	2.6	0.308
Postponed seeing a doctor because of cost	38.0	37.4	0.7	0.802
Used fewer prescription medications because of cost	28.8	30.4	-1.6	0.531
Lives in at-risk housing ^c (%)	7.8	7.1	0.7	0.647
<u>Respondent's assessment of level of financial security</u>				
Agrees with the following statement (%)				
My financial situation is better than it was at random assignment	55.5	56.1	-0.7	0.812
I don't worry about having enough money in the future	22.7	22.9	-0.3	0.906
These days I can generally afford the things I need	65.7	66.2	-0.5	0.866
The way I manage money today will affect my future	90.3	87.2	3.1 *	0.077
There sometimes is enough money to buy something or go somewhere just for fun	30.2	32.3	-2.1	0.428
I feel confident making decisions about money	84.9	83.2	1.7	0.427
How often felt unable to control important things in life since random assignment (%)				
Very often or often	27.6	25.8	1.8	0.474
Sometimes	34.5	38.9	-4.3	0.116
Never or rarely	37.9	35.3	2.5	0.355
Sample size (total = 1,258)	631	627		

(continued)

Table 6.5 (continued)

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

^a"Liquid net worth" is calculated as total nonretirement savings + total retirement savings – total non-housing-related debt.

^b"Financial shock" includes experiencing one or more months of unusually low or no income or incurring an emergency or unexpected expense since random assignment.

^c"At-risk housing" includes living alone or with family or friends and not paying rent or mortgage; living in a shelter, institutional setting, or other temporary housing situation; or being homeless.

ment, but, as discussed above, this difference may be a random occurrence or reflective of possible different perceptions of expenses by members of each research group.²⁰

Impacts on Respondents' Assessment of Their Level of Financial Security

In addition to providing quantitative data on their household finances, respondents to the 18-month survey assessed their financial situation in more personal terms. They described their sense of control over their financial situation and related whether their household was doing better financially at the time of the interview than at study entry. These outcomes could reflect possible secondary effects of savings gains, such as reduced anxiety and stress, and may offer

²⁰See Footnote 11, above, about the research groups' perceptions of emergency or unexpected expenses. The question arises whether the estimated effects of SaveUSA would have been larger had both research groups reported the same incidence of having experienced a financial shock since study entry. There is no definitive way to address this issue. To obtain an approximate answer, an additional, nonexperimental, sensitivity test was performed, in which a 0/1 measure of having experienced a financial shock since study entry was added as a statistical control to the standard series of measures of sample members' characteristics, recorded at study entry, that was used in the impact regression model. The resulting estimates of research group differences were extremely similar to those estimated with experimental procedures and presented in Chapters 5 and 6. These results suggest that the effects of research group differences in the reported incidence of financial shocks were small.

clues about respondents' possible future financial behavior. For example, it would be expected that savers who feel confident about their financial decisions will continue to save.

Despite experiencing financial challenges, Regular Tax Filers often described their current financial situation in fairly upbeat ways. About 56 percent of group members reported that their financial situation had improved since study entry, and larger majorities described themselves as being generally able to afford needed items and feeling confident in their ability to make financial decisions (Table 6.5). But Regular Tax Filers also expressed anxiety about their household finances. Nearly two-thirds of Regular Tax Filers reported that they felt unable to control important things in life at least part of the time, and a larger proportion of the group indicated concern about having enough money in the future.

SaveUSA group members expressed similar sentiments about having made progress financially since study entry but feeling uncertain about their household's future financial security. They did not assess their present financial situation or future prospects more positively than Regular Tax Filers (Table 6.5).

Conclusion

After 18 months of follow-up, SaveUSA group members attained a modest gain in financial security compared with Regular Tax Filers by having enough nonretirement savings to pay for a few weeks up to an additional month of household expenses in the absence of income. With one exception, the program produced no other positive effects on quantitative measures of financial security, such as reduction in debt or higher liquid net worth, nor did it improve study participants' perceived levels of financial security. (As noted above, the absence of difference in non-household-related debt may be viewed as a positive result.) Possibly, to achieve these effects, a program designed to increase nonretirement savings requires several cycles of participants' accumulating savings, using savings, and replenishing savings. These issues will be explored more fully in an upcoming report, based on survey data collected 36 to 42 months after study entry.

Chapter 7

Impacts of SaveUSA on Key Subgroups

The results presented so far show that the SaveUSA program increased short-term nonretirement savings and pro-savings attitudes. The SaveUSA program has yet to produce effects on additional measures of financial security, such as debt and material well-being. However, the presence or absence of impacts for the full report sample may mask effects for certain groups that may have had different exposure and/or responses to the SaveUSA program. Chapter 7 presents the effects of SaveUSA for key subgroups, defined by city, income, age, education, and tax filing status.¹

SaveUSA's effects could differ by subgroup for various reasons. In the case of subgroups defined by city, several factors could produce effects that differ for New York City and Tulsa. First, as discussed in Chapter 3, the implementation of the program was different between cities, and New York City had experience running the program for several years under SaveNYC (the previous version of the program being evaluated). Second, as shown in Chapter 2, the characteristics of the sample members in each city differ. Differences between the cities in labor and housing markets could also affect the results. Finally, as discussed in Chapter 4, the SaveUSA savings match rates differed by city.

The effects of SaveUSA also may have differed depending on tax filers' circumstances when they entered the study. Certain characteristics, such as having a very low income or having children, may make it harder for individuals to save. Furthermore, past research has found that certain characteristics are associated with being more financially stable. For example, higher income, education, and number of children have been found to be associated with being banked.² In addition, one study found asset differences by age, race, and family structure.³ Therefore, this chapter also considers variation in impacts by age, adjusted gross income, highest educational attainment, and tax filing status. In theory, SaveUSA's effects could be stronger for individuals facing greater challenges to save or for individuals with greater ability to save, or the program may have the same effects for both groups.

¹In a randomized controlled trial (RCT), it is reasonable to estimate impacts for any subgroup, as long as the subgroups are defined according to characteristics measured prior to random assignment. The outcomes for SaveUSA (program group) members in each subgroup are compared with the outcomes for Regular Tax Filer (control group) members in that same subgroup, applying the same regression-adjustment procedures and tests of statistical significance that were used for the full report sample. The RCT cities in the evaluation are New York City and Tulsa; the non-RCT cities are Newark and San Antonio.

²Berry (2004); Chan (2011).

³McKernan and Ratcliffe (2008).

Main Findings

- SaveUSA group members in subgroups less able to save were less likely to get the savings match.
- The SaveUSA effects on individuals' immediate allocation of their tax refund dollars at the time of study entry were larger among subgroups with lower income and among single tax filers with no dependents.
- Overall, the SaveUSA effects on short-term nonretirement savings were consistent across a range of subgroups, with only one notable exception: Among those age 35 or older, SaveUSA increased the percentage of sample members with nonretirement savings by 11 percentage points. In contrast, among those under age 35, SaveUSA did not increase the percentage with nonretirement savings.
- On most measures of financial security, including debt and material well-being, SaveUSA did not produce effects across any of the subgroups.

The key focus of subgroup analysis is not on the impacts for a given subgroup but on whether the differences in impacts across the subgroups are statistically significant (as indicated by daggers in this chapter's impact tables).⁴ However, the sample sizes for some of these subgroups are fairly small, meaning that differences in impacts between subgroups are less likely to be statistically significant. The limitation of small sample sizes should be kept in mind when interpreting the results.

Participation Results for All Subgroups

Different groups of individuals may have had an easier or harder time keeping their pledged savings amount in the SaveUSA account for the full year. Among the SaveUSA group members enrolled in 2011, this section examines key baseline characteristics for selected subgroups. It also examines the savings match rates for program Year 1, that is, the savings match given on February 1, 2012. The goal of this analysis is to provide context before examining the subgroup differences in impacts on savings and other outcomes shown below.

Table 7.1 shows that, across most of the key subgroups, the majority of sample members received the savings match. Similar to the results reported in Chapter 4, there are large differences in the savings match rates across the cities (ranging from 50 percent to 79 percent).

⁴For each measure, a separate statistical test was performed on the difference in impacts for related subgroups.

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Table 7.1

Selected Baseline Characteristics and 2012 Savings Match Outcomes, for Selected Subgroups

Outcome	Average Adjusted Gross Income (AGI) (\$)	Average Refund Amount (\$)	Average Pledge Amount (\$)	Pledge Amount as Percentage of AGI (%)	Pledge Amount as Percentage of Refund (%)	Received Savings Match (%)	Average Savings Match (\$)	Sample Size	
City									
New York City	16,511	3,915	523	3.2	13.4	62.9	180	463	
Tulsa	17,790	3,464	498	2.8	14.4	50.2	154	331	
Newark	18,658	3,862	508	2.7	13.2	78.7	203	342	
San Antonio	20,471	3,605	590	2.9	16.4	69.9	222	418	
Age									
18-34	15,554	3,592	497	3.2	13.8	61.3	161	622	
35-64	20,168	3,812	556	2.8	14.6	68.4	211	932	
Adjusted gross income									
\$1 - \$9,999	6,298	2,170	405	6.4	18.7	53.8	123	394	
\$10,000 - \$19,999	14,831	4,000	546	3.7	13.6	63.7	188	542	
\$20,000 - \$50,000	29,047	4,473	602	2.1	13.5	74.6	236	618	
Filing status^a									
Single filer with dependents	19,939	4,974	575	2.9	11.5	65.5	201	859	
Single filer without dependents	12,600	1,248	406	3.2	32.5	63.0	146	508	
Educational attainment^b									
High school graduate or GED recipient	16,343	3,646	494	3.0	13.5	56.4	161	452	
At least some college	19,987	3,776	568	2.8	15.0	62.8	195	215	
Sample size								1,554	

(continued)

Table 7.1 (continued)

SOURCES: MDRC calculations from MDRC baseline data, VITA survey data, responses to the SaveUSA 18-Month Follow-Up Survey, and financial institution data.

NOTES: Tax filing information and refund amounts refer to 2010, the tax year prior to random assignment.

Demographic characteristics data were collected for one tax filer when couples filed jointly.

The sample includes SaveUSA group members who were ages 18 to 64 at their time of study entry.

Indicators of respondent's highest educational credential were recorded from responses to the 18-Month Follow-Up Survey for respondents with missing data at baseline. The 18-month survey responses for these indicators are available only for participants from New York City and Tulsa. Educational credential information was not available for sample members in Newark and San Antonio.

Sample sizes for specific measures may vary because of missing values.

^aThis excludes joint tax filers because of small sample sizes.

^bThis excludes study participants with no high school diploma or GED certificate because of small sample sizes.

The Newark sample had the highest savings match rate across all the cities, followed by San Antonio. The differences in the savings match results by city are not related just to income and the ability to save. As shown, the pledge amount as a percentage of income and the average pledge amount are similar in Tulsa, Newark, and San Antonio, but the savings match rates are very different. This is not surprising, given the differences across the cities in financial institutions and implementation practices discussed in Chapter 3 and Chapter 4.

Consistent with the findings shown in preceding chapters, older sample members were more likely than younger people to receive the savings match. In addition, the subgroup with an adjusted gross income (AGI) between \$20,000 and \$50,000 were more likely than those with lower incomes to receive the savings match, and, on average, those with higher incomes made higher initial deposits. For example, only 54 percent of sample members with an adjusted gross income of less than \$10,000 received the savings match, compared with 75 percent of sample members with adjusted gross incomes of \$20,000 to \$50,000.

Those with at least some college education were also more likely to receive the savings match than those with only a high school diploma or a General Educational Development (GED) certificate. The results reveal that, across the subgroups defined by age and educational attainment, those who had higher incomes were more likely to receive the savings match, when compared with their subgroup counterparts. For example, the average adjusted income for those age 34 or younger was \$15,554, compared with \$20,168 for those between ages 35 and 64. Accordingly, the older group's pledge amount represented a smaller percentage of their adjusted gross income.

Impacts on Immediate Allocation of Tax Refund Dollars for Savings in 2011

Assessing the outcomes of the Regular Tax Filers (that is, what would happen in the absence of SaveUSA) helps to understand the level of outcomes on which SaveUSA had to improve. This section begins by examining the immediate savings behavior of the Regular Tax Filers with different characteristics measured at study entry. The results show that subgroups with lower incomes at the time of study entry were less likely to allocate any of their tax refund to a bank account. Differences by city were apparent: New York City Regular Tax Filers had lower incomes (Table 7.1), were less likely to deposit tax refund dollars in a bank account, and were more likely to receive a refund check, compared with Regular Tax Filers from Tulsa (Table 7.2). This same pattern is evident for subgroups defined according to income and tax filing status: A total of 69 percent of Regular Tax Filers with an adjusted gross income of less than \$10,000 directly deposited tax refund dollars in a bank account, compared with 83 percent of Regular Tax Filers with adjusted gross incomes between \$20,000 and \$50,000. Similarly,

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Table 7.2

Impacts on Allocation of 2010 Federal Tax Refund, by Selected Subgroups

Outcome (%)	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Received a tax refund deposit into any bank account</u>				
Site			†††	
New York City	98.3	69.1	29.2 ***	0.000
Tulsa	98.0	84.9	13.1 ***	0.000
Age				
18-34	97.5	76.9	20.6 ***	0.000
35-64	98.9	74.7	24.2 ***	0.000
Adjusted gross income			†††	
\$1 - \$9,999	96.7	68.7	28.0 ***	0.000
\$10,000 - \$19,999	98.9	73.3	25.7 ***	0.000
\$20,000 - \$50,000	98.9	83.4	15.5 ***	0.000
Highest educational attainment				
High school diploma or GED certificate	98.5	77.8	20.7 ***	0.000
Postsecondary degree or some college	98.1	76.6	21.4 ***	0.000
Tax filing status			†††	
Single filer, no dependent children	96.8	62.7	34.1 ***	0.000
Single filer with dependent children	98.8	81.9	16.9 ***	0.000
<u>Deposited money into savings account</u>				
Site			†††	
New York City	93.5	8.2	85.3 ***	0.000
Tulsa	92.1	23.9	68.2 ***	0.000
Age				
18-34	92.3	15.6	76.7 ***	0.000
35-64	93.5	14.1	79.4 ***	0.000
Adjusted gross income				
\$1 - \$9,999	91.8	18.2	73.6 ***	0.000
\$10,000 - \$19,999	94.0	15.3	78.7 ***	0.000
\$20,000 - \$50,000	92.9	11.3	81.6 ***	0.000
Highest educational attainment				
High school diploma or GED certificate	92.8	16.1	76.7 ***	0.000
Postsecondary degree or some college	92.0	14.0	78.1 ***	0.000
Tax filing status			†	
Single filer, no dependent children	95.4	12.0	83.4 ***	0.000
Single filer with dependent children	92.4	15.0	77.4 ***	0.000

(continued)

Table 7.2 (continued)

Outcome (%)	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Deposited money into checking account</u>				
Site				
New York City	65.2	61.5	3.7	0.227
Tulsa	78.9	78.3	0.7	0.832
Age				
18-34	70.2	68.6	1.6	0.649
35-64	71.8	68.0	3.8	0.190
Adjusted gross income				
\$1 - \$9,999	65.6	59.0	6.6	†† 0.135
\$10,000 - \$19,999	72.1	64.1	8.0 **	0.037
\$20,000 - \$50,000	75.1	79.8	-4.7	0.185
Highest educational attainment				
High school diploma or GED certificate	72.4	69.4	3.0	0.301
Postsecondary degree or some college	73.1	71.0	2.2	0.619
Tax filing status				
Single filer, no dependent children	57.7	54.2	3.5	0.425
Single filer with dependent children	78.5	75.9	2.6	0.349
<u>Received a tax refund check</u>				
Site				
New York City	24.8	31.8	-7.0 **	0.015
Tulsa	9.9	15.9	-6.0 **	0.022
Age				
18-34	19.8	24.2	-4.4	0.167
35-64	17.4	26.0	-8.6 ***	0.001
Adjusted gross income				
\$1 - \$9,999	23.0	32.9	-10.0 **	† 0.017
\$10,000 - \$19,999	16.4	27.2	-10.8 ***	0.001
\$20,000 - \$50,000	16.4	17.4	-1.0	0.746
Highest educational attainment				
High school diploma or GED certificate	18.2	24.0	-5.8 **	0.028
Postsecondary degree or some college	14.6	23.2	-8.7 **	0.019
Tax filing status				
Single filer, no dependent children	25.4	37.9	-12.5 ***	† 0.002
Single filer with dependent children	14.4	18.4	-3.9	0.112

(continued)

Table 7.2 (continued)

SOURCES: MDRC calculations from MDRC baseline data, VITA survey data, 2010 tax return records, and responses to the SaveUSA 18-Month Follow-Up survey.

NOTES: Indicators of respondent's highest educational credential were recorded from responses to the 18-Month Follow-Up Survey for respondents with missing data at baseline. The 18-month survey responses for these indicators are available only for participants from New York City and Tulsa.

The sample includes New York City and Tulsa sample members who were ages 18 to 64 at their time of random assignment.

The table excludes study participants with no high school diploma or GED certificate from comparisons of impacts by level of education and excludes joint tax filers from comparisons of impact by tax filing status because of insufficient sample sizes for these subgroups.

A small number of sample members allocated tax refund dollars for the purchase of U.S. savings bonds (not shown).

Sample sizes for subgroups are as follows: New York City = 922; Tulsa = 656; age 18-34 = 657; age 35-64 = 921; AGI \$1 - \$9,999 = 454; AGI \$10,000 - \$19,000 = 574; AGI \$20,000 or higher = 550; high school diploma or GED certificate = 905; postsecondary education or some college = 414; single filer, no dependent children = 535; single filer with dependent children = 869.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

The H-statistic is used to assess whether the difference in impacts between sites or subgroups is statistically significant. Statistical significance levels are indicated as follows: † = 10 percent; †† = 5 percent; ††† = 1 percent.

among Regular Tax Filers, single filers without dependent children were less likely to allocate any of their tax refund to a bank account, compared with single filers with dependent children.

Comparing the savings behavior of Regular Tax Filers and SaveUSA group members within each of the key subgroups, the analysis shows that the effect of SaveUSA on people's immediate allocation of their tax refund dollars was positive for the New York City and Tulsa samples. In both cities, the SaveUSA program increased the percentage of sample members who deposited 2010 tax refund dollars into any account, especially savings accounts. However, the impacts on depositing money into any account or into a savings account are significantly larger for the New York City sample than for the Tulsa sample. This is not surprising, given the high percentage of Tulsa Regular Tax Filers who allocated some of their tax refund to a bank account. There was more room for improvement among the New York City sample.

Similar to the results by city, SaveUSA had larger effects on immediately placing refund dollars into any bank account among subgroups that had more room for improvement. SaveUSA's immediate effects on directly depositing tax refund dollars into a bank account were

significantly larger for those with lower incomes, compared with those with higher incomes. The SaveUSA program led to a 28 percentage point increase in the percentage of sample members who allocated their tax refund into any bank account among those with incomes of less than \$10,000; it had a 26 percentage point increase among those with an adjusted gross income between \$10,000 and \$19,999; and it had a 15 percentage point increase (with rounding) among those with incomes between \$20,000 and \$50,000. Finally, the impacts on tax refund allocation into any bank account were larger for the single filers without dependent children than for the single filers with dependent children.

Impacts on Selected Survey Outcomes, by City

Using responses to the SaveUSA 18-Month Follow-Up Survey, this section examines the effects of SaveUSA on selected outcomes, by city. Outcome levels for Regular Tax Filers from New York City and Tulsa are generally similar. Only a few differences in outcomes for the Regular Tax Filers were found. As shown in Table 7.3, Tulsa had a larger percentage of Regular Tax Filers with retirement savings (36 percent, compared with 24 percent in New York City). In addition, while the majority of Regular Tax Filers in both cities reported that they had experienced a financial shock since random assignment, the percentage was higher for Tulsa (72 percent) than for New York City (62 percent).

The SaveUSA effects were consistent between these two cities; only a few notable differences were found in the impacts in each city. SaveUSA decreased the percentage of study participants in both cities who did not save any of their tax refund during Year 2 (2012). However, among the New York City sample, the impact was concentrated among individuals who saved about half of their tax refund or less. In contrast, among the Tulsa sample, the impact was concentrated among those who saved more than half or all of their tax refund.

The impact patterns indicate that SaveUSA increased short-term nonretirement savings in both cities, suggesting that SaveUSA can increase savings in different settings. In New York City, the program increased the percentage of SaveUSA group members with nonretirement savings by 4.6 percentage points above the Regular Tax Filers group (a non-statistically significant difference; p -value = 0.16). In Tulsa, the SaveUSA program increased the percentage of SaveUSA group members with nonretirement savings by 10.6 percentage points over the Regular Tax Filers group (a statistically significant difference). The difference in the impacts on nonretirement savings between the cities is not statistically significant.

As mentioned in Chapter 5, SaveUSA probably led to a small (4 percentage point) increase above the level for Regular Tax Filers in having retirement savings at interview (Table 5.3). The impacts on retirement savings in New York City (3.8 percentage points) and in Tulsa

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Table 7.3

Impacts on Selected Outcomes, by City

Outcome	New York City				Tulsa				
	Regular				Regular				
	SaveUSA Group	Tax Filers	Difference (Impact)	P-Value	SaveUSA Group	Tax Filers	Difference (Impact)	P-Value	
Year 2 (2012) (%)									
How refund was received									
Direct deposit into savings account	62.4	32.9	29.5 ***	0.000	58.8	37.6	21.2 ***	0.000	
Purchased U.S. savings bonds	7.5	1.9	5.6 ***	0.000	2.4	1.1	1.2	0.278	††
Direct deposit into checking account	67.0	62.7	4.3	0.209	71.5	70.6	0.9	0.809	
Prepaid debit card	9.6	9.4	0.2	0.930	6.5	5.0	1.5	0.474	
Refund check in the mail	22.8	20.8	2.0	0.521	12.6	16.7	-4.0	0.203	
Had plan to save all or part of tax refund	57.4	47.2	10.2 ***	0.005	56.4	41.8	14.6 ***	0.001	
Amount of tax refund currently saved									
All	5.5	2.4	3.1 **	0.035	10.6	1.7	8.8 ***	0.000	††
More than half	2.9	4.0	-1.1	0.407	5.4	1.5	3.9 **	0.016	††
About half	8.8	5.2	3.7 *	0.055	5.9	7.6	-1.7	0.444	†
Less than half	26.5	18.5	7.9 ***	0.010	19.8	15.5	4.3	0.195	
None	56.3	69.9	-13.5 ***	0.000	58.4	73.7	-15.3 ***	0.000	
At interview									
Has liquid assets (%)	78.6	73.4	5.2	0.102	85.6	78.8	6.8 **	0.044	
Nonretirement savings	75.5	70.9	4.6	0.165	84.4	73.8	10.6 ***	0.003	
Has retirement savings	27.4	23.6	3.8	0.212	39.1	35.7	3.4	0.393	
Total liquid assets (\$)	3,954	3,426	528	0.336	4,427	5,351	-923	0.274	
Total nonretirement savings	2,246	1,775	472	0.172	2,266	1,638	629	0.127	
Total retirement savings	2,242	1,699	543	0.238	3,237	5,285	-2,048 **	0.032	††

(continued)

Table 7.3 (continued)

Outcome	New York City				Tulsa			
	Regular				Regular			
	SaveUSA Group	Tax Filers	Difference (Impact)	P-Value	SaveUSA Group	Tax Filers	Difference (Impact)	P-Value
Has checking or savings account (%)	87.6	83.0	4.7 *	0.071	93.3	89.9	3.3	0.169
Usually has money left over at the end of the month (%)	23.2	21.9	1.3	0.674	35.5	31.5	4.0	0.330
<u>Since random assignment (%)</u>								
Change in total nonretirement savings								
Increase	22.9	14.4	8.5 ***	0.003	28.2	21.7	6.5 *	0.090
No change	35.6	43.2	-7.6 **	0.036	28.7	40.2	-11.5 ***	0.006
Decrease	41.6	42.4	-0.8	0.826	43.2	38.0	5.2	0.236
Change in total retirement savings								
Increase	18.3	15.4	3.0	0.262	26.1	22.9	3.2	0.378
No change	71.6	78.0	-6.4 **	0.036	63.8	66.3	-2.5	0.538
Decrease	10.0	6.7	3.4	0.105	10.1	10.9	-0.7	0.783
Change in total debt								
Increased	36.1	38.1	-1.9	0.598	39.8	40.8	-1.0	0.819
Stayed about the same	24.6	27.3	-2.7	0.420	30.2	21.1	9.2 **	0.017 ††
Decreased	39.3	34.6	4.6	0.210	30.0	38.2	-8.2 *	0.053 ††
Experienced financial shock ^a	71.5	62.3	9.3 ***	0.009	77.1	71.5	5.6	0.150
Had financial hardship	60.3	62.9	-2.6	0.473	67.7	62.1	5.6	0.181
Sample size (total = 1,258)	370	364			261	263		

(continued)

Table 7.3 (continued)

SOURCES: MDRC calculations from MDRC baseline data, VITA survey data, and responses to the SaveUSA 18-Month Follow-Up survey.

NOTES: Indicators of respondent's highest educational credential were recorded from responses to the 18-Month Follow-Up Survey for respondents with missing data at baseline.

The table excludes study participants with no high school diploma or GED certificate from comparisons of impacts by level of education and excludes joint tax filers from comparisons of impact by tax filing status because of insufficient sample sizes for these subgroups.

The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

Sample sizes for specific outcomes may vary because of missing values.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

The H-statistic is used to assess whether the difference in impacts between sites or subgroups is statistically significant. Statistical significance levels are indicated as follows: † = 10 percent; †† = 5 percent; ††† = 1 percent.

^a"Financial shock" includes experiencing one or more months of unusually low or no income or incurring an emergency or unexpected expense since random assignment.

(3.4 percentage points) are comparable to the impacts found for the full sample. (The difference in impacts between the cities is not statistically significant.) However, there is a statistically significant difference in the total retirement savings amount between the cities. Among the New York City sample, the SaveUSA program did not have an effect on the amount of total retirement savings held at the time of the 18-month survey interview. In contrast, the impacts for the Tulsa sample show that SaveUSA led to a large decrease in the amount of retirement savings. While these results are surprising, it could be that some Tulsa sample members deposited into their SaveUSA accounts instead of their retirement accounts in order to take advantage of a much higher interest rate (the 50 percent savings match). A separate analysis (not shown) indicated that the negative impact on retirement savings in Tulsa was driven by a small number of sample members; thus, the results should be interpreted with caution.

Finally, among the Tulsa sample, the SaveUSA program led to a decrease of 8 percentage points in the proportion of respondents who reported that their debt had decreased since random assignment, whereas the program did not have an effect on this outcome for the New York City sample. Although data are not available to conclusively investigate this, one hypothesis is that some Tulsa SaveUSA group members kept money in their SaveUSA accounts instead of paying down debt.

Impacts on Selected Survey Outcomes for Other Subgroups

Across all subgroups, the majority of Regular Tax Filers had nonretirement savings at the time of the 18-month survey interview (Table 7.4). Regular Tax Filers who were younger, in the higher income brackets, and with at least some college education were most likely to have nonretirement savings. Among those between ages 18 and 34, almost 79 percent had nonretirement savings, compared with only 67 percent of those between ages 35 and 64. Among the subgroups defined by adjusted gross income, those in the lowest income bracket had a lower percentage of individuals with nonretirement savings (65 percent) than those with the higher income brackets (71 percent and 77 percent, with rounding). The savings amounts averaged between \$1,300 and \$2,300 for each subgroup. Regular Tax Filers in the higher income brackets and with at least some college were also more likely to have retirement savings. For example, only 9 percent of Regular Tax Filers with adjusted gross incomes of less than \$10,000 had retirement savings, compared with 22 percent of those with adjusted gross incomes between \$10,000 and \$19,999 and with 50 percent of those with adjusted gross incomes of \$20,000 or higher.

Overall, SaveUSA's impacts on survey-based outcomes were consistent across subgroups. For instance, SaveUSA group members in each subgroup had a higher percentage of sample members with nonretirement savings compared with the Regular Tax Filers group. With

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Table 7.4

Impacts on Selected Outcomes, by Selected Baseline Characteristics

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Has nonretirement savings (%)</u>				
Site				
New York City	75.5	70.9	4.6	0.165
Tulsa	84.4	73.8	10.6 ***	0.003
Age				
18-34	81.4	78.8	2.6	0.467
35-64	78.1	67.1	11.0 ***	0.001
Adjusted gross income				
\$1 - \$9,999	71.5	64.9	6.7	0.182
\$10,000 - \$19,999	81.6	70.6	11.1 ***	0.008
\$20,000 - \$50,000	84.6	77.5	7.1 *	0.058
Highest educational attainment				
High school diploma or GED certificate	78.8	71.3	7.5 **	0.020
Postsecondary degree or some college	84.9	77.2	7.7 *	0.067
Tax filing status				
Single filer, no dependent children	79.8	70.1	9.7 **	0.027
Single filer with dependent children	78.4	72.1	6.4 *	0.054
<u>Total nonretirement savings (\$)</u>				
Site				
New York City	2,246	1,775	472	0.172
Tulsa	2,266	1,638	629	0.127
Age				
18-34	1,710	1,565	145	0.656
35-64	2,615	1,864	751 *	0.055
Adjusted gross income				
\$1 - \$9,999	1,467	1,431	36	0.933
\$10,000 - \$19,999	2,012	1,329	683 *	0.073
\$20,000 - \$50,000	3,176	2,265	911 *	0.096
Highest educational attainment				
High school diploma or GED certificate	2,382	1,591	791 **	0.030
Postsecondary degree or some college	2,577	2,181	396	0.436
Tax filing status				
Single filer, no dependent children	2,051	1,503	549	0.221
Single filer with dependent children	2,313	1,753	559	0.107

(continued)

Table 7.4 (continued)

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Has retirement savings (%)</u>				
Site				
New York City	27.4	23.6	3.8	0.212
Tulsa	39.1	35.7	3.4	0.393
Age				
18-34	27.5	25.1	2.4	0.528
35-64	36.1	30.8	5.2	0.116
Adjusted gross income				
\$1 - \$9,999	13.5	9.1	4.4	0.211
\$10,000 - \$19,999	28.5	22.3	6.2	0.147
\$20,000 - \$50,000	50.8	50.1	0.8	0.867
Highest educational attainment				
High school diploma or GED certificate	29.0	25.5	3.5	0.275
Postsecondary degree or some college	47.6	40.3	7.3	0.154
Tax filing status				
Single filer, no dependent children	26.1	21.3	4.8	0.249
Single filer with dependent children	37.1	33.5	3.6	0.289
<u>Total retirement savings (\$)</u>				
Site				
New York City	2,242	1,699	543 ††	0.238
Tulsa	3,237	5,285	-2,048 **	0.032
Age				
18-34	1,540	1,659	-118	0.802
35-64	3,385	4,344	-958	0.205
Adjusted gross income				
\$1 - \$9,999	621	858	-238 ††	0.543
\$10,000 - \$19,999	1,692	792	899 *	0.052
\$20,000 - \$50,000	5,349	7,385	-2,036 *	0.098
Highest educational attainment				
High school diploma or GED certificate	2,213	3,083	-870	0.164
Postsecondary degree or some college	4,248	4,697	-449	0.680
Tax filing status				
Single filer, no dependent children	1,986	1,005	982 ††	0.105
Single filer with dependent children	3,117	4,525	-1,408 **	0.050
<u>Had financial hardship since random assignment (%)</u>				
Site				
New York City	60.3	62.9	-2.6	0.473
Tulsa	67.7	62.1	5.6	0.181
Age				
18-34	60.1	56.4	3.7	0.403
35-64	65.4	67.0	-1.7	0.642

(continued)

Table 7.4 (continued)

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
Adjusted gross income				
\$1 - \$9,999	64.8	67.1	-2.3	0.656
\$10,000 - \$19,999	61.7	60.5	1.2	0.803
\$20,000 - \$50,000	62.3	63.1	-0.7	0.875
Highest educational attainment				
High school diploma or GED certificate	61.4	62.8	-1.4	0.699
Postsecondary degree or some college	64.6	59.8	4.9	0.348
Tax filing status				
Single filer, no dependent children	61.5	60.0	1.4	0.772
Single filer with dependent children	63.9	63.6	0.3	0.939

SOURCES: MDRC calculations from MDRC baseline data, VITA survey data, and responses to the SaveUSA 18-Month Follow-Up survey.

NOTES: Indicators of respondent's highest educational credential were recorded from responses to the 18-Month Follow-Up Survey for respondents with missing data at baseline.

The table excludes study participants with no high school diploma or GED certificate from comparisons of impacts by level of education and excludes joint tax filers from comparisons of impact by tax filing status because of insufficient sample sizes for these subgroups.

Sample sizes for subgroups are as follows: New York City = 734; Tulsa = 524; age 18-34 = 516; age 35-64 = 742; AGI \$1 - \$9,999 = 348 ; AGI \$10,000 - \$19,000 = 454; AGI \$20,000 or higher = 456; high school diploma or GED certificate = 742; postsecondary degree or some college = 363; single filer, no dependent children = 406; single filer with dependent children = 722.

The sample includes respondents from New York City and Tulsa who were ages 18 to 64 at their time of random assignment.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

Sample sizes for specific outcomes may vary because of missing values.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

The H-statistic is used to assess whether the difference in impacts between sites or subgroups is statistically significant. Statistical significance levels are indicated as follows: † = 10 percent; †† = 5 percent; ††† = 1 percent.

the exception of the impacts for the New York City and the younger subgroup, all the impacts on nonretirement savings are statistically significant. Furthermore, although the impacts for the New York City and the younger subgroup are not statistically significant, they are in the positive direction.

Only a few significant differences in the impacts across subgroups were found. For one, SaveUSA had a large positive effect on having nonretirement savings among sample members age 35 or older, compared with those younger than 35 (11 percentage points, compared with 3 percentage points). The difference in impacts for these two groups is statistically significant.

In addition, there is a difference in impacts across the subgroups defined by adjusted gross income, but the pattern is not clear. SaveUSA increased the incidence of having nonretirement savings above levels for the Regular Tax Filers for all subgroups based on adjusted gross income (although the increase for those in the lowest income bracket is not statistically significant). In terms of amount of nonretirement savings, SaveUSA produced an increase of \$683 for those with adjusted gross incomes between \$10,000 and \$19,999 and an increase of \$911 for those with adjusted gross incomes between \$20,000 and 50,000, but it did not significantly increase the total nonretirement savings amount for those in the lowest income bracket — less than \$10,000. (This is a statistically insignificant increase of only \$36.) While this hints that SaveUSA may have not worked as well for those in the lowest income bracket, the differences in the impacts across subgroups are not statistically significant.

The results also indicate that the SaveUSA program led a small number of individuals in some subgroups to shift retirement savings into nonretirement savings (again, likely to capture a higher effective interest rate for the SaveUSA account). SaveUSA led to a decrease in retirement savings for single filers with dependent children but not for single filers without dependent children. The SaveUSA program also significantly decreased total retirement savings for individuals with incomes \$20,000 or higher at the time of random assignment, but it did not have this effect for individuals in the lower income categories.

Possible Reasons for Differing Impacts Across Subgroups

There are several possible reasons why SaveUSA had different effects on nonretirement and retirement savings for some of these subgroups. One explanation may be that the subgroups are composed of different people and that their differences may be related to the impacts. For example, if members of the Tulsa sample subgroup have higher income levels than members of the New York sample subgroup, then the differences in impacts may be due to the higher income level and not to the enrollment city per se. To test this hypothesis, several “conditional”

impact models were estimated by adding interaction variables to the regression model to account for the possibility that different subgroups responded differently to the program.⁵

The results of using a conditional impact model suggest that the difference in the nonretirement savings impacts between the age subgroups is due to age per se and not to the correlation of age with other observed characteristics. However, differences in impacts among other subgroups — including those defined by study participants' adjusted gross income — are statistically insignificant, suggesting that these characteristics do not account for the variation in impacts. A conditional model was also used to test for differences by subgroup in SaveUSA's impacts on retirement savings. The results confirm that impacts on total retirement savings varied by city and also by tax filing status, as shown in Table 7.4.⁶

Conclusion

Immediately after study entry, SaveUSA had larger effects on allocating refund dollars to a bank account (savings or checking) among study participants who would have been less likely to save without SaveUSA (those with lower incomes and those without dependent children). However, more disadvantaged SaveUSA group members often withdrew refund dollars during the follow-up period and were less likely to receive the savings match a year later. Therefore, although SaveUSA increased the percentage of sample members who saved at study entry among several disadvantaged subgroups, this did not translate into higher savings match rates or larger positive effects for these subgroups.

Overall, the SaveUSA effects were consistent across a range of subgroups defined by city, age, adjusted gross income, educational attainment, and tax filing status. This finding suggests that SaveUSA can increase nonretirement savings in different settings and across different groups of people. However, one noteworthy difference in impacts was found: SaveUSA increased the percentage of sample members with nonretirement savings among those age 35 or older, but it did not have this effect for those younger than 35. The difference in effects for the two age groups is large and statistically significant.

⁵The regression model includes interactions of selected background characteristics with an indicator of membership in the SaveUSA group. The following variables were interacted with the SaveUSA group membership indicator: city, age, adjusted gross income categories, filing status, and educational attainment.

⁶The results from this additional analysis on the retirement savings effects do not contradict the finding that a small number of Regular Tax Filers with unusually large amounts of retirement savings account for the impact.

Chapter 8

Conclusion

Compared with other financial asset-promoting initiatives for low- and moderate-income individuals and families, the SaveUSA program stands out in several ways. It encourages unrestricted savings, that is, savings that can be used for any purpose and not only for home ownership, education, starting up businesses, or retirement. It also seeks to take advantage of once-a-year, relatively large tax refunds as a source for savings, as opposed to paychecks or other sources. Moreover, SaveUSA gives individuals access to a special account with features that encourage saving, such as no minimum balance fees. Finally, SaveUSA's use of an incentive to save (the SaveUSA tax refund savings match) also sets it apart from many other efforts.

While some asset-building initiatives have been rigorously evaluated, programs embodying all the features named above — that is, ones incentivizing unrestricted-use tax-time savings — have not been evaluated using a randomized controlled trial (RCT). (Chapter 1 describes the random assignment design and the two research groups in the evaluation.) Moreover, while research has shown an association between having savings and experiencing less material hardship, this research has not provided an indication about causality: People who normally hold savings may differ in important ways from those who do not. In other words, research has not demonstrated the effects that increasing unrestricted-use savings would have.

The SaveUSA study is thus breaking new ground in addressing the following: Can this type of program be implemented in different settings? To whom and to what extent does it appeal? Does it actually increase savings for the types of tax filers who are likely to participate in it voluntarily, beyond what low- and moderate-income tax filers would have saved in the absence of the program? And, if the program succeeds in increasing savings, are the increases large enough to also improve overall financial security? These questions are currently of particular interest as the Financial Security Credit Act — federal legislation introduced in August 2013 — proposes offering a tax code-based savings incentive (a refundable credit) modeled after SaveUSA to all qualifying low- and moderate-income tax filers in the United States. These questions are also important for more general policy discussions exploring the relationship between short-term liquid savings and financial stability and the idea of focusing on tax refunds as a source of savings for low- and moderate-income individuals.

Previous chapters of this report have answered many of these questions, but longer follow-up on evaluation sample members is needed to more definitively answer all of them. The results available so far clearly show that SaveUSA was able to be implemented at Volunteer Income Tax Assistance (VITA) sites in a variety of settings in four cities. It was also possible to

recruit local financial institutions to offer SaveUSA accounts and to facilitate the opening of the accounts. In SaveUSA, however, financial institutions were not required to determine account holders' eligibility for, and the amounts of, the SaveUSA savings match payments. (MDRC played this role.) Implementing this type of program more widely and at larger scale would require a different approach to this function.

In terms of the appeal of SaveUSA, interest in the program among eligible tax filers was never expected to be universal: Many low-income individuals feel that they cannot afford to set aside from their refund even as little as \$200 in savings for a year. While different implementation methods could result in different enrollment results, the roughly 1 in 10 SaveUSA-eligible tax filers who enrolled in the study is similar to the ratio found in other tax-time asset-building initiatives.

SaveUSA appealed to low- and moderate-income tax filers who, while similar in many ways to tax filers who did not enroll in SaveUSA, were in a somewhat better position to save: SaveUSA enrollees were more likely to have larger refunds and also had, on average, slightly higher adjusted gross incomes, compared with those who were eligible for SaveUSA but did not enroll. While probably predisposed to saving, SaveUSA enrollees were not without significant savings barriers, however: About half of all enrollees were single filers with at least one dependent; average income was about \$18,000, and about a quarter had an income of less than \$10,000; and a significant share of enrollees reported that they did not have enough money to make ends meet and/or had sizable debt. Moreover, being predisposed to saving was not equivalent to actually having significant savings: Over half the individuals in both research groups had either no savings or savings of \$500 or less as of 18 months after entering the study.

Further indication of why some low- and moderate-income tax filers may not have been interested in enrolling in SaveUSA was provided by the results of informal surveys of tax filers who were eligible to sign up for the program but declined to do so: Most who declined to enroll indicated that they had already earmarked all of their anticipated refunds to spend on bills or pay down debts. In general, it appears that basic living expenses took up a large proportion of the targeted populations' income, leading many people who did not enroll in SaveUSA to believe that they likely had little available to save.

Even among enrollees, results suggest that individuals with especially low incomes were least able to take advantage of SaveUSA. Compared with the other individuals to whom SaveUSA was offered, very low-income individuals pledged to save smaller amounts and thus received smaller savings matches if they successfully saved for a year, were less likely to receive a savings match, and were less likely to pledge to save again in the program's second year.

Program designers intended SaveUSA account holders to realize positive effects from the program in several ways. It was hoped that individuals who kept in savings all or most of

their pledged savings, along with the SaveUSA match (if they received it), would have more resources to meet future financial emergencies or would have a start toward saving for future goals. SaveUSA appears to have achieved this effect, at least in the short term: As of 18 months after opening SaveUSA accounts, individuals held more in nonretirement savings than they would have had in the absence of the program. This gave them a modest “financial cushion” — equivalent to having cash on hand to pay household expenses for an additional few weeks up to about one month — if their income suddenly dropped.

Benefits in the form of greater financial security were also expected if people withdrew their pledged savings (or savings plus the match) at any point, even before the end of the one-year savings period, to make necessary purchases, invest in education or training courses, reduce their debts and use of credit cards or other high-interest loans, or use their set-aside savings to cover an emergency or avert a crisis. It appears that SaveUSA has *not* achieved these effects at the 18-month point of follow-up: SaveUSA account holders have the same levels of debt and net worth and the same likelihood of having used high-cost sources of credit — to use just a few examples — than they would have had in the absence of the program.

Theoretically, SaveUSA also could have led to unintended effects. The program could have motivated some people to incur more debt, or to incur penalties for postponing paying off debt, in order to qualify for an eventual savings match. At this point in the evaluation, there is no evidence that this has occurred. The program also could simply have provided a “high-interest” savings vehicle for individuals who normally would have saved in any case. In one respect, this did not happen: SaveUSA turned some people who would not have had any savings into savers.

In summary, SaveUSA achieved its designers’ primary short-term goals: increasing short-term nonretirement savings without increasing debt and engendering greater attitudinal support for savings. At this point in follow-up, however, the program has not yet achieved its longer-term goals of increasing financial security. It could be that the SaveUSA-produced savings increase of \$512 — while of a magnitude *associated* in past studies with increased financial security — was not enough to markedly improve the financial situations of the study sample members who already had some savings at study entry. It may also be the case that more follow-up is needed.

Results from an examination of longer-term effects, to be available in 2015, thus will be crucial in assessing SaveUSA’s long-run potential to result in sustained impacts on saving and to have any impacts on overall financial security. Longer exposure to opportunities to deposit from tax refunds and get a match may help produce such effects, but the drop in SaveUSA pledge rates in the second year of the program suggests that the offered match may influence the savings behavior of fewer 2011 enrollees over time. SaveUSA, however, did lead to increases in

account holders reporting pro-savings attitudes, and it is possible that this increased support for saving might sustain the savings impacts and eventually lead to impacts on financial security.

Finally, it should be recognized that interventions that focus solely on increasing savings, like SaveUSA, may not be enough on their own to measurably improve low- and moderate-income households' overall financial security, particularly for households with high levels of non-housing-related debt. Additional services may be needed, such as counseling on debt reduction and financial management or interventions that effectively help participants find better jobs and increase their income.

Appendix A

Supplementary Tables for Chapter 2

The SaveUSA Evaluation

Appendix Table A.1

Selected Baseline Characteristics, by Year of Program Enrollment

Characteristic	2011	2012	2013	All Years
<u>Demographic characteristic</u>				
Average age (years)	41	41	41	41
Age (%)				
18-24	13.4	12.7	14.3	13.4
25-34	23.9	23.5	22.8	23.4
35-44	21.2	23.0	21.3	21.9
45-59	31.0	30.9	30.7	30.9
60-64	10.6	9.9	10.9	10.4
<u>Tax filing information</u>				
Number of tax filers (%)				
1	87.1	87.4	86.5	87.0
2	12.9	12.6	13.5	13.0
Tax filing status (%)				
Single filer without children	33.6	22.9	29.2	28.4
Single filer with children	53.5	64.5	57.2	58.6
Joint filer without children	2.8	2.1	1.7	2.2
Joint filer with children	10.1	10.5	11.8	10.8
Average adjusted gross income (\$)	17,932	18,387	18,251	18,193
Adjusted gross income amount (%)				
\$0 - \$4,999	7.5	5.5	7.4	6.7
\$5,000 - \$9,999	18.3	18.1	17.4	17.9
\$10,000 - \$14,999	19.1	19.3	19.5	19.3
\$15,000 - \$19,999	17.3	18.9	17.6	18.0
\$20,000 - \$24,999	15.0	15.3	13.9	14.8
\$25,000 - \$29,999	9.5	8.6	8.8	9.0
\$30,000 - \$39,999	9.7	10.5	11.2	10.5
\$40,000 - \$49,999	3.5	3.7	4.1	3.7
\$50,000 or higher	0.2	0.2	0.0	0.1
Average total tax refund amount (\$)	3,762	4,354	3,949	4,030
Total tax refund (%)				
\$1 - \$499	4.2	4.2	5.5	4.6
\$500 - \$999	14.4	13.2	13.9	13.8
\$1,000 - \$1,499	17.3	11.7	15.1	14.7
\$1,500 - \$1,999	7.8	7.2	7.8	7.6
\$2,000 - \$2,999	11.2	9.6	9.9	10.2
\$3,000 - \$3,999	9.1	10.2	7.8	9.0
\$4,000 - \$4,999	11.8	12.0	10.6	11.5
\$5,000 - \$7,499	21.2	27.6	25.6	24.8
\$7,500 or more	3.2	4.4	3.8	3.8

(continued)

Appendix Table A.1 (continued)

Characteristic	2011	2012	2013	All Years
Average federal tax refund (\$)	3,180	3,589	3,252	3,347
Average state and city tax refund ^a (\$)	581	766	697	683
Received federal Earned Income Tax Credit (%)	66.3	71.8	68.6	69.0
Among those who received the EITC, average amount (\$)	1,487	1,891	1,694	1,694
Federal Earned Income Tax Credit amount (%)				
\$0	33.6	28.2	31.4	31.0
\$1 - \$499	15.5	10.7	12.6	12.9
\$500 - \$999	3.9	3.7	3.5	3.7
\$1,000 - \$1,499	4.6	4.6	5.2	4.8
\$1,500 - \$1,999	6.2	5.5	6.0	5.9
\$2,000 - \$2,999	13.3	14.9	12.8	13.7
\$3,000 - \$3,999	12.8	16.6	16.0	15.1
\$4,000 - \$4,999	5.4	9.3	6.2	7.0
\$5,000 or more ^b	4.8	6.5	6.3	5.9
Sample size	2,494	2,642	2,366	7,502

SOURCE: MDRC calculations from MDRC baseline data.

NOTES: All four cities combined tax filing information and refund amounts refer to 2010, 2011, and 2012, the tax years prior to study enrollment.

Demographic characteristics data were collected for one tax filer when couples filed jointly.

Rounding may cause slight discrepancies in calculating sums.

Sample sizes for specific measures may vary because of missing values.

No statistical significance tests were performed on differences across the years.

^aOnly New York City has a city income tax. Texas does not have a state income tax.

^bThe maximum possible federal Earned Income Tax Credit was \$5,666 in tax year 2010, \$5,751 in tax year 2011, and \$5,891 in tax year 2012.

The SaveUSA Evaluation

Appendix Table A.2

Selected Characteristics, by Age Group, New York City and Tulsa Only

Characteristic	Ages 18-64	Age 65 +	All Ages
<u>Demographic characteristic</u>			
Gender (%)			
Male	26.1	30.1	26.3
Female	73.9	69.9	73.7
Number of children ^a (%)			***
0	37.6	88.2	40.2
1	33.0	7.1	31.7
2	20.8	2.4	19.8
3 or more	8.7	2.4	8.3
Race/ethnicity (%)			***
Hispanic/Latino	27.1	19.5	26.7
White	20.5	45.1	21.8
Black/African-American	44.5	26.8	43.6
Other	7.8	8.5	7.9
Highest educational credential (%)			
GED certificate	4.0	4.9	4.0
High school diploma	56.1	57.3	56.2
Technical credential or associate's degree	17.3	20.7	17.5
4-year college degree or higher	10.2	3.7	9.9
None of the above	12.4	13.4	12.4
<u>Tax filing information</u>			
Number of tax filers (%)			**
1	89.0	81.4	88.6
2	11.0	18.6	11.4
Tax filing status (%)			***
Single filer without children	33.9	68.6	35.7
Single filer with children	55.1	12.8	52.9
Joint filer without children	1.8	14.0	2.4
Joint filer with children	9.3	4.7	9.0
Average adjusted gross income (\$)	17,244	14,382	17,097 ***
Adjusted gross income amount (%)			
\$0 - \$9,999	28.7	31.4	28.8
\$10,000 - \$19,999	36.4	44.2	36.8
\$20,000 or more	34.9	24.4	34.4

(continued)

Appendix Table A.2 (continued)

Characteristic	Ages 18-64	Age 65 +	All Ages
Average total tax refund amount (\$)	3,969	1,601	3,846 ***
Average federal tax refund (\$)	3,164	1,271	3,067 ***
Average state and city tax refund ^b (\$)	804	330	780 ***
Received federal Earned Income Tax Credit (%)	70.3	17.4	67.5 ***
Among those who received the EITC, average amount (\$)	2,169	1,622	2,162
Month of random assignment (%)			***
January 2011	11.3	1.2	10.8
February 2011	38.5	18.6	37.5
March 2011	32.3	64.0	33.9
April 2011	17.9	16.3	17.8
Sample size	1,578	86	1,664

SOURCES: MDRC calculations from MDRC baseline data, VITA survey data, 2010 tax return records, and responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: Indicators of respondent's gender, number of children, race/ethnicity, and highest educational credential were recorded from responses to the 18-Month Follow-Up Survey for respondents with missing data at baseline.

Demographic characteristics data were collected for one tax filer when couples filed jointly.

Rounding may cause slight discrepancies in calculating sums.

Sample sizes for specific measures may vary because of missing values.

A chi-square test for categorical variables and a t-test for continuous variables were run to determine whether there is a difference in the distribution of the characteristics by age group. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

^aThis refers to the number of dependents claimed in 2010 tax return records.

^bOnly New York City has a city income tax.

The SaveUSA Evaluation

Appendix Table A.3

**Selected Baseline Characteristics of 2011 Sample Members,
by Research Group, New York City and Tulsa Only**

Characteristic	SaveUSA Group	Regular Tax Filers	All
<u>Demographic characteristic</u>			
Average age (years)	40	41	41
Age (%)			**
18-24	16.5	12.1	14.3
25-34	25.4	24.9	25.2
35-44	19.5	21.9	20.7
45-59	29.5	32.0	30.7
60 or older	9.2	9.1	9.1
Gender (%)			
Male	26.1	26.6	26.3
Female	73.9	73.4	73.7
Number of children ^a (%)			***
0	42.7	37.6	40.2
1	32.6	30.8	31.7
2	18.3	21.4	19.8
3 or more	6.5	10.3	8.3
Race/ethnicity (%)			
Hispanic/Latino	28.3	25.2	26.7
White	22.3	21.2	21.8
Black/African-American	42.1	45.2	43.6
Other	7.3	8.4	7.9
Highest educational credential (%)			
GED certificate	4.0	4.1	4.0
High school diploma	55.8	56.6	56.2
Technical credential or associate's degree	17.6	17.3	17.5
4-year college degree or higher	10.6	9.1	9.9
None of the above	11.9	12.9	12.4
Number of tax filers (%)			
1	89.3	87.9	88.6
2	10.7	12.1	11.4

(continued)

Appendix Table A.3 (continued)

Characteristic	SaveUSA Group	Regular Tax Filers	All
Tax filing status (%)			
Single filer without children	38.5	32.8	35.7
Single filer with children	50.7	55.1	52.9
Joint filer without children	2.4	2.4	2.4
Joint filer with children	8.4	9.7	9.0
Average adjusted gross income (\$)	16,911	17,285	17,097
Adjusted gross income amount (%)			
\$0 - \$9,999	30.0	27.6	28.8
\$10,000 - \$19,999	36.1	37.5	36.8
\$20,000 or more	33.9	34.9	34.4
Average total tax refund amount (\$)	3,620	4,076	3,846 ***
Average federal tax refund (\$)	2,899	3,236	3,067 ***
Average state and city tax refund ^b (\$)	721	839	780 ***
Received federal Earned Income Tax Credit (%)	66.0	69.1	67.6
Among those who received the EITC, average amount (\$)	2,050	2,270	2,162
Month of random assignment (%)			
January 2011	10.6	10.9	10.8
February 2011	37.7	37.3	37.5
March 2011	33.8	34.0	33.9
April 2011	17.9	17.8	17.8
Sample size	838	826	1,664

SOURCES: MDRC calculations from MDRC baseline data, VITA survey data, 2010 tax return records, and responses to the SaveUSA18-Month Follow-Up Survey.

NOTES: Indicators of respondent's gender, number of children, race/ethnicity, and highest educational credential were recorded from responses to the 18-Month Follow-Up Survey for respondents with missing data at baseline.

Demographic characteristics data were collected for one tax filer when couples filed jointly.

Rounding may cause slight discrepancies in calculating sums.

Sample sizes for specific measures may vary because of missing values.

A chi-square test for categorical variables and a t-test for continuous variables were run to determine whether there is a difference in the distribution of the characteristics by research group. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

^aThis refers to the number of dependents claimed in 2010 tax return records.

^bOnly New York City has a city income tax.

The SaveUSA Evaluation

Appendix Table A.4

**Impacts on Selected Outcomes for Survey Respondents Age 65
or Older as of Random Assignment, New York City and Tulsa Only**

Outcome	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
Has nonretirement savings (%)	87.2	83.1	4.1	0.681
Total nonretirement savings (\$)	4,455	8,642	-4,187	0.246
Ratio of nonretirement savings to monthly household expenses	5.3	13.4	-8.1	0.253
Has retirement savings (%)	39.4	22.0	17.4	0.208
Total retirement savings (\$)	8,915	4,454	4,461	0.377
Has liquid assets (%)	85.8	80.7	5.1	0.643
Total liquid assets (\$)	12,291	7,960	4,331	0.476
Total non-housing-related debt (\$)	4,073	2,028	2,045	0.327
Liquid assets exceed non-housing-related debt (%)	59.9	55.3	4.7	0.769
Is asset poor (%)	49.2	77.8	-28.7 *	0.072
Has "good" credit rating or higher (%)	71.0	48.9	22.1	0.132
Had financial hardship (%)	26.4	50.0	-23.7	0.102
Financial situation is better than at random assignment (%)	51.9	64.3	-12.4	0.337
Currently employed (%)	36.7	38.0	-1.3	0.924
Sample size (total = 67)	36	31		

SOURCES: MDRC calculations from MDRC baseline data and responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

The SaveUSA Evaluation

Appendix Table A.5

Selected Characteristics of SaveUSA-Eligible Individuals Who Declined to Participate in the Study and of Sample Members Who Enrolled in the Study

Characteristic	SaveUSA-Eligible Individuals	SaveUSA Study Sample	P-Value
Demographic characteristic^a (%)			
Gender ^b			*** 0.000
Male	39.8	27.4	
Female	60.2	72.6	
Age			*** 0.000
18-24	14.3	14.8	
25-44 ^c	40.6	46.2	
45 or older	45.0	39.0	
Highest educational attainment ^b			*** 0.000
Less than 2-year college degree	78.4	72.4	
2-year college degree or higher	21.6	27.6	
Tax filing information			
Number of tax filers in 2010 (%)			*** 0.003
1	85.3	87.8	
2	14.7	12.2	
Tax filing status (%)			*** 0.000
Single filer without children	47.3	35.9	
Single filer with children	38.0	52.1	
Joint filer without children	4.7	3.2	
Joint filer with children	10.0	8.9	
Average adjusted gross income (\$)	16,784	17,903	*** 0.001
Adjusted gross income amount (%)			*** 0.000
\$1 - \$4,999	13.7	7.9	
\$5,000 - \$9,999	19.4	20.1	
\$10,000 - \$14,999	19.8	20.2	
\$15,000 - \$19,999	16.3	17.2	
\$20,000 - \$24,999	12.7	14.3	
\$25,000 - \$29,999	6.5	8.7	
\$30,000 - \$39,999	8.3	8.9	
\$40,000 - \$49,999	3.4	2.8	

(continued)

Appendix Table A.5 (continued)

Characteristic	SaveUSA-Eligible Individuals	SaveUSA Study Sample	P-Value
Total federal refund amount (%)			*** 0.000
\$1 - \$499	14.9	6.6	
\$500 - \$999	22.6	16.3	
\$1,000 - \$1,499	15.9	15.1	
\$1,500 - \$1,999	6.3	6.0	
\$2,000 - \$2,999	8.3	11.3	
\$3,000 - \$3,999	6.8	10.5	
\$4,000 - \$4,999	7.4	11.3	
\$5,000 - \$7,499	12.0	17.5	
\$7,500 - \$9,999	4.6	5.4	
\$10,000 or more	1.3	0.1	
Ever received federal Earned Income Tax Credit (%)	54.6	68.3	*** 0.000
Federal Earned Income Tax Credit amount ^d (%)			*** 0.000
\$1 - \$499	32.3	23.3	
\$500 - \$999	6.9	6.9	
\$1,000 - \$1,499	7.9	6.2	
\$1,500 - \$1,999	8.4	9.9	
\$2,000 - \$2,999	17.1	22.5	
\$3,000 - \$3,999	15.0	17.9	
\$4,000 - \$4,999	7.2	7.7	
\$5,000 - \$7,499	5.1	5.7	
Sample size	19,094	2,021	

SOURCES: MDRC calculations from MDRC baseline data, VITA survey data, and TaxWise data.

NOTES: Rounding may cause slight discrepancies in calculating sums.

Sample sizes for specific measures may vary because of missing values.

A chi-square test for categorical variables and a t-test for continuous variables were run to determine whether there is a difference in the distribution of the characteristics by study participation. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

^aDemographic characteristics data were collected for one tax filer when couples filed jointly.

^bGender and educational attainment are not available for Newark.

^cThe age category includes 24-year-olds from Tulsa.

^dEarned Income Tax Credit information is not available for New York City study-eligible individuals.

Appendix B

**SaveUSA 18-Month Follow-Up Survey
Response Analysis**

Most estimates of the SaveUSA program's effects on financial outcomes were calculated with responses to the SaveUSA 18-Month Follow-Up Survey. A subsample of all SaveUSA study participants completed the survey, which, potentially, raises issues about the reliability of results estimated for survey respondents and, also, whether results for respondents can be generalized to all study participants.

Appendix B summarizes the results of tests of the reliability and generalizability of impact estimates calculated with survey responses. First, the appendix assesses whether research group differences in financial outcomes are unbiased (and, therefore, reliable) indicators of SaveUSA's effects. Survey results are considered to be unbiased if a large proportion of each research group responded to the survey and if respondents in both research groups closely resemble each other in characteristics — such as educational attainment or adjusted gross income — that would likely affect members' ability to save, forgo debt, or attain financial security after study entry.

Second, the appendix considers whether the impact results that are estimated for survey respondents may be generalized to all study participants. Survey results are considered to be generalizable if it can be inferred with confidence that the analysis would have reached similar conclusions about SaveUSA's effects on financial outcomes had every study participant completed an 18-month survey interview. Three tests of generalizability were performed. The first two are similar to the tests for bias: Survey results may be considered to be generalizable to all study participants if a large majority of study participants responded to the survey and if respondents resemble all study participants in characteristics likely to affect financial outcomes after study entry. The third test involves comparing estimates of program impacts for survey respondents with estimates for all study participants that were calculated using other (nonsurvey) data sources. For the SaveUSA study, the test involved tax records, collected for all study participants, concerning allocation of 2010 federal tax refund dollars. For this test, it may be inferred that survey results can be generalized to all study participants if impact estimates on the amount directly deposited to savings accounts and other key outcomes were similar for survey respondents and for all study participants.

Main Findings

- **Survey results were found to be unbiased.**
 - About 80 percent of members of each research group responded to the survey.
 - Among survey respondents, an overall comparison of research group characteristics showed no statistically significant difference.

- ***With some caution, survey results can be generalized to all study participants.***
 - About 80 percent of study participants in both New York City and Tulsa responded to the survey.
 - Comparisons of survey respondents and nonrespondents show statistically significant differences in 4 of 23 measures of participant characteristics that were tested. This is the reason for having some caution in generalizing results.
 - Impacts on the allocation of 2010 federal tax refund dollars, calculated with tax data, are generally consistent — in direction, magnitude, and statistical significance — for survey respondents and all study participants.

Selection of Research Sample Members

Nearly every study participant from New York City and Tulsa was eligible to respond to the SaveUSA 18-month survey. Thirteen study participants were excluded because of death, incarceration, or lack of fluency in English or Spanish. The remaining 1,651 study participants are referred to as the *fielded sample*. During late July through December 2012, the survey firm for the study, Decision Information Resources, attempted to locate and interview everyone in the fielded sample. Study participants who could not be located or who declined to be interviewed are referred to as *nonrespondents* (N = 326). The 1,325 individuals who completed the survey are known as the *respondent sample*, and respondents ages 18 to 64 at their time of random assignment comprise the *report sample* (N = 1,258). The report sample contains 631 SaveUSA group members and 627 Regular Tax Filers.

Tests for Bias in Survey Results

Survey Response Rates

As shown in Appendix Table B.1, the survey fielding effort attained response rates of 80 percent among both SaveUSA group members and Regular Tax Filers, including respondents age 65 or older at their time of random assignment. Similarly high response rates were obtained in both New York City and Tulsa, overall and for each research group. Response rates are nearly identical for members of the report sample. These high response rates for both research groups provide evidence that survey results are unbiased.

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Appendix Table B.1

SaveUSA 18-Month Follow-Up Survey Response Rate, by City

Survey Respondent (%)	SaveUSA Group	Regular		Sample Size
		Tax Filers	All	
Fielded sample				
New York City	80.7	79.4	80.0	952
Tulsa	79.9	81.2	80.5	699
Total	80.4	80.1	80.3	1,651
Fielded sample, ages 18 to 64 at study entry				
New York City	80.6	79.5	80.0	917
Tulsa	79.3	81.9	80.6	650
Total	80.1	80.5	80.3	1,567
Sample size				
Fielded sample	830	821	1,651	
Fielded sample, ages 18 to 64 at study entry	788	779	1,567	

SOURCES: MDRC calculations from MDRC baseline data and responses to the SaveUSA 18-Month Follow-Up Survey.

NOTE: Rounding may cause slight discrepancies in calculating average response rates.

Comparison of Research Group Characteristics in the Survey Respondent Sample

For the survey respondent sample, research group differences in baseline characteristics were tested using logistic regression, with the probability of being a SaveUSA group member regressed on 22 variables of participant characteristics. As shown in Appendix Table B.2, the full regression model is not statistically significant. Further, among the series of individual characteristics, only two (a Volunteer Income Tax Assistance [VITA] organization and number of children) varied between the research groups at the 10 percent level of statistical significance for the entire respondent sample. Finally, no statistically significant differences were found when comparing individual characteristics by research group for the smaller report sample, ages 18 to 64 (Appendix Table B.3).

High response rates for both research groups and the absence of research group differences in sample member characteristics support the finding that survey responses are unbiased estimates of SaveUSA's effects.

The SaveUSA Evaluation

Appendix Table B.2

**Among Survey Respondents: Estimated Regression Coefficients
for the Probability of Being a SaveUSA Group Member**

Variable	Respondent Sample	
	Parameter Estimate	P-Value
<u>Baseline measure</u>		
Month of random assignment	-0.021	0.752
Capital One Bank	-0.130	0.371
Ariva Tax Assistance Center	-0.121	0.413
Carver Financial Literacy Center	-0.091	0.518
St. Mark's AME Church	-0.393	0.054
Fordham Road	0.390	0.135
Pine and Lewis	-0.183	0.182
Exchange Center	-0.150	0.302
Female	0.076	0.571
Hispanic	0.270	0.148
Black	-0.047	0.760
Age 25-34	-0.076	0.702
Age 35-44	-0.210	0.327
Age 45-59	-0.128	0.510
Age 60 or older	-0.092	0.704
No educational degree	-0.023	0.903
AA/BA/BS/Grad school degree	0.036	0.778
Number of children	-0.159	0.096
Adjusted gross income	0.000	0.949
Adjusted gross income, squared	0.000	0.714
Received federal Earned Income Tax Credit	0.021	0.888
Total tax refund amount (sum of federal, state, and city)	0.000	0.907
Likelihood ratio	28.4	0.164
Wald statistic	27.0	0.211
Sample size	1,325	

SOURCES: MDRC calculations from MDRC baseline data and responses to the SaveUSA 18-Month Follow-Up Survey.

Tests of Generalizability of Survey Results

As noted above, around 80 percent of the fielded sample in New York City and Tulsa responded to the 18-month survey — a result that enhances the generalizability of the findings to all study participants. Logistic regression was again used to test for differences in characteristics

The SaveUSA Evaluation
Appendix Table B.3
Selected Baseline Characteristics of Survey Respondents,
by Research Group

Characteristic	SaveUSA Group	Regular Tax Filers	All
<u>Demographic characteristic</u>			
Average age (years)	39	39	39
Age (%)			
18-24	16.0	13.6	14.8
25-34	26.9	25.5	26.2
35-44	20.3	23.3	21.8
45-59	32.5	33.2	32.8
60-64	4.3	4.5	4.4
Gender (%)			
Male	23.9	24.1	24.0
Female	76.1	75.9	76.0
Number of children ^a (%)			
0	37.2	34.9	36.1
1	34.9	31.7	33.3
2	20.4	22.6	21.5
3 or more	7.4	10.7	9.1
Race/ethnicity (%)			
Hispanic/Latino	27.7	23.9	25.8
White	21.2	20.5	20.8
Black/African-American	44.6	47.6	46.1
Other	6.5	8.0	7.3
Highest educational credential (%)			
GED certificate	4.8	4.8	4.8
High school diploma	54.5	54.4	54.4
Technical credential or associate's degree	17.5	17.8	17.6
4-year college degree or higher	11.8	10.9	11.3
None of the above	11.5	12.2	11.8
<u>Tax filing information</u>			
Number of tax filers (%)			
1	90.5	88.8	89.7
2	9.5	11.2	10.3

(continued)

Appendix Table B.3 (continued)

Characteristic	SaveUSA Group	Regular Tax Filers	All
Tax filing status (%)			
Single filer without children	34.2	30.3	32.3
Single filer with children	56.3	58.5	57.4
Joint filer without children	1.3	2.1	1.7
Joint filer with children	8.2	9.1	8.7
Average adjusted gross income (\$)	17,758	17,536	17,647
Adjusted gross income amount (%)			
\$0 - \$9,999	28.2	27.1	27.7
\$10,000 - \$19,999	34.5	37.6	36.1
\$20,000 or more	37.2	35.2	36.2
Average total tax refund amount (\$)	3,885	4,148	4,016
Average federal tax refund (\$)	3,110	3,300	3,205
Average state and city tax refund ^b (\$)	775	848	811
Received federal Earned Income Tax Credit (%)	68.9	71.8	70.4
Among those who received the EITC, average amount (\$)	2,105	2,258	2,183
Month of random assignment (%)			
January 2011	11.6	11.8	11.7
February 2011	40.3	38.3	39.3
March 2011	30.1	33.8	32.0
April 2011	18.1	16.1	17.1
Sample size	631	627	1,258

SOURCES: MDRC calculations from MDRC baseline data, VITA survey data, 2010 tax return records, and responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: Indicators of respondent's gender, number of children, race/ethnicity, and highest educational credential were recorded from responses to the 18-Month Follow-Up Survey for respondents with missing data at baseline.

Demographic characteristics data were collected for one tax filer when couples filed jointly.

Rounding may cause slight discrepancies in calculating sums.

Sample sizes for specific measures may vary because of missing values.

A chi-square test for categorical variables and a t-test for continuous variables were run to determine whether there is a difference in the distribution of the characteristics by research group. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent. No asterisks are shown for any variable because all differences by research group were determined to be above the 10 percent level of statistical significance.

^aThis refers to the number of dependents claimed in 2010 tax return records.

^bOnly New York City has a city income tax.

likely to affect financial outcomes. This time, the test was between respondents and nonrespondents and included *all* members of the fielded sample: SaveUSA group members and Regular Tax Filers combined. For this test, the probability of being a respondent was regressed on 23 variables of participant characteristics. This regression model is statistically significant, although significant differences between respondents and nonrespondents were found for only four measures (Appendix Table B.4). Members of the fielded sample with no educational degree were less likely to respond than degree recipients, whereas fielded sample members who are black or female had a greater likelihood of responding to the survey. Additionally, fielded sample members who were randomly assigned earlier in 2011 were more likely to respond than those from the later months of random assignment. While these differences are few, these results suggest that some caution is needed when generalizing survey results to all study participants.

Comparison of Allocation of 2010 Federal Tax Refund Across the Fielded Sample, Respondent Sample, and Report Sample

Appendix Table B.5 displays separate impact estimates for the fielded sample, respondent sample, and report sample on measures of how study participants allocated their 2010 federal tax refund. All results are consistent across the samples in direction, magnitude, and statistical significance. For example, estimates of SaveUSA's impact on the proportion of study participants who directly deposited tax refund dollars into any bank account varied by only 2 percentage points across the three samples, and the impact on the proportion of study participants who directly deposited tax refund dollars into a savings account varied by less than 1 percentage point. Similarly, impact estimates on measures of total dollars directly deposited into savings are statistically significant and varied by only \$20 among the three samples, while impacts on other dollar amount measures are also statistically significant and varied by only \$50 to \$70 among the samples. These results — combined with the high response rates for the 18-month survey — provide strong evidence that impact estimates calculated from survey responses can be generalized to all study participants.

The SaveUSA Evaluation

Appendix Table B.4

Estimated Regression Coefficients for the Probability of Being a Respondent to the SaveUSA 18-Month Survey

Variable	Fielded Sample	
	Parameter Estimate	P-Value
<u>Baseline measure</u>		
Month of random assignment	-0.154	0.043
Capital One Bank	-0.018	0.919
Ariva Tax Assistance Center	0.126	0.465
Carver Financial Literacy Center	-0.051	0.750
St. Mark's AME Church	-0.135	0.518
Fordham Road	-0.015	0.956
Pine and Lewis	-0.220	0.154
Exchange Center	-0.125	0.457
Assigned to SaveUSA Group	0.013	0.916
Female	0.581	<.0001
Hispanic	-0.076	0.705
Black	0.321	0.071
Age 25-34	-0.109	0.613
Age 35-44	-0.144	0.541
Age 45-59	0.095	0.659
Age 60 or older	0.285	0.304
No educational degree	-0.485	0.010
AA/BA/BS/Grad school degree	0.220	0.172
Number of children	0.139	0.215
Adjusted gross income	0.000	0.332
Adjusted gross income, squared	0.000	0.807
Received federal Earned Income Tax Credit	0.023	0.894
Total tax refund amount (sum of federal, state, and city)	0.000	0.233
Likelihood ratio	63.4	<.0001
Wald statistic	60.2	<.0001
Sample size	1,651	

SOURCES: MDRC calculations from MDRC baseline data and responses to the SaveUSA 18-Month Follow-Up Survey.

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Appendix Table B.5

Comparison of Impacts on Allocation of 2010 Federal Tax Refund
for the Survey Fielded Sample, Survey Respondent Sample, and Report Sample

Outcome	SaveUSA Group	Regular Filers Group	Difference (Impact)	P-Value
Deposited money in any bank account (%)				
Fielded sample	98.2	75.5	22.7 ***	0.000
Respondent sample	98.2	77.2	21.0 ***	0.000
Report sample	98.1	77.5	20.6 ***	0.000
Deposited money in savings account (%)				
Fielded sample	93.0	14.4	78.6 ***	0.000
Respondent sample	92.3	14.5	77.9 ***	0.000
Report sample	92.4	14.4	78.0 ***	0.000
Deposited money in checking account (%)				
Fielded sample	70.3	68.4	1.9	0.385
Respondent sample	71.5	69.9	1.5	0.524
Report sample	72.2	70.4	1.8	0.455
Received a tax refund check (%)				
Fielded sample	18.4	25.1	-6.8 ***	0.001
Respondent sample	17.1	23.5	-6.4 ***	0.003
Report sample	17.3	23.4	-6.1 ***	0.006
Total amount deposited in any bank account (\$)				
Fielded sample	3,179	2,939	241 ***	0.005
Respondent sample	3,254	3,083	171 *	0.055
Report sample	3,375	3,185	190 **	0.040
Total amount deposited in savings account (\$)				
Fielded sample	682	219	463 ***	0.000
Respondent sample	688	240	448 ***	0.000
Report sample	690	247	443 ***	0.000
Total amount deposited in checking account (\$)				
Fielded sample	2,498	2,720	-223 **	0.019
Respondent sample	2,566	2,843	-277 ***	0.006
Report sample	2,685	2,938	-253 **	0.016
Total amount received in tax refund check (\$)				
Fielded sample	515	733	-218 ***	0.009
Respondent sample	477	629	-152 *	0.074
Report sample	475	645	-170 *	0.055

(continued)

Appendix Table B.5 (continued)

Outcome	SaveUSA Group	Regular Filers Group	Difference (Impact)	P-Value
Percentage of tax refund deposited in any bank account (%)				
Fielded sample	85.3	74.9	10.4 ***	0.000
Respondent sample	86.2	76.5	9.7 ***	0.000
Report sample	86.0	76.7	9.3 ***	0.000
Percentage of tax refund deposited in savings account (%)				
Fielded sample	29.8	8.4	21.4 ***	0.000
Respondent sample	29.6	8.3	21.3 ***	0.000
Report sample	28.3	8.1	20.2 ***	0.000
Percentage of tax refund deposited in checking account (%)				
Fielded sample	55.5	66.5	-11.0 ***	0.000
Respondent sample	56.6	68.1	-11.5 ***	0.000
Report sample	57.8	68.6	-10.9 ***	0.000
Percentage of tax refund received in refund check (%)				
Fielded sample	14.1	24.7	-10.6 ***	0.000
Respondent sample	13.3	23.1	-9.8 ***	0.000
Report sample	13.5	23.0	-9.5 ***	0.000
Sample sizes				
Fielded sample (total = 1,651)	830	821		
Respondent sample (total = 1,325)	667	658		
Report sample (total = 1,258)	631	627		

SOURCES: MDRC calculations from MDRC baseline data, 2010 tax return records, and responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The respondent sample includes all respondents age 18 or older at their time of random assignment. The report sample includes respondents who were ages 18 to 64 at their time of random assignment.

A small number of sample members allocated tax refund dollars for the purchase of U.S. savings bonds (not shown).

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

Appendix C

**Methodological Tables Relating to
SaveUSA 18-Month Follow-Up Survey**

The SaveUSA Evaluation

Appendix Table C.1

Comparison of SaveUSA Account Activity, by Data Source

Outcome	SaveUSA Group
<u>Opened SaveUSA account in 2011 (%)</u>	
According to neither survey nor financial institution records	3.9
According to both survey and financial institution records	87.1
According to survey only	1.0
According to financial institution records only	8.0
<u>Received savings match in 2012^a (%)</u>	
According to neither survey nor financial institution records	38.1
According to both survey and financial institution records	49.2
According to the survey only	1.8
According to financial institution records only	10.9
Savings match amount	
\$1 - \$100	2.8
\$101 - \$499	3.6
\$500 or more	4.6
<u>Had SaveUSA account balance at the time of interview^b (%)</u>	
According to neither survey nor financial institution records	43.0
According to both survey and financial institution records	44.8
According to survey only	7.7
According to financial institution data only	4.6
Account balance amount	
\$10 - \$100	1.5
\$101 - \$300	1.3
\$301 - \$500	0.3
\$501 - \$999	0.7
\$1,000 or more	0.8
Sample size	631

SOURCES: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey and financial institution data.

NOTES: ^aIncludes respondents whose SaveUSA account was at a bank that provided MDRC with transaction-level data.

^bSaveUSA accounts were deemed to have a balance if the financial institution data showed an amount of \$10 or more at the end of the month of the survey interview.

The SaveUSA Evaluation

Appendix Table C.2

**Comparison of Impacts on Total Nonretirement Savings,
by Wording of Survey Question**

Survey Question (\$)	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
All respondents who were asked to report the total amount of their nonretirement savings.	2,241	1,730	512 *	0.052
SaveUSA group respondents who later were asked if their reported total had included the current balance of their SaveUSA account. The SaveUSA account balance was added to the total if previously excluded.	2,373	1,732	641 **	0.015
All respondents who were asked to report their total monthly household expenses and the number of months that expenses could be covered by current savings alone.	2,951	2,932	18	0.936
Sample size (total = 1,258)	631	627		

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

The SaveUSA Evaluation

Appendix Table C.3

Comparison of Indicators of Savings and Debt, by Level of Exclusion of Outlier Values

Outcome at Interview (\$)	Number (N)	Mean	Standard Deviation	Minimum	Median	95th Percentile	99th Percentile	Maximum
<u>Total nonretirement savings</u>								
Include all responses	1,291	2,797	8,489	0	500	12,000	45,000	99,997
Exclude top 1 percent	1,280	2,197	5,164	0	500	10,000	30,000	45,000
Exclude top 5 percent	1,232	1,342	2,202	0	400	6,000	10,000	12,000
<u>Total retirement savings</u>								
Include all responses	1,288	3,919	12,474	0	0	20,000	75,000	99,997
Exclude top 1 percent	1,276	3,115	9,332	0	0	18,000	60,000	75,000
Exclude top 5 percent	1,224	1,453	3,564	0	0	10,000	17,500	20,000
<u>Total non-housing-related debt^a</u>								
Include all responses	1,293	9,886	17,279	0	3,000	50,000	85,189	118,963
Exclude top 1 percent	1,283	9,166	15,285	0	2,830	45,000	75,000	90,000
Exclude top 5 percent	1,238	6,997	10,190	0	2,200	30,000	49,800	50,000

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes all respondents from New York City (N = 762) and Tulsa (N = 563).

Sample sizes for specific outcomes may vary because of exclusion of outliers and missing values.

^aOne respondent reported having “More than \$50,000” in non-housing-related debt but did not provide any more specific information on his or her debt level. This respondent was coded as having debt above the 95th percentile (\$50,000) but was not considered when setting the value of the 99th percentile. The respondent was later given a randomly generated value (\$85,189) between \$50,001 and the maximum reported value (\$118,963) and was included in measures of total debt up to the 99th percentile.

The SaveUSA Evaluation

Appendix Table C.4

Comparison of Impacts on Savings and Debt, by Level of Exclusion of Outlier Values

Outcome at Interview (\$)	SaveUSA Group	Regular Tax Filers	Difference (Impact)	P-Value
<u>Total nonretirement savings</u>				
Include all responses	2,772	2,052	720 *	0.078
Exclude top 1 percent	2,241	1,730	512 *	0.052
Exclude top 5 percent	1,455	1,158	297 **	0.017
<u>Total retirement savings</u>				
Include all responses	3,140	3,798	-657	0.263
Exclude top 1 percent	2,582	3,279	-697	0.146
Exclude top 5 percent	1,442	1,415	27	0.891
<u>Total non-housing-related debt</u>				
Include all responses	10,164	10,167	-4	0.997
Exclude top 1 percent	9,695	9,276	419	0.632
Exclude top 5 percent	7,074	7,342	-268	0.653
Sample size (total = 1,258)	631	627		

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City (N = 734) and Tulsa (N = 524) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of exclusion of outliers and missing values.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.

Rounding may cause slight discrepancies in calculating sums and differences.

A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.

The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.

Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.

Appendix D

Supplementary Tables for Chapter 4

The SaveUSA Evaluation
Appendix Table D.1
SaveUSA Account Activity
(Self-Reported from Survey Responses)

Outcome (%)	Total
<u>Year 1 (2011)</u>	
Opened SaveUSA account	88.1
<u>Year 2 (2012)</u>	
Received savings match	50.3
Deposited tax refund dollars in SaveUSA account	48.1
Among those who deposited tax refund dollars	
Motivated by the match	34.6
Expressed general commitment to save	50.8
Had specific savings goal	14.6
Did not deposit tax refund dollars in SaveUSA account	51.9
Among those who did not deposit tax refund dollars	
No refund or refund too small	34.0
Used refund to pay debts or bills or for expenditures	31.4
Dissatisfied with SaveUSA program	12.9
Did not know about Year 2 eligibility to deposit	11.9
Encountered problems when filing taxes	5.7
Forgot or was unprepared to deposit	4.1
<u>Years 1 and 2</u>	
Withdrew money from SaveUSA account before match date	29.1
Among those who withdrew money before match date	
Knew minimum balance required to receive match	86.4
Knew whether withdrawal would end eligibility for match	65.0
Reasons for withdrawing money	
Pay bills/debts	57.2
Emergency expense	61.1
Buy necessities	35.6
Buy something special	5.6
Tired of keeping money in bank	2.8
Other reason	11.1
Sample size	631

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes SaveUSA group respondents from New York City (N = 370) and Tulsa (N = 261) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Rounding may cause slight discrepancies in calculating sums.

The percentage of reasons for withdrawing money from a SaveUSA account sums to more than 100 percent because respondents could report more than one reason.

The SaveUSA Evaluation

Appendix Table D.2

SaveUSA Account Activity, by Program Year

Outcome	Year 1	Year 2	All Years
<u>RCT cities (New York City and Tulsa)</u>			
SaveUSA account opened or pledged (%)	95.3	43.3	95.8
Distribution of pledged deposit (%)			
\$0	0.0	56.7	0.0
\$1 - \$200	38.5	11.0	26.2
\$201 - \$999	33.8	16.6	37.2
\$1,000	27.7	15.7	36.7
Average initial deposit amount (\$)	490	329	820
Distribution of initial deposit (%)			
\$0	13.0	58.8	11.5
\$1 - \$200	32.0	9.3	21.4
\$201 - \$999	29.5	15.5	32.2
\$1,000 or more	25.6	16.4	34.9
Received savings match (%)	57.6	27.1	59.5
Average amount of savings match (\$)	169	95	264
Average savings match, among those who received the savings match (\$)	294	351	444
Distribution of savings match (%)			
\$0	42.4	72.9	40.6
\$1 - \$100	17.1	4.0	12.2
\$101 - \$499	19.8	9.7	19.9
\$500	20.7	13.4	27.3
<u>Non-RCT cities (Newark and San Antonio)</u>			
SaveUSA account opened or pledged (%)	99.7	34.7	99.7
Distribution of pledged deposit (%)			
\$0	0.0	65.1	0.0
\$1 - \$200	34.9	5.9	26.7
\$201 - \$999	32.8	13.4	32.2
\$1,000	32.4	15.5	41.1
Average initial deposit amount (\$)	522	255	777

(continued)

Appendix Table D.2 (continued)

	Year 1	Year 2	All Years
Distribution of initial deposit (%)			
\$0	6.8	65.8	6.5
\$1 - \$200	32.0	5.8	24.0
\$201 - \$999	30.1	13.2	29.6
\$1,000 or more	31.1	15.3	40.0
Received savings match (%)	73.8	27.9	74.9
Average amount of savings match (\$)	214	96	310
Average savings match, among those who received the savings match (\$)	289	345	414
Distribution of savings match (%)			
\$0	26.2	72.1	25.1
\$1 - \$100	23.2	4.5	17.9
\$101 - \$499	24.6	10.4	24.2
\$500	26.1	13.0	32.8
Sample size	1,554	1,554	1,554

SOURCES: MDRC calculations from MDRC baseline data and financial institution data.

NOTES: The sample includes SaveUSA group members who were ages 18 to 64 at their time of study entry.

 Rounding may cause slight discrepancies in calculating sums.

 The pledged deposit refers to the amount of tax refund dollars that individuals committed to savings at the time of study entry.

 The initial deposit refers to the tax refund amount directly deposited into the SaveUSA account by the Internal Revenue Service.

 The "All Years" column represents the average dollar amounts over two years.

The SaveUSA Evaluation

Appendix Table D.3

**Factors Associated with Receiving the Savings Match in Either
2012 or 2013 or in Both Years**

Characteristic	Odds Ratios and Statistical Significance	
	For Receiving a Match in 1 Year or Not Receiving a Match	For Receiving a Match in 2 Years or Not Receiving a Match
	Age	
18-24 (omitted group)	1.000	1.000
25-34	1.184	0.870
35-44	0.982	1.594 *
45-59	1.153	2.200 *
60-64	2.043 *	2.881 *
Savings pledge amount in 2011		
\$200	0.682 *	0.346 *
\$201 - \$999 (omitted group)	1.000	1.000
\$1,000	1.437 *	2.247 *
Adjusted gross income amount in 2010		
\$1 - \$9,999	0.549 *	0.560 *
\$10,000 - \$19,999	0.582 *	0.657 *
\$20,000 or more (omitted group)	1.000	1.000
Tax filing status		
With children	1.015	1.119
Without children (omitted group)	1.000	1.000
Average total tax refund amount	1.000	1.000
Received federal Earned Income Tax Credit	0.589 *	0.553 *
Month of study enrollment	1.164 *	1.112
City		
New York City	0.381 *	0.739
Tulsa	0.221 *	0.418 *
Newark (omitted group)	1.000	1.000
San Antonio	0.431 *	0.700
Sample size (total = 1,554)	1,150	917

SOURCES: MDRC calculations from MDRC baseline data and financial institution data.

NOTES: Demographic characteristics data were collected for one tax filer when couples filed jointly.

An asterisk (*) indicates that the difference in values is statistically significant at the 10 percent level or less.

The SaveUSA Evaluation

Appendix Table D.4

Additional Findings on Use of SaveUSA Account (Self-Reported from Survey Responses)

Outcome (%)	Total
Has savings goal	78.6
Main savings goal	
Emergency expenses	13.1
Retirement	6.2
Education	15.0
Big purchase	19.7
Pay debts/bills	5.6
Other ^a	19.0
Main use of savings	
No match	51.1
Never withdrew	19.0
Received savings match and withdrew money	29.9
Among those who received any savings match and withdrew money	
Other savings	7.3
Pay debts/bills	39.9
Expenditures	52.8
Emergency expenses	5.6
Usual household expenses	7.9
Other household needs	3.9
Education	5.6
Big purchase	10.1
Spend on family member(s)	4.5
Travel, entertainment, family event	7.9
Miscellaneous	5.6
Work-related expenses	1.7
Sample size	631

SOURCE: MDRC calculations from responses to the SaveUSA 18-Month Follow-Up Survey.

NOTES: The sample includes SaveUSA group respondents from New York City (N = 370) and Tulsa (N = 261) who were ages 18 to 64 at their time of random assignment.

Sample sizes for specific outcomes may vary because of missing values.

Rounding may cause slight discrepancies in calculating sums.

^aOther savings goals include investments, spend on family member, travel, entertainment, family event, miscellaneous, usual household expenses, other household needs, and work-related expenses.

Appendix E

**Description of Financial Institution
Data Processing and Challenges**

As noted in the report, five banks and one credit union offered SaveUSA matched savings accounts, but other organizations and agencies — MDRC, the Volunteer Income Tax Assistance (VITA) organizations, the Mayor’s Fund to Advance New York City, the NYC Center for Economic Opportunity (CEO), and the New York City Department of Consumer Affairs Office of Financial Empowerment (OFE) — helped administer these accounts. MDRC assumed primary responsibility for monitoring each account’s deposits and withdrawals, determining which accounts became eligible to receive the SaveUSA savings match, and addressing account holders’ inquiries and complaints. (OFE had performed this role for the previous SaveNYC program.) VITA organizations assisted financial institutions in opening SaveUSA accounts, assisted MDRC in troubleshooting account holders’ problems, and worked with financial institutions to distribute savings match funds. The Mayor’s Fund and CEO funded the SaveUSA program and evaluation, managed the budget for program operations and research, and together with OFE performed general oversight and provided technical assistance for operating the program.

Appendix E outlines the challenges that MDRC encountered in administering matched savings accounts, for the benefit of other organizations that may be planning to administer similar types of savings products for low- and moderate-income families. In addition, this appendix may benefit financial institution administrators and federal financial regulators, should a savings initiative like SaveUSA be embedded eventually in the tax code. Although a formal cost analysis of SaveUSA was not performed for this report, administrative expenditures during the first year of operating SaveUSA were substantial and reflected start-up costs, including problems in maintaining SaveUSA accounts at financial institutions, discussed below, that occurred less frequently in subsequent years. SaveUSA’s per capita administrative costs have fallen sharply after the first year of operation, which suggests that organizations seeking to run a similar program should be prepared to offer matched savings accounts during multiple years to realize efficiencies in operation.

Background

As a third-party administrator of SaveUSA accounts, MDRC needed to negotiate separate data-sharing agreements with each financial institution. These agreements are governed by financial industry privacy protections, which most financial institutions interpret as prohibiting redisclosure of transaction data to partner organizations, if there are any such partners. MDRC also needed to work with financial institutions’ database administrators to develop protocols for extracting account data and transmitting them to MDRC. To facilitate the tracking of SaveUSA accounts, MDRC worked with the VITA organizations to collect SaveUSA group members’ financial institution, account number, and pledge amount at enrollment. MDRC maintained this information in a separate database and used these data to check the completeness and accuracy

of account data extracted from financial institutions' systems. Finally, MDRC needed to develop database programming to process extracts of each financial institution's SaveUSA account data, monitor account balances, determine eligibility for the savings match, and calculate the amount of the savings match for eligible accounts. All these tasks took up considerable staff time, especially because each financial institution extracted data in different ways.

Financial institutions provided data files to MDRC periodically beginning in mid-May 2011. Data deliveries continued through January 2012, for purposes of calculating the first savings match, and will continue through June 2014, for purposes of continuing to track the first program year's participants and for calculating subsequent savings match amounts for participants who pledged to save again in 2012 and 2013 (as well as new participants who opened accounts during these years). For the purposes of accurately tracking savings match eligibility, MDRC checked financial institution data files for missing data, internal inconsistencies, incorrectly levied fees, and further data problems, as detailed below. After receiving and checking the financial institution data files for errors, MDRC calculated a running balance in order to flag when any participants had their balance fall below their initial pledge amount, thus making them ineligible for the savings match.

Description of the Financial Institution Raw Data Files

Creating the account data files frequently required considerable work on the part of financial institution staff, in excess of their normal day-to-day account management for customers. After gathering the account data for SaveUSA participants, financial institutions sent the data files in one of two formats: at the transaction level or as "snapshot balances."

Financial institution data files formatted at the transaction level contained one observation for every transaction attributed to a SaveUSA account. In other words, there were multiple observations per SaveUSA participant. A typical file contained the account number, date of the transaction, amount of the transaction, and description of the transaction (for example, withdrawal, transfer, deposit, or tax refund from the Internal Revenue Service [IRS]). Alternatively, "snapshot balance" files comprised one observation per SaveUSA account, with the account balance being recorded as of a specified date. Data files that were created in a snapshot format required additional calculations on the part of MDRC, in order to infer whether account balances were maintained — for savings match eligibility.

Data Issues and Resolution

In tracking SaveUSA account activity, MDRC encountered several difficulties. Described below — and highlighted in bold type — are the main types of issues that MDRC was required to resolve and a brief note on how these issues were resolved. While most data issues were fixed

before distribution of the savings match, some were not resolved until after the match had been distributed, at which time some SaveUSA participants noticed that they had received either an incorrect match amount or no match at all. These specific errors in determining the savings match were remedied as soon as possible by the VITA sites, financial institutions, and MDRC.

Account-Opening Issues at the Time of Study Entry

Two separate steps were involved in opening a SaveUSA account:

1. Complete paperwork to enroll and record an intended pledge amount (pending IRS review of each filer's tax return).
 2. Complete tax forms (usually, federal only, but sometimes state or city as well) to request direct deposit of tax refund dollars into the SaveUSA account.
- **VITA or financial institution staff did not open or designate some SaveUSA accounts correctly on tax day.** Participants who intended to open a SaveUSA account, but for whom an error prevented an account from being opened, were contacted to resolve the situation. These participants were usually given another chance to open an account. Other account-opening or identification problems were resolved by working with the financial institution. Examples of these types of errors follow.
 - The SaveUSA deposit was directed to an existing account with the financial institution, instead of to a newly opened SaveUSA account.
 - Accounts were not fully opened because incorrect information (account type, account number, or deposit amount) was entered on the tax forms by VITA staff, resulting in the financial institution's never receiving a SaveUSA deposit. (Typically, a new account is not fully opened until it receives an opening deposit.) In some instances, SaveUSA group members received their entire refund in a check.
 - Financial institution staff opened a non-SaveUSA account by mistake — for example, a checking account or other savings product.
 - IRS Form 8888 (for directly depositing tax refunds) was not filled out.
 - Accounts were not flagged correctly in the financial institution's database, resulting in hundreds of accounts missing from data files initially extracted and sent to MDRC. Additionally, the files included a number of individuals who were not SaveUSA participants.

- Account enrollment forms were completed with a different version of the account holder’s name or Social Security Number than was recorded on tax forms. Such variations in identifiers created problems in extracting data.
- **The financial institution rejected the individual’s SaveUSA enrollment application after random assignment.** SaveUSA group members were expected to receive less-stringent-than-normal eligibility screening from ChexSystems or similar banking systems; however, some participants were rejected via this process.

Initial-Deposit Issues

Requirements at this stage called for MDRC to:

1. Verify direct deposit of the tax refund.
2. Determine the actual pledge amount, based on the specified intended pledge amount and the amount actually directly deposited into the account.
3. Start monitoring account balances.

A critical task in the early stages of data processing was identifying the correct initial tax refund deposit amount. This amount was important, as it was used as the benchmark balance for determining savings match eligibility, in conjunction with the specified intended pledge amount. MDRC assumed the benchmark balance to be either the pledged amount or the actual initial deposit — whichever was lower. Challenges in identifying the initial deposit amount were caused by the following issues.

- **As noted above, some tax refunds were deposited into the wrong account.** Once the refund was identified as being in the wrong account, either the financial institution would transfer the IRS deposit into the SaveUSA account or the non-SaveUSA account would be designated as the SaveUSA account and would be tracked for savings match eligibility.
- **Some tax filers waited several months before receiving their tax refund because the IRS required extra time to determine the refund amount.**
- **The initial deposit amount did not always equal the pledge amount, in which case the benchmark pledge amount had to be adjusted.** Often, but not always, financial institution systems identified tax refund deposits with a unique transaction code. To facilitate monitoring accounts, MDRC assumed

that if one of the first transactions for a SaveUSA account was a large deposit (either equal or close to the pledge amount), then this was the initial deposit.

- Some SaveUSA group members received smaller tax refunds than expected, because the IRS deducted from the filer's tax refund amounts owed for unpaid taxes or child support or to repay student loans. Occasionally, the IRS revised the tax calculation and reduced the refund amount. In several instances, the SaveUSA group member received no tax refund or received less than the \$200 minimum for opening a SaveUSA account. In cases where the actual deposit was less than \$200 due to an IRS adjustment, participants were allowed to earn a match on the lower actual deposit amount.
- Federal and state refund amounts could be deposited at separate times. Some SaveUSA group members, who did not realize that only part of their refund had been deposited, withdrew funds from their account. These individuals would lose their eligibility to receive a savings match if the organization monitoring the accounts did not make allowances for the delay in receipt of the entire tax refund. Where necessary, MDRC backdated all tax refund deposits to a date prior to the account holder's first withdrawal to maintain the account holder's eligibility for the savings match.
- Any of the above situations presents special problems for third-party administrators that monitor accounts using periodic snapshots of account balances. In the absence of detailed account transaction histories, any subsequent snapshots that show balances below the pledge amount could be interpreted as evidence that the account holder withdrew money from the account and became ineligible for the savings match. MDRC needed to resolve these situations individually, with the assistance of the financial institution.
- As allowed by program rules, some SaveUSA group members directly deposited into their SaveUSA account more than their pledged savings amount. These additional dollars needed to be treated differently from the pledged savings amount, to allow the account holder to withdraw these additional funds without becoming ineligible for the savings match. In these cases, MDRC confirmed the correct initial deposit amount but used the (lower) pledge amount for tracking savings match eligibility and amount.

Fees and Erroneous Transactions

As mentioned above, MDRC tracked savings match eligibility by keeping a running account balance based on transactions. If the account balance fell beneath the pledge amount (or

the actual initial SaveUSA deposit, if lower than the pledge amount), the participant was deemed ineligible for the savings match. Below are some of the instances in which a transaction caused an account to become ineligible when the person should have remained eligible.

- **Transaction fees were levied on SaveUSA accounts that should not have been applied.** The SaveUSA accounts were not intended to have any fees charged to them. Some of the financial institutions, however, did charge fees, which appeared as deductions from the account and could be mistaken as withdrawals by the account holder. In calculating the savings match, MDRC needed to identify these fees, notify financial institutions, and then not hold these fees against the SaveUSA participants. Some of the fees were later reimbursed by the financial institutions.
 - Related to the foregoing: Although the SaveUSA accounts were not intended to be used for overdraft protection, some participants enrolled in overdraft protection for a separate checking account at the same institution. If a customer opted into overdraft protection, money was transferred automatically from the SaveUSA account to a checking account if an overdraft occurred. In this situation, which sometimes included multiple transactions and relatively large sums, the customer could have become ineligible for the savings match without realizing it. MDRC did not manually adjust for such withdrawals. Accordingly, any SaveUSA participant whose account balance fell below the initial deposit amount due to overdraft protection was flagged as ineligible for the savings match.
- **Some financial institutions recorded a withdrawal in error — which they later corrected with an offsetting deposit; however, the erroneous transaction remained in the extracted data file.** This issue sometimes caused the running balance to fall below the initial pledge amount. As a result, the person would mistakenly be flagged as ineligible for the savings match. MDRC discovered this problem during reviews of accounts with unusual patterns of transactions. After confirming the situation with the financial institution, MDRC corrected for this problem by setting both the mistaken transaction and its offsetting transaction to zero. This allowed for an accurate running balance when determining the savings match eligibility.
- **Some account holders used their SaveUSA account much like a checking account, making multiple deposits and withdrawals on the same day.** During initial processing of account holders' transaction records, MDRC sometimes found that multiple transactions had occurred on the same day (for example, the account holder deposited \$100 and then withdrew \$50) and that the financial institution had stored the withdrawal record above the de-

posit record in the file sent to MDRC. In this situation, continuing to process a withdrawal record first could drop the balance below the pledged amount and thereby make the account ineligible for the savings match. To avoid this problem, MDRC re-sorted transaction records that had the same transaction date, so that deposits always appeared before withdrawals.

- **Some financial institutions purged accounts from the data files if they were closed, were never funded by the IRS, or had a zero balance for too long.** In these instances, MDRC had to request confirmation of an account being closed and the date when the account was closed.

General Considerations for Further Implementation of Initiatives Like SaveUSA

The activities of collecting financial institution data, correcting errors, and tracking savings match eligibility were burdensome administrative tasks. In general, the data infrastructure at participating financial institutions was likely not designed to identify and track customers in the manner required for the SaveUSA program. Nonetheless, financial institutions were able to adjust and improve the data collection procedures.

Over time, through dialogue between MDRC and the financial institutions, the data processing became smoother, and manual adjustments to the data by MDRC became less necessary. Several of the programmatic and data issues present in the earlier versions of the raw data files were subsequently improved upon, or corrected, by the financial institutions in later iterations of the files. Using the experience gained from processing SaveUSA data files would make implementing SaveUSA-like programs easier. It should be anticipated, however, that other financial institutions and other organizations responsible for tracking accounts may encounter additional data issues — ones that MDRC did not encounter, particularly during the first year of operation.

Another possible way to implement a program like SaveUSA would be to forgo most third-party involvement in administering the accounts and to transfer responsibility to the financial institutions. Doing so would eliminate the need for third-party organizations like MDRC to negotiate data-sharing agreements and process data from multiple financial institutions. As noted above, the participating financial institutions made a substantial commitment to supporting SaveUSA by agreeing to set up accounts with specific desired features, and they were not asked to assume the primary administrative role. Thus, it is unclear the extent to which financial institutions would be able or willing to make a larger investment in the specialized programming, account monitoring, and troubleshooting that are required to ensure that program participants have a full opportunity to earn a savings match.

An alternative strategy would involve passage of federal legislation that modifies the tax code to enable creation of matched savings accounts funded with tax refund dollars and disbursement of the savings match as a tax credit. To implement such a law, a federal financial oversight agency and the IRS would need to write detailed specifications of acceptable account features and required tax documentation. Most likely, regulations would eliminate the account features or practices by financial institutions outlined above that increase the need for monitoring accounts during the tax year. Financial institutions that agreed to meet federal standards would offer matched savings accounts and would issue tax forms to account holders for submission with their tax return.¹ Irrespective of the merits of this approach, changes to the federal tax code require garnering of sufficient support in both houses of Congress and the White House, which can be a lengthy process.

¹Library of Congress (2013); U.S. House of Representatives (2013). A potential example of this strategy is the Financial Security Credit Act, which was introduced in the House of Representatives in August 2013. The proposed federal legislation outlines provision of a tax credit, similar to the SaveUSA savings match, for tax filers who meet income requirements, deposit funds in an approved savings product, and maintain these funds for at least eight months. The bill also empowers the Treasury Department to write necessary regulations to implement the tax credit.

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About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Children's Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.