ENCOURAGING LOW- AND MODERATE-INCOME TAX FILERS TO SAVE

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Implementation and Interim Impact Findings from the SaveUSA Evaluation

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TO IMPROVE SOCIAL POLICY

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Funders of the SaveUSA Evaluation

SaveUSA's operation and evaluation are funded through the federal Social Innovation Fund (SIF), a public-private partnership administered by the federal Corporation for National and Community Service. This particular SIF project is led by the Mayor's Fund to Advance New York City and the New York City Center for Economic Opportunity in collaboration with MDRC. Matching funds for SaveUSA, as required by the SIF, are provided by several foundations and organizations: Bloomberg Philanthropies, Open Society Foundations, The Rockefeller Foundation, The Annie E. Casey Foundation, Ford Foundation, George Kaiser Family Foundation, MetLife Foundation, Tulsa Community Foundation, and United Way of San Antonio and Bexar County.

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.

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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.

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 Tejeda, 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 Erwitt, 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 Consumer 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

[1]In 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 $aveNYC 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
Nonretirement savings				
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 $10,000	4.4	3.3	1.2	0.288
Savings goals and attitudes				
Has a current savings goal (%)	78.2	69.4	8.8 ***	0.000
Thinks it very important to have money in a savings account (%)	84.7	76.1	8.6 ***	0.000
Financial security				
Used high-interest credit since random assignment (%)	20.8	20.3	0.5	0.813
Total non-housing-related debt ($)	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.

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.