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Evidence of the Lack of Effectiveness of Low-Income Savings Incentives¹

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ABSTRACT

In view of the government's propensity to develop programs to encourage savings, we examine a group of individuals to whom these programs are targeted: low- to moderate-income taxpayers. We show that saving for retirement is not a priority in the lives of these taxpayers. The low priority given to saving is often due to immediate necessary costs such as housing, food, and transportation. However, our study shows that even nonessential items and activities such as cable and internet services or travel are often considered more important than saving. We also show that most of the participants were not even aware of the tax incentives available to them.

In light of these results and evidence from other studies showing that individuals will save when given the right opportunities, we support arguments in favor of modifying the current "Saver's Credit" and adopting the Automatic Individual Retirement Account (IRA) currently proposed in Congress. We also suggest an "opt-out" program offered through direct deposit or small employers along with a government match as an alternative way of packaging incentives for retirement savings. By making the retirement vehicle readily available with a transparent, immediate match, the effectiveness of the incentive should increase dramatically for those qualified.

Key Words: Retirement Savings, Low-Income Savings, Saver's Credit, Savings Incentives



INTRODUCTION

The Government and other advocacy groups are constantly developing programs, products, and incentives to promote financial literacy and savings, specifically retirement savings (e.g. www.feedthepig.org; the “Saver’s Credit”). While these programs can be beneficial to those that use them, many U.S. taxpayers, in particular low-income taxpayers, still are not saving. Many of these individuals place a low priority on saving money. The low priority is sometimes due to having only enough money to cover essentials; however we find that cable, internet, and travel are also valued more highly than saving. While incentive programs should be able to motivate those individuals who are not spending all of their net pay on necessities, the very people whom these programs target frequently are least able to understand and take advantage of them.

In 2005, the Urban Institute held a roundtable on retirement policy and current trends. Participants called for more research on low-income savings behavior (Bell et al. 2005). This paper presents survey data collected about the spending and savings habits and priorities of low and moderate income taxpayers. While taxpayers are aware of the need to save for retirement, many do not have the opportunity, nor feel it is a priority in comparison with their other needs. Although the government continues to develop savings programs and tax incentives specifically aimed at lower income individuals, evidence from our survey shows that one in particular, the “Saver’s Credit,” appears to be ineffective in promoting savings among these individuals and families.



The results of our survey suggest support for proposed changes to the current credit and support for the proposed “Automatic IRA²” that is currently being debated in Congress. The results further support the argument that individuals will take advantage of savings vehicles if readily accessible and will increase participation in retirement programs offering a “match” from their employer or the government.

The purpose of this paper is to discuss the importance of savings (particularly among low-income taxpayers), to present some evidence that incentive programs are not effective, and to examine the savings priorities of low-income taxpayers. The next section presents the motivation and background of the current status of savings in the U.S. and current sources of savings. The final sections will discuss our survey of taxpayers, present the results of their savings priorities, and discuss recent proposals for improving government incentives.

BACKGROUND AND PRIOR LITERATURE

Generally speaking, Americans are not very good at saving money. In fact, many individuals are not even aware of how savings affect one’s ability to sustain a comfortable standard of living in retirement. Seventy-six million baby boomers are approaching retirement age (Johnson et al. 2006), and a recent study found that approximately 32 percent of them are at risk of not being financially prepared for retirement (Munnell et al. 2007).

According to the 2007 Employee Benefit Research Institute’s (EBRI) Retirement Confidence Survey, 49 percent of workers that actually are saving for retirement report total

² Senators Jeff Bingaman (D-NM) and Gordon H. Smith (R-OR) introduced The Automatic IRA Act of 2007 (S. 1141) in the 110th Congress. Representatives Richard Neal (D-MA) and Phil English (R-PA) introduced identical legislation in the House.



savings and investments (not including primary residence and defined benefit plans) of less than \$25,000 (Helman et al. 2007). That same survey shows that retirement benefits are often misunderstood or misinterpreted. While 41 percent of workers indicate they or their spouse currently have a defined benefit plan, 62 percent say they expect to receive retirement income from such a plan. Many also expect to receive health insurance in retirement through an employer, yet many employers no longer offer this benefit to retirees. Most individuals do not realize the costs they will have to bear for medical insurance and prescriptions alone during retirement, not even considering other costs necessary to them during the same time.

Johnson et al. (2006) point out that the net national savings rate in 2003, which includes personal savings as well as government savings, was 1.6 percent; a rate is below that of many other countries including China (38.6%), India (15.2%), Japan (10.8%) and Mexico (8.2%). According to the Bureau of Economic Analysis³ the personal savings rate not including government savings dropped to a negative rate in 2005. Those households that make up the lower-income half of all Americans only have an average net worth of \$23,000 with those in the bottom quartile of income having a negative net worth (Johnson et al. 2006) meaning that, on average, households in the bottom quartile spend more than they earn.

In conclusion, this trend is especially troubling given the aging of America and the increasing longevity of the population. A considerable number of individuals will spend as much as one-third of their lives in retirement. Without adequate savings, these retirees will be reliant



³ <http://www.bea.gov/national/nipaweb/Nipa-Frb.asp> accessed on 11/17/07

on a shaky Social Security system, public assistance, and/or working further into their twilight years.

Sources of Retirement Savings

Bell et al. (2005) point out that retirement savings are often portrayed as a “three-legged stool” with the three legs consisting of Social Security benefits, pension or employer-related retirement vehicles, and personal savings. They also observe that this stool looks unstable for many individuals, especially those who are struggling financially prior to retirement. Most poor and low-income earners do not work in jobs where employers provide retirement benefits. Many of these workers are planning to sustain themselves in retirement by relying on Social Security benefits and the equity in their home if they are fortunate enough to own their home.

Social Security Benefits

The Social Security Administration (SSA) claims that sixty percent of those retired persons over 64 years old depend on Social Security for the majority of their livelihood. For those retirees in the lowest income quintile, Social Security benefits comprise 82.9 percent of their retirement income. Those households depending almost exclusively on Social Security are below the poverty line. Consequently, public assistance programs make up approximately 8.4 percent of their income. Half of retirees over age 65 receive less than \$16,000 per year from all income sources (SSA 2006, 2007).



Although Social Security has not been able to provide a luxurious income for retirees in the past, it has been solvent. Unfortunately, the outlook for Social Security in its present form is dim. The Social Security administration projects that tax revenues will fall short of benefits by the year 2017 with exhaustion of the fund projected by 2041 (SSA 2007). Therefore, the overall benefit received from this source is uncertain. The instability of Social Security and the number of individuals leaving the work force over the next several years is alarming.

There are also eligibility issues with Social Security. The age at which one becomes eligible for Social Security benefits has gradually increased since 1983. According to the EBRI Retirement Confidence Survey, only a small minority of workers are aware of the age at which they are eligible for full benefits. Fifty-one percent of workers believe they are eligible sooner than they actually will be eligible and two out of ten workers do not know when they will be eligible (Helman et al. 2007).

Employee-sponsored Retirement Plans

The second leg of the stool described in Bell et al. (2005) is employer-sponsored retirement plans. They claim that these vehicles provide a relatively easy way for employees to set aside money for retirement if they work for a company offering a plan. Unfortunately, many smaller businesses are unable or unwilling to provide this benefit. As of 2003, 73 percent of employees who work for firms with fewer than 25 employees are not covered by an employer-sponsored plan compared to only 32 percent of workers who work for firms with 100 or more employees. In addition, many larger companies not only provide the retirement vehicle, but they



often contribute funds toward the retirement of their employees. The authors continue discussing how a disproportionate number of low income workers tend to work for smaller companies where employer-sponsored plans are not traditionally available to them. Since many of these businesses are not able to offer retirement benefits to their workers, these individuals are at a disadvantage. Not only are they denied the financial benefit of employer contributions, they are also not provided with readily available financial instruments to which to contribute retirement money.

Less financially sophisticated workers may not know how to go about setting up retirement accounts. When the employer makes accounts available, it provides a much easier path for employees to follow. When this is not an option, these employees must search out retirement vehicles on their own — a process that can be intimidating even for financially savvy persons. Because most plans require a positive action on the part of the saver, and because a plethora of confusing options are available, many people that are eligible for employer provided or tax-incentivized programs procrastinate making a decision (Gale et al. 2006). One recent change in companies, as required by the recent Pension Protection Act of 2006, is an “opt-out” rather than “opt-in” program. Research has shown that these “opt-out” programs do tend to have more participation, as individuals are more likely to stay in the program than leave (Madrian and Shea 2001).

Personal Savings

The third leg of the stool is personal savings. The Bureau of Economic Analysis



measures personal saving as the difference between disposal personal income (i.e. income after subtracting taxes) and personal outlays. In March and April 2007, the personal saving rate was a negative 0.7 percent and a negative 1.3 percent, respectively. Negative personal saving indicates that on average personal expenditures are exceeding disposable personal income. In order for this to happen, consumers must be using borrowed funds (which may come from credit cards or home equity financing), selling assets, or using prior savings. In this instance, even if individuals are “saving,” they are, in essence, using borrowed funds to do so. Consequently, saving from current income may be near zero or negative.

Current Incentives

The government recognizes the need for people to take more financial responsibility for their future in retirement. Congress has provided a number of tax incentives associated with retirement planning. The government allows a tax deduction to businesses for the funds contributed toward employee’s retirement and also encourages individuals to participate in the plans by offering tax incentives such as deferring income taxes on contributions to various retirement vehicles and allowing either tax-deferred or tax-free growth if the conditions of the plans are met. However, only the middle and upper income families can fully benefit from the vast majority of these incentives. In addition, most of these plans benefit taxpayers in a higher marginal bracket more than those in lower income brackets (Gale et al. 2006). The need for better savings programs for the middle and low income population is a frequent topic in the popular press (cf. Quinn 2007). The top 20 percent of income earners reap the benefit of seventy percent of the tax incentives for retirement vehicles such as 401(k)-type plans and IRAs (Duflo



et al. 2005b). Tax incentives for savings are most effective when taxpayers have the wherewithal to contribute and when the magnitude of the tax savings is salient to the individual (Frischmann et al. 1998). Middle and upper income families meet these two conditions more frequently. These families have larger disposable incomes and they are in a higher tax bracket. Since they are in a higher marginal tax bracket than low income families, the value of the tax deduction is larger.

One incentive dubbed the “Saver’s Credit” (formerly called the Retirement Savings Contributions Credit or Credit for Qualified Retirement Savings Contributions) was implemented in 2001 to entice low to moderate income taxpayers to set aside funds for retirement. This credit originally expired on December 31, 2006 but the Pension Protection Act of 2006 made it permanent. The incentive to save for retirement is the eligibility for a nonrefundable tax credit of up to 50 percent of the taxpayer’s contribution to an individual retirement account or for participation in an employer’s 401(k) or similar plan. The maximum credit available is \$1,000. So, if a qualifying individual contributes \$2,000 to a retirement plan, the government will reduce their tax liability by \$1,000. This credit effectively results in a 100% matching of funds. Since the taxpayer is receiving a credit rather than a deduction there is no longer a tax disadvantage for being in a low marginal tax bracket relative to a higher marginal tax bracket.

While the motivation behind the credit is admirable, it fails to be very effective as an incentive for the intended population. The problems with the credit have been widely publicized (i.e. Bell et al. 2005; Gale et al. 2005). The main complaint is that the credit is nonrefundable. Because the credit is nonrefundable, only about one-seventh of the 59 million taxpayers who had



income low enough to qualify for the 50 percent credit in 2005 were able to receive *any* benefit from the subsidy. For those with a tax liability, less than one in 1,000 filers would have received the full benefit of the maximum credit had they made a contribution of the full amount (Duflo et al. 2005a). The other taxpayers with income low enough to qualify did not have a tax liability, hence, were unable to receive any benefit. In addition, the amount of the credit phases out rapidly as income rises.

Another problem that we have not seen publicized as widely, but that we found in our study, is the lack of awareness of this credit. Despite the fact that both survey and archival data show an association between the use of paid preparers and taxpayers with low tax knowledge, individuals in a low income bracket typically do not have financial advisors (Collins et al. 1990; Dubin et al. 1992). While they engage paid preparers, the services often come from family friends or national chain-based preparers who do not likely render detailed financial planning services (Frischmann et al. 1998). Consequently, these taxpayers are simply not aware of the credit in time to plan for its use. In our survey of 105 taxpayers entering a VITA site, only two individuals were familiar with the Saver's Credit. Furthermore, many of these taxpayers do not work for employers that offer retirement savings plans. Therefore, they are not using any type of tax incentive to supplement retirement savings even in the unlikely event that they are saving at all.

SURVEY AND RESULTS

We surveyed one hundred six taxpayers at a VITA site in the mountain region of the United States. One participant did not complete the questionnaire and was dropped from the



analysis. Seventy-seven percent of the participants reported a family income level before taxes of under \$30,000. The participants were fairly evenly distributed between male (53%) and female (47%), and the vast majority of those surveyed have at least some college education (see Table 1). To create an incentive to complete the survey while waiting to be served at the VITA site, the participants were informed that ten \$25 gift certificate would be randomly awarded to people that had completed the survey at the end of the tax season. Virtually every participant that was approached to complete a survey did so.

(Insert Table 1 about here)

The survey asked participants to rank spending items for two separate questions. The first question asked participants to rank the importance of specific items on a scale of 1-5 (Not important to extremely important). The second question asked participants to report on a 1-7 scale what percentage of income is actually spent on these same items (see Table 2 for specific percentages).

(Insert Table 2 about here)

Based on our survey, we propose that a large problem with encouraging low-income taxpayers to save for retirement is the feeling that saving is not a priority in their lives. As expected, expenses related to housing, food and transportation were given higher priority than savings. But, on average, cable/cellular/internet services, credit card payments, and travel ranked as higher priorities than saving for retirement. Other expenses ranking highly on the scale were car and transportation, daycare/childcare, food and education. The lowest spending priorities



were charitable giving, cigarettes, alcohol, and playing the lottery. Savings (other than retirement) ranks higher than retirement savings, however both are in the bottom half of the items.

While 73 percent of the participants seem to realize the importance of saving for retirement, few actually contribute very much to a current retirement plan. Only 25 percent of the participants are currently saving for retirement. Retirement savings averaged 2.15 (on a scale of 7) which indicates that on average, participants are only saving 1-5% of their income for the future.

Ninety-four of the 105 individuals surveyed consider savings (other than for retirement) to be at least somewhat important. Of these participants, 63 currently save some of their income (61%) although two of the respondents noted that while they tried to save, their current savings balance was very low. Consequently, setting aside money each month doesn't ensure that the money remains in savings or builds over time. Savings averaged 2.64 (on a scale of 7) indicating that, on average, participants are saving between one and five percent of their income.

We asked participants an open ended question, "If you had extra money to do whatever you wanted (spend on something, save, donate, etc), what would you specifically do with it?" Out of 84 participants who answered the question, 32 mentioned something about savings, including retirement. One participant indicated that the answer would depend on the amount received. These answers tell us that many of our participants do consider savings and retirement; however may not have the opportunity to contribute to these kinds of accounts.



While the more immediate spending needs take priority over savings, there is evidence that individuals will save some money if they have a relatively easy route and the opportunity to do so. Bucks et al. (2006) shows that 89.4 percent of employees who work for an employer that offers a retirement plan choose to contribute. In the lowest 20 percent of the distribution, 49.4 percent contribute whether or not they receive any matching funds from the employer (Bucks et al. 2006). In our survey, 69 percent of the individuals stated that they would contribute if their employer offered a match and another 24 percent indicated that they might contribute.

The government does, in effect, offer a “match” through the Saver’s Credit for those eligible to receive the full benefit of the credit. However, very few taxpayers take advantage of the credit. Our survey requested information about the participants’ knowledge of the credit as well as preference in regards to saving match programs. We surveyed the individuals before entering the VITA center; therefore they had not had any tax assistance for the year at the time of the survey. Only 2 out of 105 participants were aware of the credit (1.9%). Of those two, only one had been eligible and able to take the credit in the past. In another study done by the Transamerica Center for Retirement Studies, only nine percent of adults who were eligible for the credit were aware of it. Out of all taxpayers in their survey, only 16 percent were familiar with the credit. These numbers clearly show a lack of awareness of the credit. Nevertheless, the credit, which was originally begun in 2002 as a temporary provision, was made a permanent part of the tax code last year.⁴



⁴ <http://www.irs.gov/newsroom/article/0,,id=175591,00.html> accessed 11/17/07

DISCUSSION

Several suggestions have been set forth outlining potential reforms to the Saver's Credit to enhance the effectiveness. One of the most popular ideas has been for the government to offer a true "match" rather than a credit and to remove the current tax liability limit. Under the current system, the taxpayer deposits the entire contribution into a retirement account and receives a credit on his taxes at the time of filing. The credit *may* be equal to 50 percent of his contribution, resulting in a "match." Although, if his tax liability is less than 50 percent of the original contribution, the taxpayer won't receive a full match. He will only receive a credit to the extent of his tax liability. In essence, removing the tax liability limit would have the same tax effect as having a refundable credit (Johnson et al. 2006; Duflo et al. 2005a; Duflo et al. 2005b).

If taxpayers are aware of the incentive and are able to set aside a little savings from each paycheck while immediately receiving a government match, they are more likely to be able to contribute. The motivation of seeing their savings "double" would likely encourage continued savings and increase the level of priority placed on saving money. The IRS can handle this type of arrangement similarly to the Advanced Earned Income Credit (AEIC) whereby employers add the tax benefit to the compensation earned for the pay period.

The idea of a government match compliments the current legislation in Congress concerning the "Automatic IRA." Under the proposed legislation, small businesses in operation for at least two years that have ten or more employees would be required to automatically deduct



money from employee paychecks and deposit those funds into retirement accounts (Iwry and John 2006). Employees could “opt-out” if they choose, but the automatic enrollment provision insures that a higher percentage of participation will result

Although the majority of small businesses are not able to offer a host of employee benefits, they would likely have the ability to handle the Automatic IRA and/or facilitate a government matching program. If the employer is deducting the retirement contribution from employee pay, the employer could administer the government match much like administering the AEIC. While the process would place an additional burden on the business owner, it would help build employee morale and encourage personal responsibility for savings. This avenue also allows individuals to use a “pay as you go” system for retirement rather trying to contribute a lump sum to an account. Data collected by the U.S. Census Bureau shows that individuals earning from \$30,000-\$50,000 are almost 20 times more likely to save when their employer provides the retirement vehicle than when they have to seek out individual retirement programs such as IRA’s (Johnson et al. 2006).

For individuals who do not choose to contribute to retirement accounts throughout the year or who might choose to “opt out” of employer sponsored programs direct deposit of a tax refund could be matched by the government. The IRS has a procedure to allow all or a portion of a taxpayer’s tax refund to be paid electronically into a savings account – including IRAs provided the financial institution administering the IRA accepts direct deposits.⁵ The



⁵ See the Instructions for Form 8888 available at www.irs.gov

government could match those funds when the refund was distributed. From an administrative point of view, this could all be administered through the refund procedures already in place at the IRS.

There would need to be safeguards in place. While “gaming” of the saver’s credit does not appear to have happened just yet, it won’t be long before individuals realize they can simply withdraw “matched” funds for a small price – a 10 percent penalty for early withdrawal and income tax assessed on the funds. A required vesting period for at least a portion of the funds the government effectively contributed is advisable. Also, there would need to be guidelines in place to insure that government matching was discontinued when income levels exceeded the level required to qualify for the funds.

CONCLUSION AND FUTURE RESEARCH

Our survey asked selected taxpayers to evaluate the importance of specific spending items in their life and to give an approximate percentage of income spent on each item listed. We also requested information on their knowledge of the “Saver’s Credit” as well as preference in regards to saving match programs. The results suggest that savings and retirement savings are known to be important, but not a financial priority for many of the individuals. Only 2 out of 105 participants had even heard of the Saver’s Credit, suggesting that as a credit, the people who should know of its existence are not getting the message of its availability.

In light of these results and evidence from other studies showing that individuals will save when given the right opportunities (i.e. Johnson et al. 2006; Duflo et al. 2005a; Frischmann et al. 1998), we support arguments in favor of modifying the current “Saver’s Credit” and



adopting the Automatic IRA currently proposed in Congress. By making the retirement vehicle readily available with a transparent, immediate match, the effectiveness of the incentive would increase dramatically for those qualified. Research indicates a “match” would be more salient to individuals and provide enhanced motivation for personal savings. In our study, 55 percent of participants indicated they would contribute to a retirement plan if the government matched their funds and another 38 percent indicated they might contribute. Duflo et al. (2005) demonstrated that the percentage of taxpayers contributing to an IRA with a government match was three to four time higher than those contributing with the existing Saver’s Credit. The study also showed that the amount of the contribution was four to eight times higher than contributions with only the Saver’s Credit. The research concluded that matching funds increased the magnitude and frequency of contributions to IRA’s.

The drawbacks include the increased cost to the government as more individuals would likely take advantage of the incentive. However, increasing retirement savings currently will help to reduce reliance on public assistance in later years. Another disadvantage is the increased regulations on small businesses. While this is never a desirable outcome, it may provide real assistance to individuals and society by helping to provide the means to build up some financial security.

Perhaps the biggest drawback at present is its potential impact on federal assistance. Many social programs such as Food Stamps and Temporary Assistance for Needy Families determine eligibility in part on the family’s asset base. While employer sponsored retirement plans are often exempt from these calculations, IRA’s are often included in the asset base.



Therefore, any retirement savings in these accounts reduce the eligibility of a family for government assistance. Since many of the programs, such as Food Stamps, are regulated by state government, there may be difficulty in exempting retirement savings from all states. However, even if the contributions go to an IRA of the employee's choosing, there might be avenues for exempting funds contributed and matched through the government.

Future research and consideration may also be given to directing the tax credits to small businesses who offer matching programs rather than to the taxpayer directly. While our participants indicated they had no preference between a government versus an employer match when rated on a 5-point scale, they did indicate more strongly that they would participate in an employer-sponsored matching program (69% participation) than a government matching program (55% participation). By providing additional tax dollars to small businesses with the condition that the funds be directed retirement plans for low income earners, the provisions could encourage individuals to work. Thus, they may be less reliant on the government in their twilight years.

Regardless of the program, the results of our study do further the conclusion that savings and retirement savings are at critically low levels. The effectiveness of current and future savings incentives is vital to insure that Americans are not wanting later in life.



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TABLE 1
DESCRIPTIVE STATISTICS

<i>n=105^a</i>		
	<i>n</i>	%
Age		
Under 25	42	40.4
25 and Over	63	59.6
Gender		
Female	48	46.6
Male	55	53.4
Income		
Less than \$15,000	40	38.8
\$15,001 - \$30,000	39	37.9
\$30,001 - \$50,000	15	14.6
\$50,001 - \$75,000	4	3.9
Over \$75,000	5	4.8
Level of Education		
High School	8	7.9
Some College	37	36.6
College Graduate	23	22.8
Some Post-undergraduate College	12	11.9
Graduate Degree	19	18.8
Post-Graduate Degree	2	2.0
Currently saves for retirement	26	25.2
Currently saves for other needs (does not include retirement)	63	61.2

^a For some of the items (e.g., gender, income), responses were not available for all of the participants.



TABLE 2
MEAN VALUES FOR SURVEY RESPONSES
Ranking of Importance and Percentage of Income Spent on Items

Panel A: How Important Participants Consider Each Item

<i>n</i> = 105 ^a	<i>Mean</i> ^b
Household expenses: mortgage, rent, utilities, etc.	4.25
Car and transportation expenses	4.12
Daycare/Childcare expenses	3.94
Food – groceries/fast food	3.82
Education expenses	3.81
Medical expenses	3.51
Credit card payments	3.28
Cable/cell/internet	3.13
Savings other than retirement	3.12
Pet care and supplies	3.04
Travel	2.71
Retirement savings	2.68
Entertainment	2.68
Clothing and accessories	2.44
Charity	2.19
Cigarettes/alcohol	1.96
Lottery	1.10

Panel B: How Participants Spend Their Income

<i>n</i> = 105 ^c	<i>Mean</i> ^d
Household expenses	5.22
Groceries and fast food	4.13
Car and transportation expenses	3.86
Education expenses	3.26
Credit card payments	2.92
Entertainment	2.76
Daycare/Childcare	2.67
Savings other than retirement	2.64
Pet care	2.58
Cable/cell/internet	2.57
Clothing and accessories	2.53
Travel	2.48
Medical expenses	2.45
Cigarettes/alcohol	2.44
Retirement Savings	2.15
Charity	1.59
Lottery	1.06



^a For some of the items (e.g., daycare, cigarettes), responses were not available for all of the participants.

^b Scale: 1=no importance – 5=extremely important

^c For some of the items (e.g., daycare, cigarettes), responses were not available for all of the participants.

^d Income Percentage: 1 = 0%, 2 = 1-5%, 3 = 6-10%, 4 = 11-20%, 5=21-30%, 6=31-40%, 7 = >40%

