



Center for Social Development

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Washington University in St. Louis

Refund to Savings

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FDIC Consumer Research Symposium

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Refund to Savings Initiative

Unique Characteristics

- Universal
- Low-cost & low-touch
- Innovative
- Scalable

Refund → Savings

Exploring the intersection of behavioral economics and asset building at tax time and beyond.

Report from a Research Development Meeting | Chapel Hill, North Carolina | February 2011





Partnership



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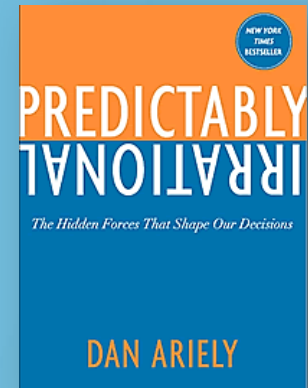


From the makers of




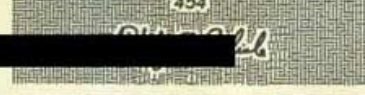
TurboTax



Duke
UNIVERSITY

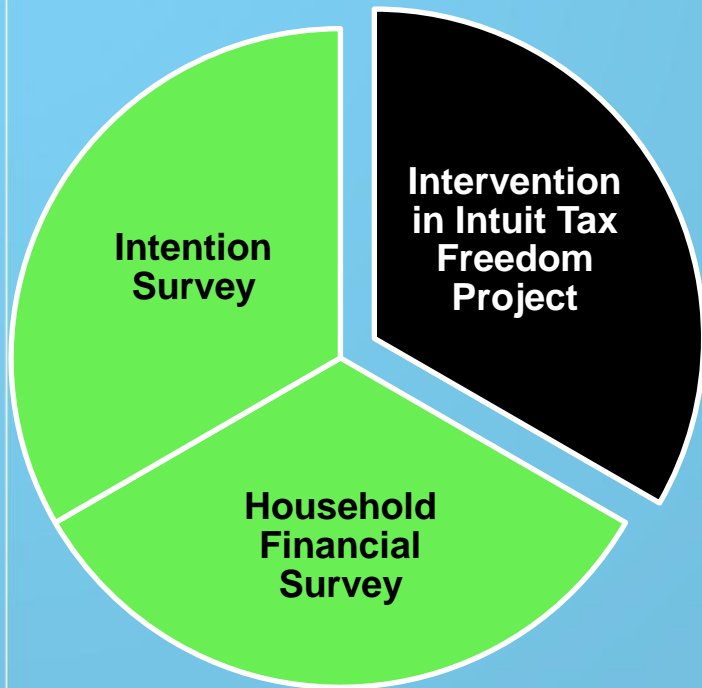




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Refund to Savings Initiative



2012 Intervention in Intuit Tax Freedom Project

- Randomized Control Trial
- Sample size: 148,619
- Tests behavioral interventions
 1. Motivational prompts
 2. Choice architecture

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. >](#)**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**



Example of Motivational Prompts

CDC's Take the Stairs Campaign

The first
wealth
is
health.

(Ralph Waldo Emerson)



In one minute,
a 150 pound
person burns
approximately
10 calories
walking up stairs,
and only 1.5
calories riding
an elevator.



No
waiting
one door
over.



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](#)

Selection **Federal** State Payment Review Filed

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



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

Emergency



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.

Future Self



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.



Example of Choice Architecture





Choice Architecture: Anchoring



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](#)

75%

25%



RCT: Data Characteristics

- Administrative data collected by Intuit
- Anonymous tax return information per IRS Section 7216
- Large sample size
- 9 groups: 8 treatment and 1 control



RCT Research Questions

1. Can motivating prompts increase saving?
2. Does default presentation affect saving performance?
3. Which combination of motivational prompt 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 to April 17

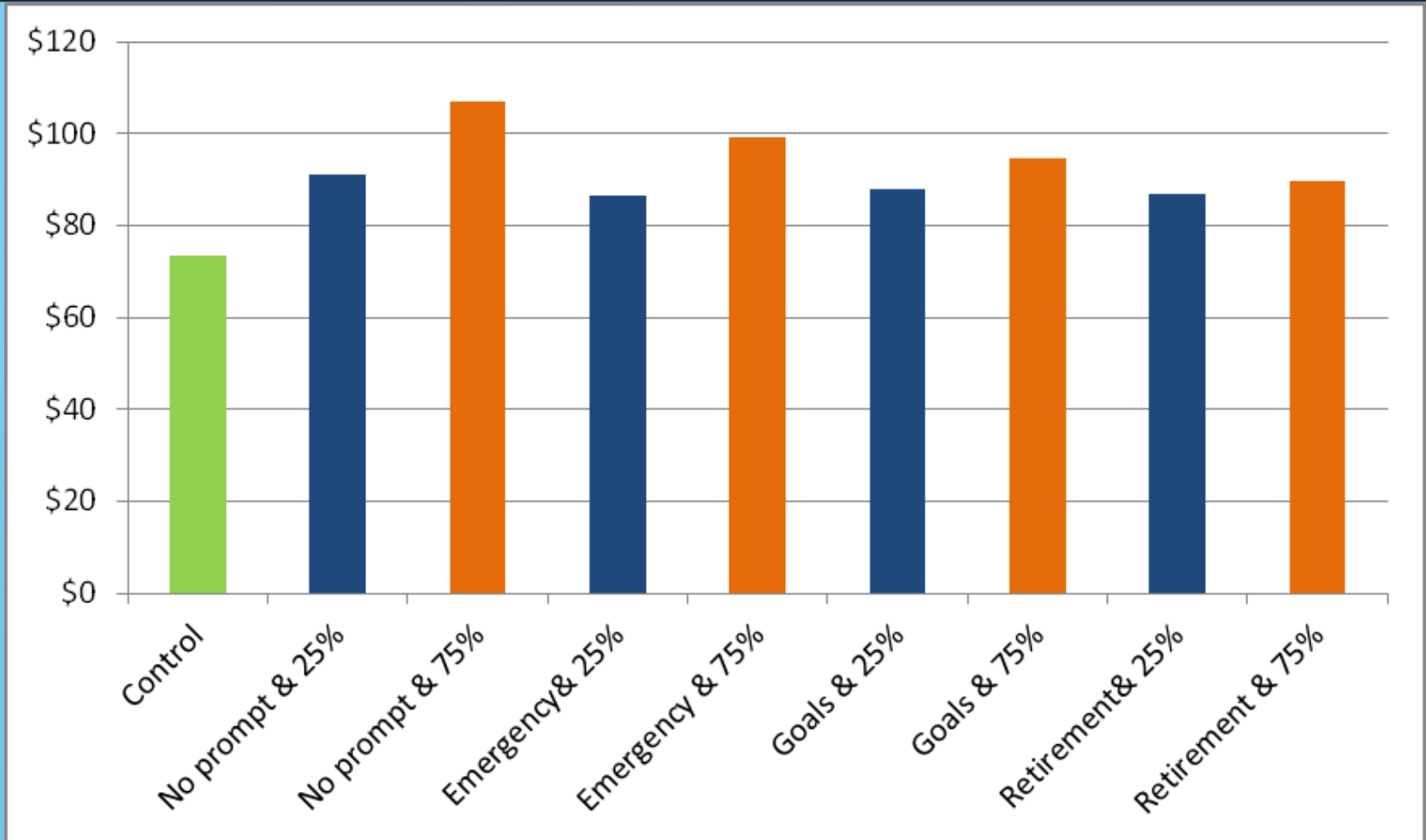


Preliminary Results: Full Sample

- 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



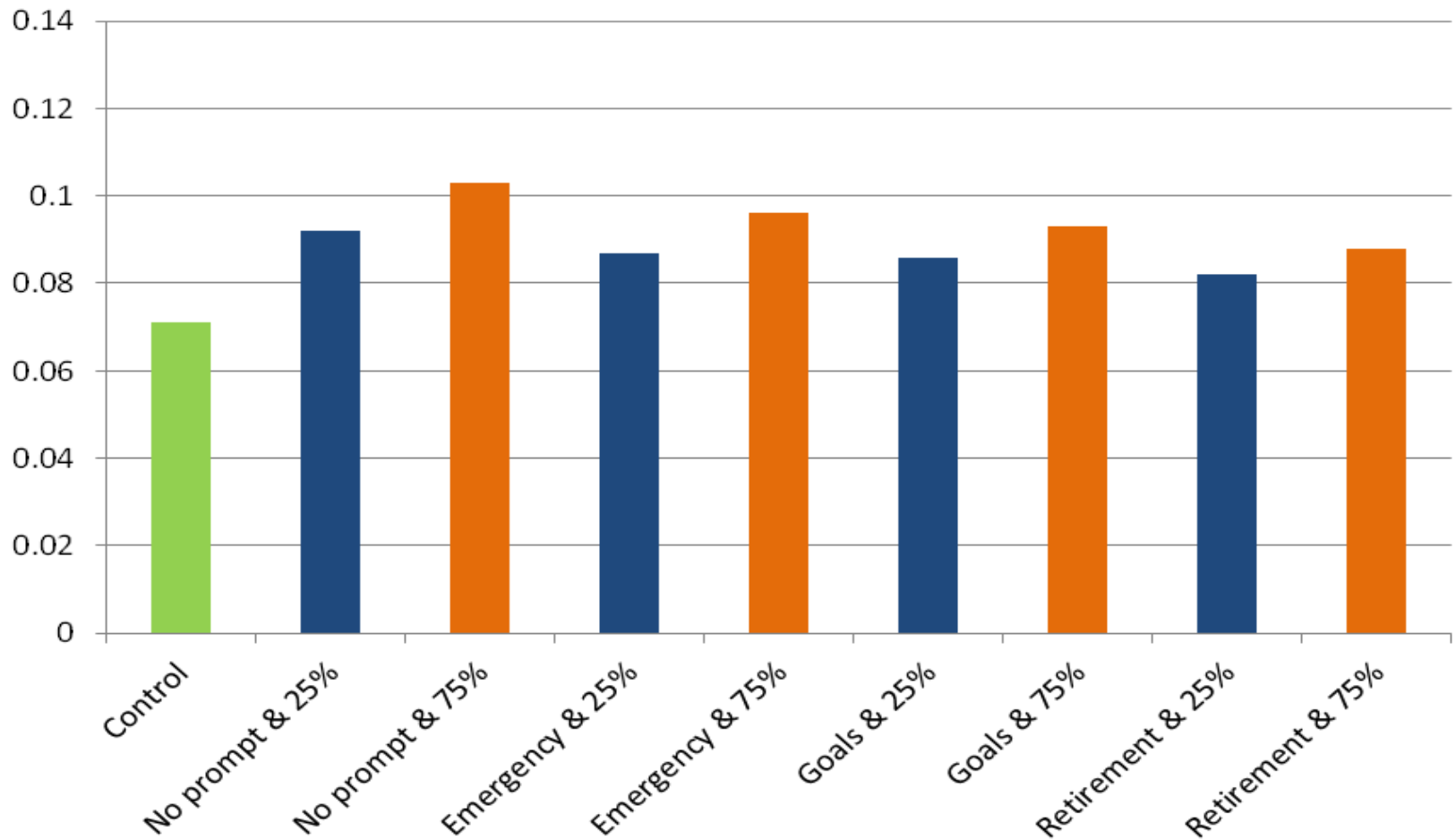
Amount Saved



n=107,680



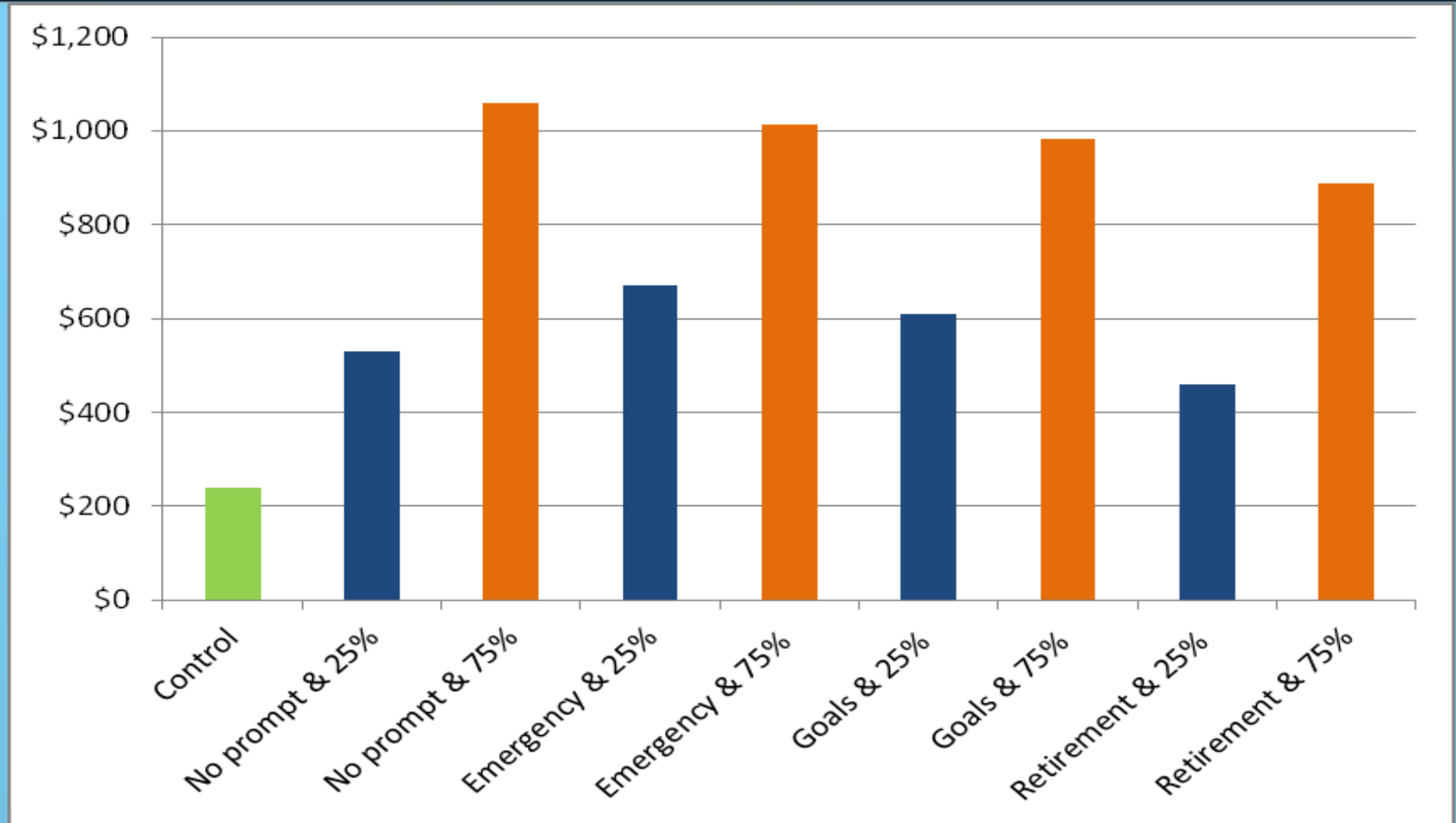
Proportion of Refund Saved



n=107,680



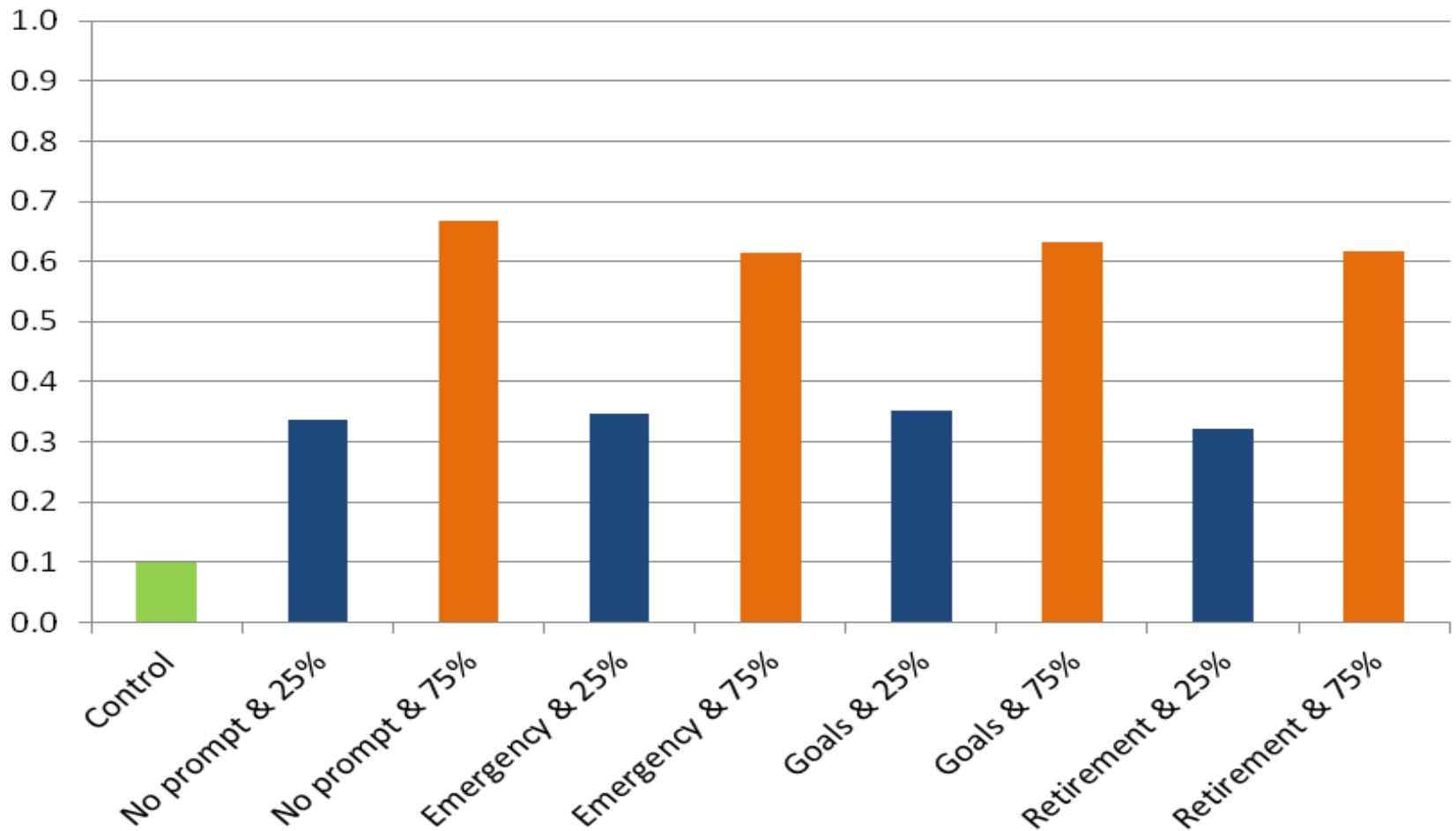
Splitters: Amount Saved



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 Turbo Tax (2013: 300,000 HH)
- Household Financial Survey (2013: 12,000 HH)
- Examine new and innovative products



Acknowledgments

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Intuit Inc.

Annie E. Casey Foundation