



Center for Social Development

GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK



Washington University in St. Louis

Refund to Savings

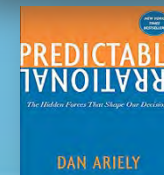
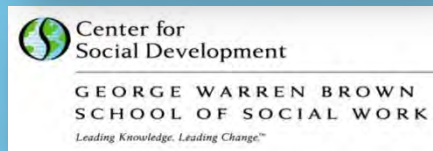
**Michal Grinstein-Weiss
Dan Ariely
Clint Key
Krista Holub**

May 2013



About the R2S Initiative

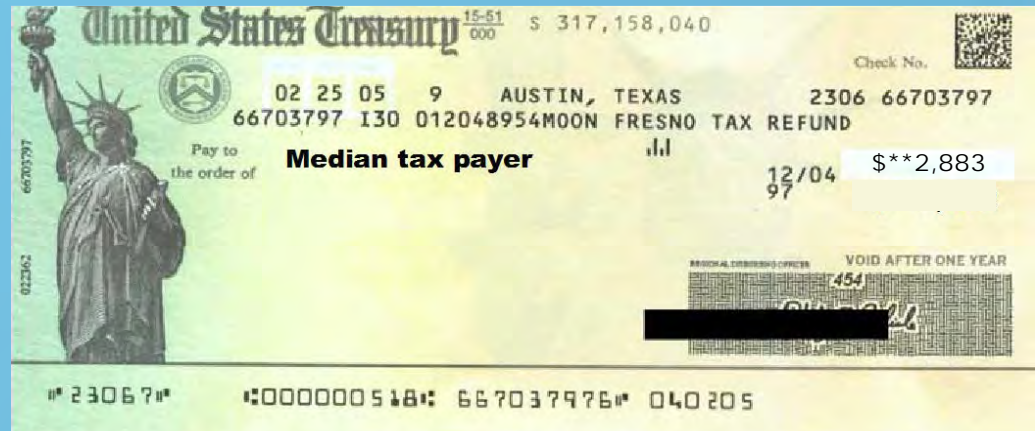
- Largest saving experiment ever conducted in the United States
 - Measuring effect of interventions informed by behavioral economics
 - Increasing saving at tax time and building financial security for economically vulnerable households
- Developing and testing model for a universal, scalable savings policy
- Collaboration of academia with Intuit, leveraging TurboTax Freedom Edition





Why Tax Time Saving?

- Universal, Permanent, and Recurring
- Major Financial Event for Households
 - Approximately 143 million individual returns filed every year¹
 - \$338 billion refunded each year²
 - 26.5 million low-income households received nearly \$60.7 billion in EITC for TY2011³
- Golden opportunity
- Evidence from asset-building research



1. Internal Revenue Service (2012), *Data Book, 2011* (Publication 55B). <http://www.irs.gov/pub/irs-soi/11databk.pdf>
2. Internal Revenue Service (2012), *Data Book, 2011*.
3. Internal Revenue Service (2012), Earned Income Tax Credit table. <http://www.eitc.irs.gov/central/eitcstats>

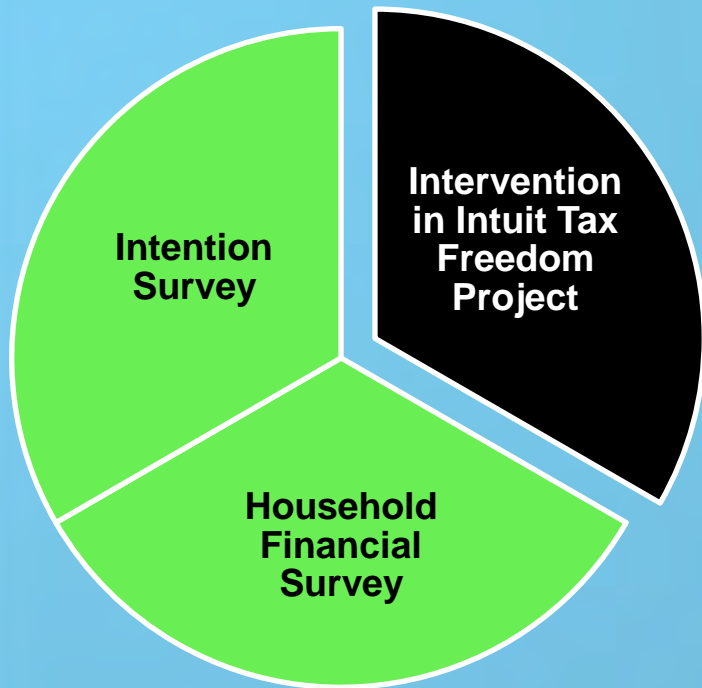


Why Intuit?

- Approximately 45 million returns filed using software
 - 22 million of them filed by TurboTax customers
- Built on existing infrastructure
- Socially conscious



Refund to Savings Initiative



2012 Intervention in Intuit Tax Freedom Project

- Randomized controlled trial
- Sample size: 148,619
- Tests behavioral interventions
 1. Motivational prompts
 2. Choice architecture
 3. Anchoring



Choose *Easy*.



Support

About Us

Intuit Tax Freedom Project

TurboTax Freedom Edition: Prepare and eFile your federal taxes for FREE

- Get FREE online federal tax preparation from the most trusted name in tax software
- Prepare and e-file your return at no cost
- You may also qualify for free state tax filing

[I qualify!](#) [Start now.](#) >



[Sign In](#)

Fastest Refund Possible



Free e-filing gets your federal refund in as fast as 7 days with direct deposit*

[More about e-filing](#) >
[Check e-file status](#) >

**IRS typically estimates 7-14 days for efile with direct deposit.*

Time's almost up!
(Or not.)



The tax deadline is April 17th. Need more time to get your tax forms together?

TurboTax Easy Extension makes filing a tax extension easy.

[File a free tax extension now](#) >

TurboTax Freedom Edition Supports Most Forms

TurboTax Freedom Edition

You qualify for **FREE FEDERAL** filing if any or all of the following apply:

You earned...

\$31,000 or less

Your Adjusted Gross Income (AGI)

[Learn more](#) >

OR

You were...

Active Duty Military

in 2011 with an AGI of \$57,000 or less

[Learn more](#) >

OR

You qualify for the...

Earned Income Credit (EIC)



[Find out if you qualify](#) - it could be worth up to \$5,751 to you!
[Learn more](#) >

[I qualify!](#)
[Start Now](#)

You may also qualify for Free State filing...

If you qualify for a Free Federal filing, you may also

Federal Refund
\$3,066

Get Answers

- Find Tax Help
- Using TurboTax
- Contact Us

My Return

- View Tax Summary
- Print My Return
- View Past Returns
- My TurboTax Fees
- Amend a Return
- Other Options



How Do You Want Your Federal Refund?

You have a federal refund of **\$3,066**.

Direct Deposit (Recommended for a faster refund)

- See the deposit in your account 7 - 14 days from the date the IRS accepts your return

To my bank account [What if I don't have a bank account?](#)

Mail me a check

-Get your refund in 3 - 4 weeks from the date the IRS accepts your return

Emergency



Would you like to save for a rainy day?

Everyone has unexpected costs throughout the year. Why not put some of your refund away in case of medical expenses, car or home repair, or loss of income?

We suggest putting 75% (\$2,300) of your refund in your savings account.

Yes, I'd like to split my refund

No, I'll put it all in one account



Motivational Prompts

Goals



Want to save a little money for something special?

Maybe you're thinking of saving for new a home, your child's education, or a vacation. Or maybe you just want a little extra in the bank.

We suggest putting 25% (\$350) of your refund in your savings account.

- Yes, I'd like to put some of my refund in my savings account
- No, I'll put it all in one account.

Retirement



Would you like to save a little money for your retirement?

It never hurts to put a little away for retirement security. Get peace of mind that you've got enough in your nest egg.

We suggest putting 25% (\$350) of your refund in your savings account.

- Yes, I'd like to put some of my refund in my savings account
- No, I'll put it all in one account.



Choice Architecture





Anchoring: The Default Matters



Would you like to save for a rainy day?

Everyone has unexpected costs throughout the year. Why not put some of your refund away in case of medical expenses, car or home repair, or loss of income?

We suggest putting 75% (\$2,300) of your refund in your savings account.

- Yes, I'd like to split my refund
- No, I'll put it all in one account

Select the amount you want to save, and enter your direct deposit information.

You have a federal refund of \$3,066.



Savings Account \$

2,300

Recalculate

Name of Bank

Routing
Number

Account
Number

[Where do I find my savings account info?](#)



Checking Account \$766

Name of Bank

Routing
Number

Account
Number

[Where do I find my checking account info?](#)

[See Sample Check](#)



RCT: Data Characteristics

- Administrative data collected by Intuit
- Tax return information anonymous per IRS Section 7216
- Large sample size
- Nine groups: eight treatment and one control



RCT: Research Questions

1. Can motivating prompts increase saving?
2. Does default presentation affect saving performance?
3. Which combination of motivational prompts and default presentation of choice produces the largest impact on saving behavior?



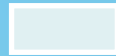
RCT: Outcome Variables

- Split refund
- Amount saved
- Any saving
- Proportion of refund saved

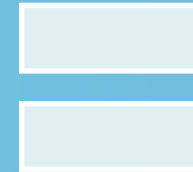


In-Product Offer Sample Size

148,619
Total sample



40,939
Took paper
check



107,680
Took bank
deposit





Sample Characteristics ($N = 107,680$)

- Very low-income
 - AGI mean: \$13,000
 - AGI median: \$11,166
- Modest refund amount
 - Mean: \$1,019
 - Median: \$589
- Estimated: 10% have children
- Late season filers: March 15–April 17

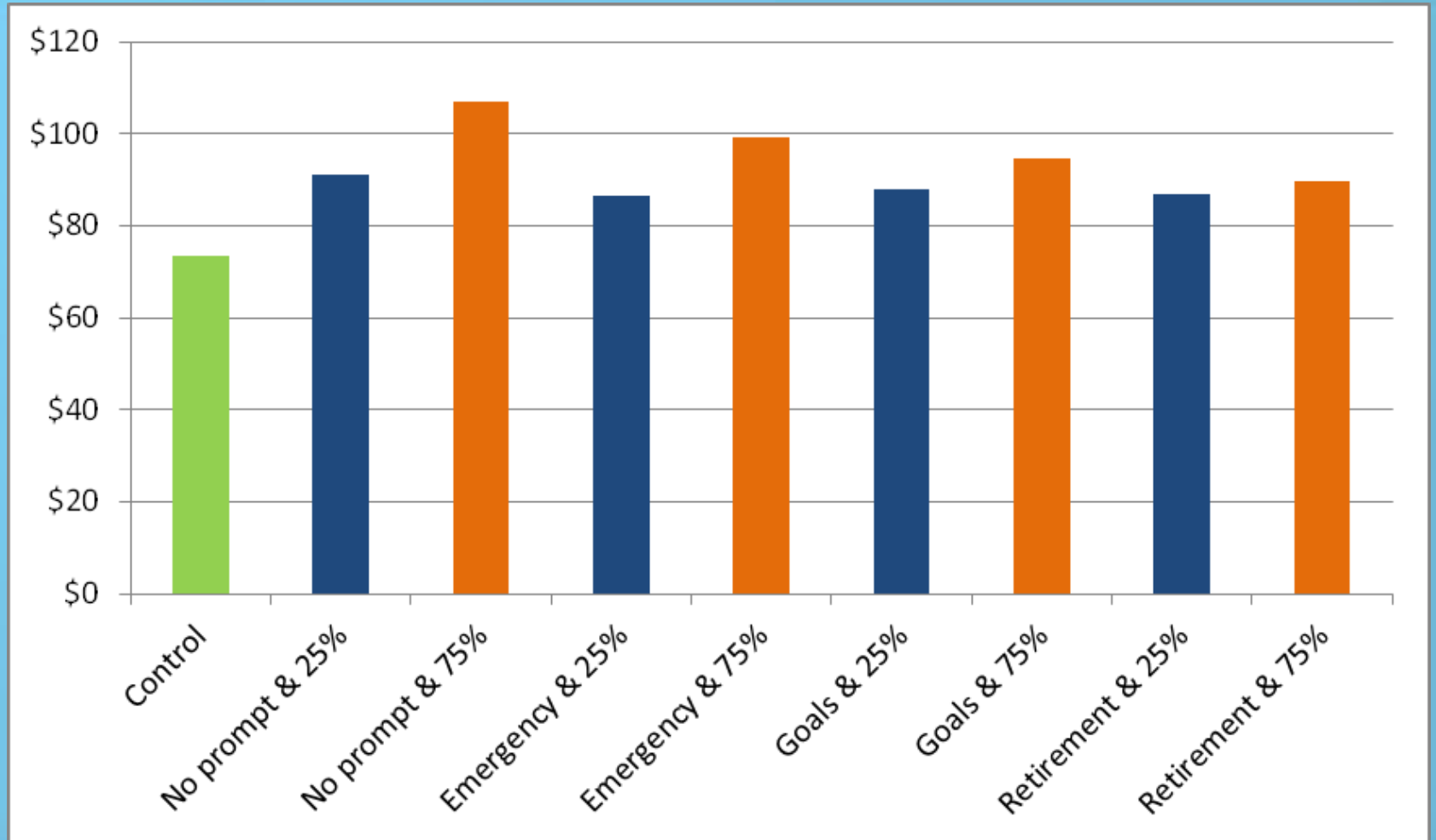


Preliminary Results: Full Sample

- Increase in rate of splitting ($p < .001$)
 - 1% increase in splitting
 - Doubled the number of people who split
 - But started with a very small portion of people who split
- Increase in any saving ($p < .001$)
 - 9.8% of treatment-group members saved compared to 7.7% of control group



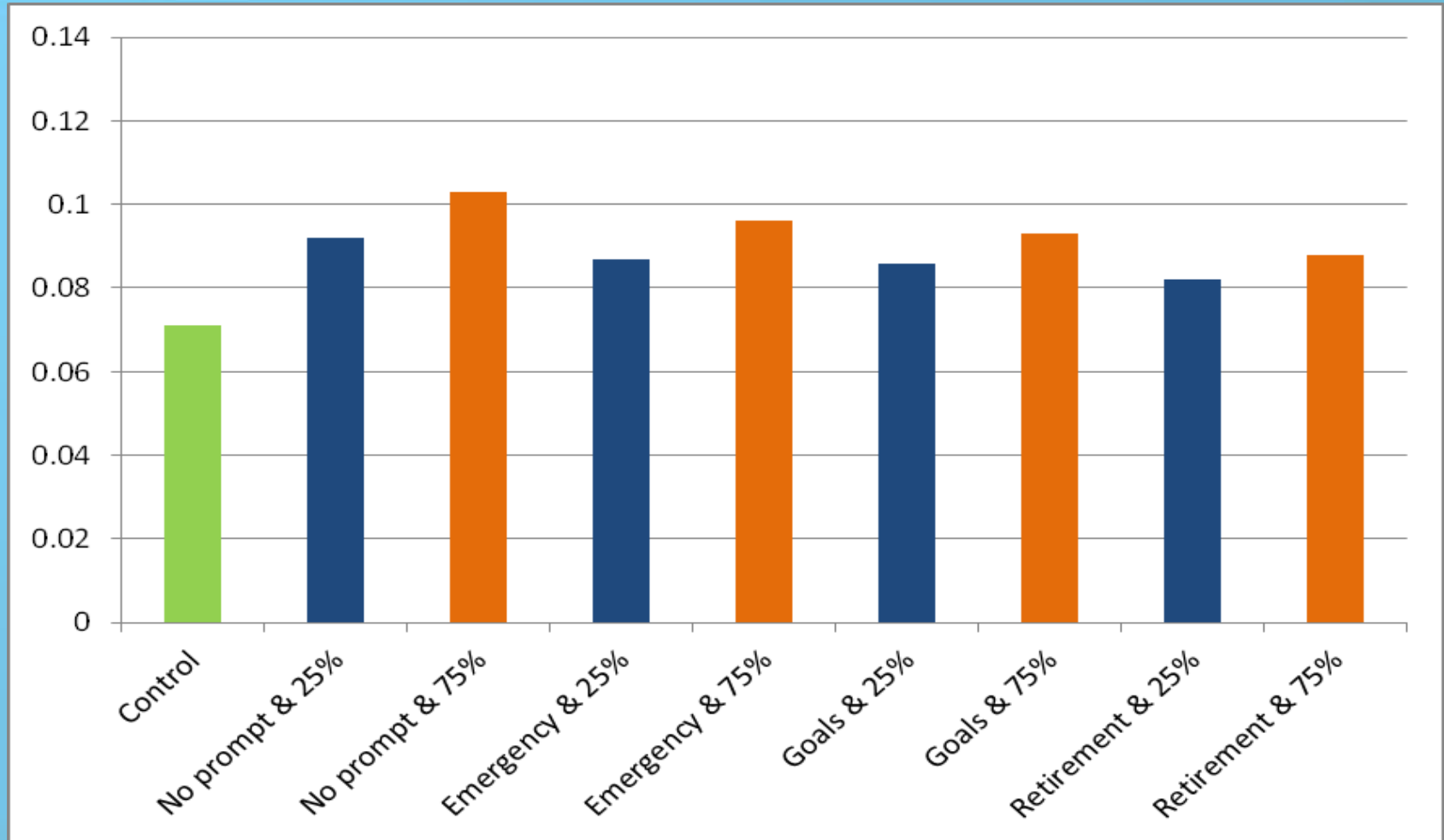
Amount Saved



***n* = 107,680**



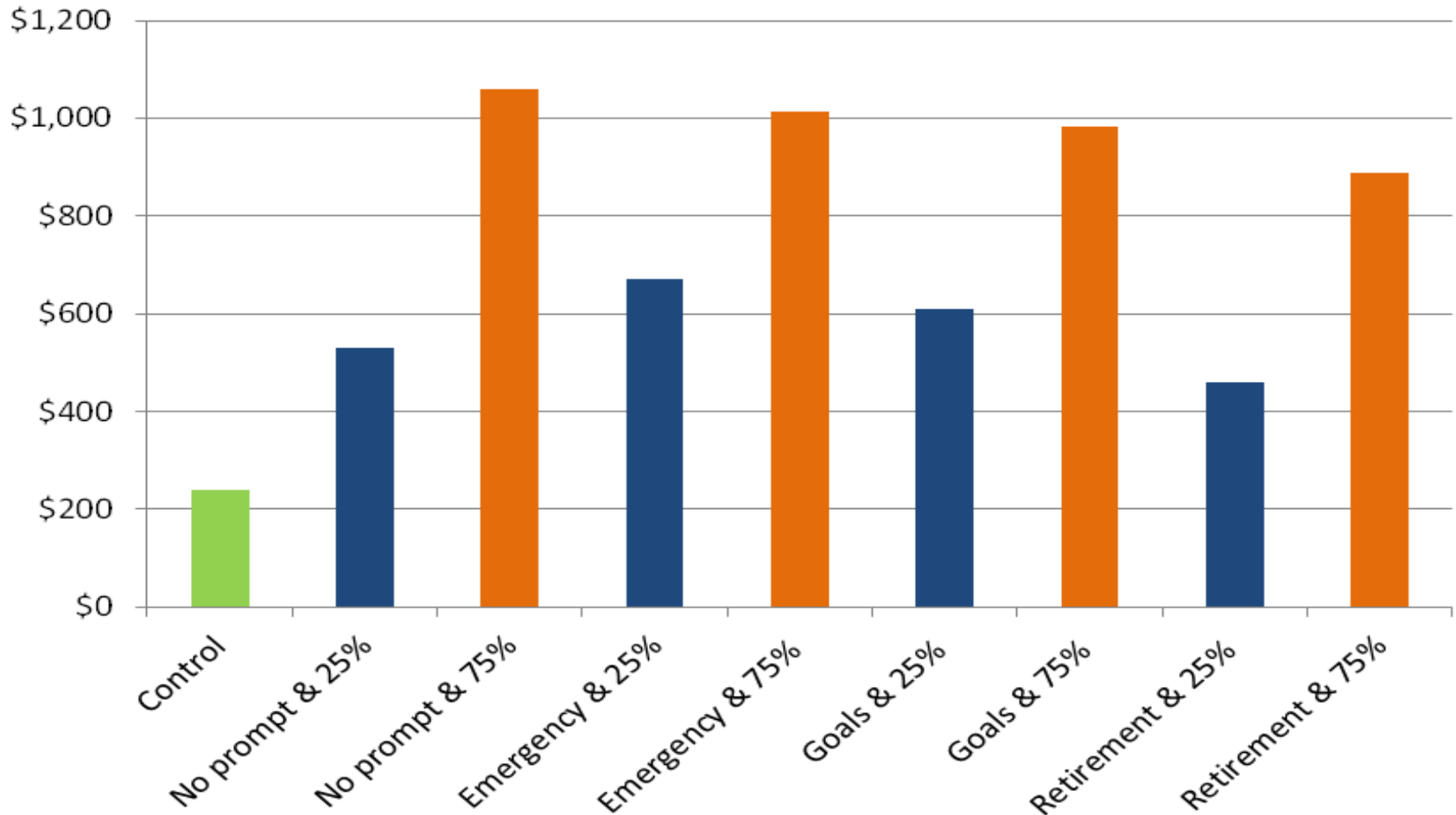
Proportion of Refund Saved



***n* = 107,680**



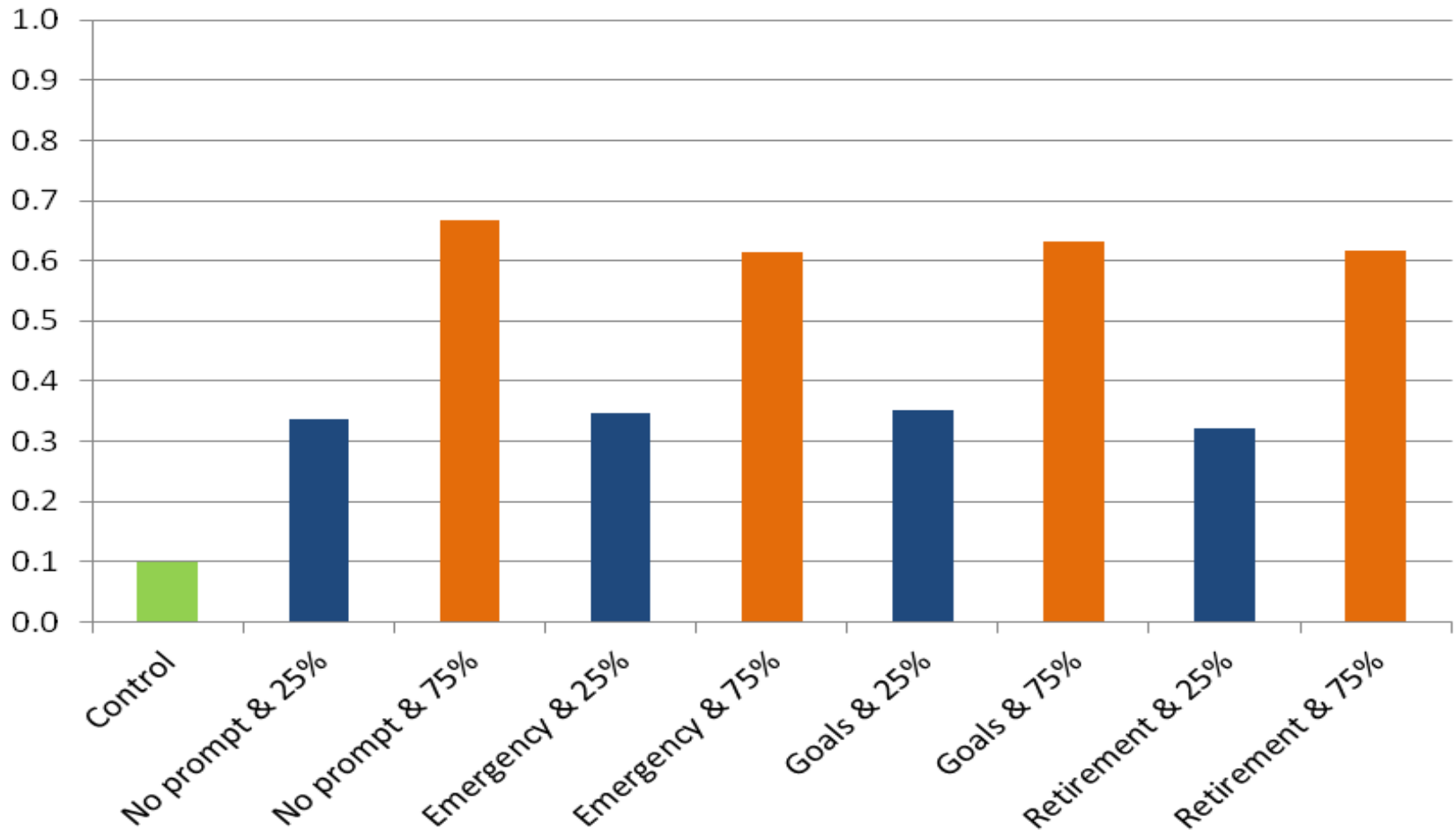
Splitters: Amount Saved



n = 1,357



Splitters: Proportion of Refund Saved



n = 1,357



Summary

- Impacted savings behavior
- Anchoring works
- Large magnitude of effect on small percentage of people



What Is Next?

- How can we get more people to save?
 - Automatic splitting in 2013
 - Testing over the full filing season
- Intervention in TurboTax
 - **2013: About 1.2 million households**
- Household Financial Survey
 - **2013: 12,000 households**
- Examine new and innovative products



Acknowledgments

Intuit Inc.

Ford Foundation

Annie E. Casey Foundation

University of North Carolina

Anonymous funder



2013 Emergency Prompt

TurboTax Freedom Edition [Create User ID](#) [Exit](#)

Home [Personal Info](#) [Federal Taxes](#) [State Taxes](#) [Review](#) **File**

Search Topics or Forms [Topic List](#) [Help](#)

Federal Refund \$1,300

Do you have enough money for an emergency?
A Harvard study found that most Americans could not come up with \$2,000 for something unexpected. We can help you stay prepared.

We suggest saving at least 25% (\$350)

Amount to save: \$ [Recalculate](#)

Choose a savings method:

- An existing savings account
- A U.S. Series 1 Savings Bond

Amount that stays in your Bank of America checking account ending in 1234: \$950

Your total federal refund: \$1,300

[Go Back](#) [I don't need to save](#) [Continue](#)



2013 Additional Motivational Prompts

Family

Have a family or thinking of starting one?

Start building a bright future for them.

We suggest saving at least 25% (\$350)



Future

Save for your future, and get peace of mind

Feel more secure about your future with a little extra money in the bank

We suggest saving at least 25% (\$350)



Federal Refund
\$1,300

Get Answers

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Using TurboTax
Contact Us ▶

My Return

View Tax Summary
Print My Return
View Past Returns
My TurboTax Fees
Amend a Return
Other Options ▶

Why not save a little money?

You can split your federal refund into a savings account or get a U.S. Series 1 Savings Bond.



We suggest saving at least 25% (\$350)

Amount to save:

Choose a savings method:

- An existing savings account
- A U.S. Series 1 Savings Bond

\$

Recalculate

Amount that stays in your Bank of America checking account ending in 1234: **\$950**

Your total federal refund: **\$1,300**

Enter Direct Deposit Information

SAMPLE

Johnathan Doe
1200 Main St
Anytown, CA 12345

DATE: _____

AMOUNT: \$ _____

FOR YOUR BANK OF AMERICA:

Your Bank Name
557 Mission Ln.
San Diego, CA 92123

ACH R/T 28237356 **ACH Routing / Transit #**

DO NOT INCLUDE Check Number

ACC: **123456789** **0001234567890** **123456789**

Routing # **Account #**

Between the * symbols. Include all zeros.

Type of Account Checking Savings

Name of Bank

[Routing Number](#)

Account Number

(From your check. Don't use your deposit slip. Use the ACH number if your check has one.)

Note: Make sure to choose a U.S. based financial institution for your direct deposit transaction. [Learn More](#)


Go Back

I don't need to save


Continue

Federal Refund
\$1,300

Get Answers

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\$

Recalculate

Amount that stays in your Bank of America checking account ending in 1234: \$950

Your total federal refund: \$1,300

Your U.S. Savings Bonds will be mailed to the address on your federal tax return.

Name on savings bond: Chris Customer & Susy Customer

Savings bond amount: \$350

Beneficiary name (optional):

Go Back

I don't need to save

Continue