

# Refund to Savings

---

## Increasing Financial Security at Tax Time

---

Refund to Savings (R2S) is an innovative, rigorously designed, and scalable program intended to help low-income households build savings and increase financial security.

The result of a collaboration between Washington University in St. Louis, Duke University, and Intuit Inc., R2S is the largest savings experiment conducted in the United States to date. This initiative builds on Intuit's TurboTax Free File Alliance Online product, available

free to lower-income taxpayers, to reach thousands of households.

The goal of the initiative is to design and test a low-touch, scalable intervention that can transform the tax-refund windfall into savings to improve financial security. Because the intervention builds on existing infrastructure and integrates with normal financial behavior, it can quickly and inexpensively be expanded to reach millions of American households.

*The goal is to make savings easy and attractive for low-income households.*

### The Golden Opportunity

The moment people are notified about their tax refund is a golden opportunity to divert money into short- and long-term savings. The participant just learned they will be receiving money, the money feels like a windfall (outside of their normal income pattern) and they do not yet have the money in hand.

The R2S initiative capitalizes on this opportunity. At the moment that a taxpayer is choosing how to receive her refund, within the flow of the TurboTax software, she is shown a randomly assigned prompt designed to heighten savings motivation and awareness. After receiving the prompt, the taxpayer will be shown a randomly assigned default allocation of her refund, into saving and spending categories.

The R2S initiative is designed to help us better understand the exact mechanisms that would convince individuals to divert money to savings and debt clearing at this golden moment. For example, would mentioning the names of the taxpayer's children increase the desire to divert money? Or would providing taxpayers a sense of common behavior among their peers motivate increased debt clearing?

The prompts are informed by behavioral economics principles and have been shown in prior research to significantly increase savings intention in lower-income taxpayers. The variation in the prompts tests the influence of particular motivations on financial decision-making, compared with an unprompted control group. The variation in defaults tests the effect of defaults and of anchoring on savings behavior.

#### Using the Natural Flow of Tax Filing

- ◆ Complete tax forms online
- ◆ Learn refund amount
- ◆ Encounter motivational prompt to encourage savings
- ◆ Encounter offer to direct part or all of refund to a savings account
- ◆ Decide how to allocate refund

## Research Agenda

With data generated by the randomized experimental intervention described above, we will evaluate the core proposition of R2S: that offering the motivation and opportunity to save at tax time increases saving among low- and moderate-income households. These data, because they are automatically generated by actual user behavior, will offer highly reliable evidence on savings behavior in response to the intervention.

R2S's main intervention is enhanced by two additional research activities, the Intention Survey and the Household Financial Survey.

### Intention Survey

The Intention Survey, fielded in 2011 and in 2012, generates evidence to guide the design of the experiment. In the 2011 survey, completed after tax filing by 1,720 Intuit TurboTax customers, each respondent was randomly assigned to one of ten prompts designed to influence savings commitment and asked, hypothetically, about how they would allocate their refund among saving, debt clearing, and spending. In 2012, with an increased sample size (estimated N=3,000), we test new and refined motivational prompts. In addition, we gauge current use of and interest in financial products at tax time.

### Household Financial Survey (HFS)

To learn more about the role of tax-time savings in the financial lives of taxpayers and to better understand the

use of savings generated by the intervention, R2S is fielding a detailed, cohort-based, longitudinal follow-up among a sub-set of intervention participants. The HFS will measure any substitution effects on saving and the persistence of savings generated by the intervention, and will yield unique evidence on the intended and actual use of the tax refund. In 2012, we will pilot the HFS on a cohort of about 400 respondents and scale that up to between 12,000 and 16,000 in 2013. For both the 2012 and 2013 cohorts, respondents will be interviewed prior to refund receipt and again 6 months later.

The substantial amount of experimental data generated by the intervention, the Intention Survey, and the HFS will be analyzed and results will be prepared for dissemination. R2S plans to use the findings from 2012 to inform the design of the 2013 intervention. The team is also planning an ambitious program of dissemination to share R2S findings with a variety of audiences. Several policy, academic, and general interest publications will be produced detailing the impact of the experiment and findings from the research in each year. R2S also plans to host events to share interesting findings with the research and policy communities and with the general public.

The 2012 data collection was complete in early May 2012 and preliminary findings are expected in early fall. Data collection for 2013 will begin in January 2013 and full results and evaluation of both intervention years will be completed by spring of 2014.

