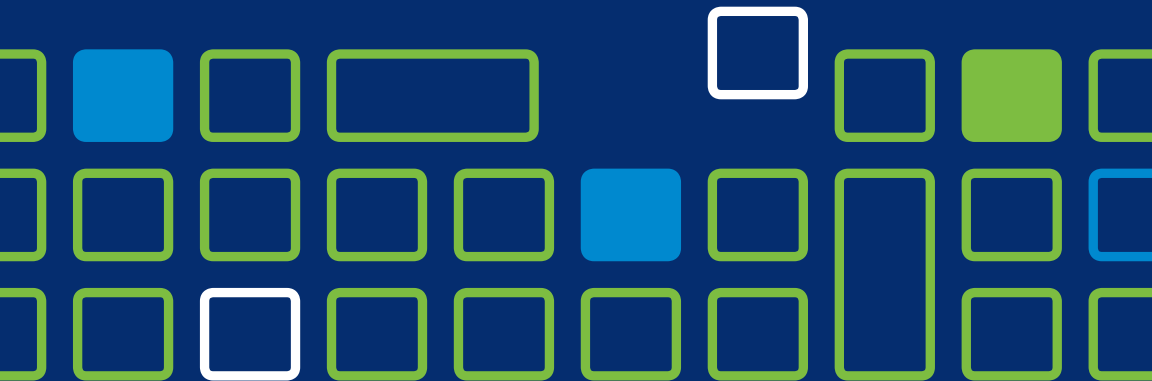
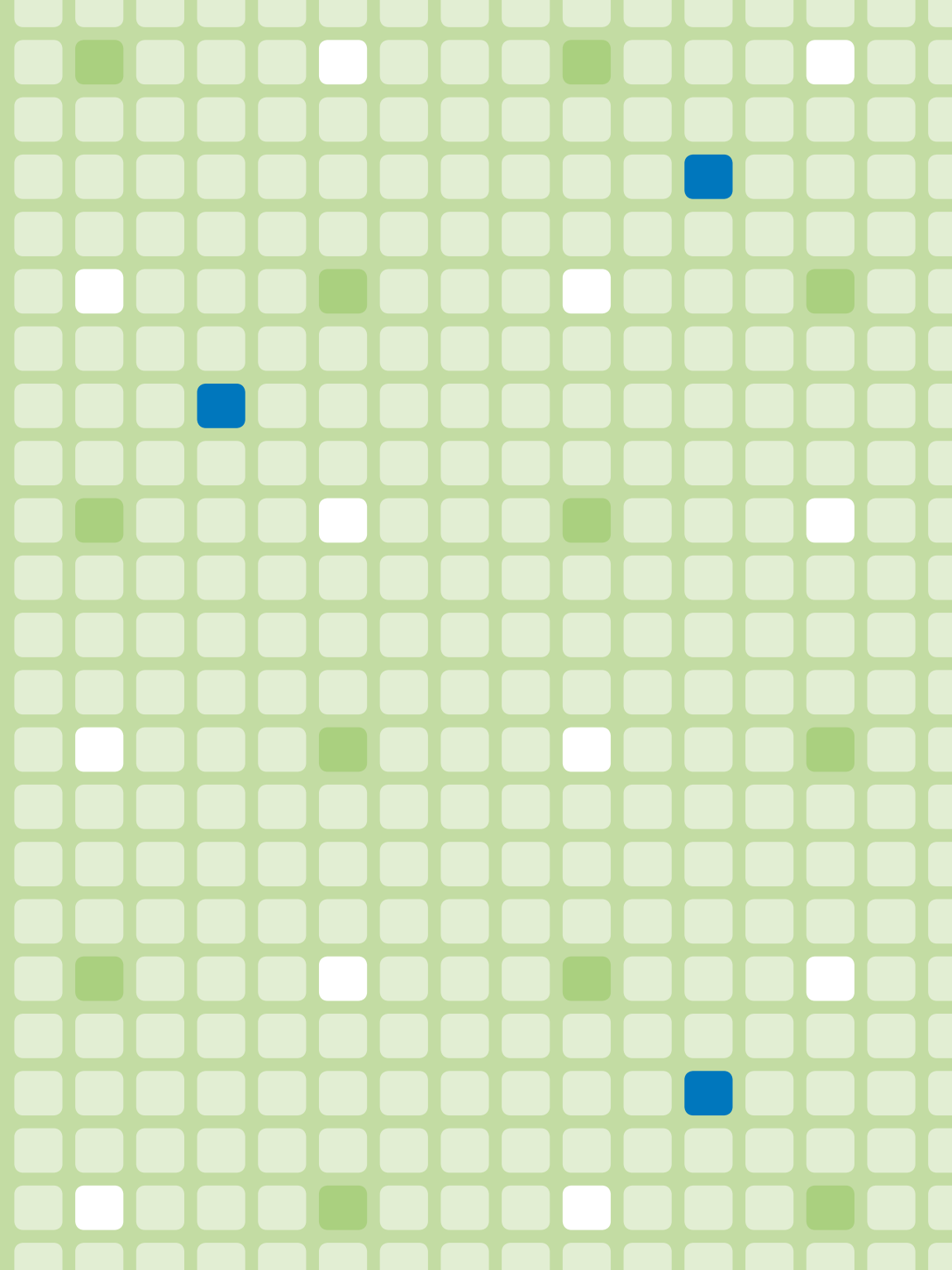


A TOOLKIT FOR EXPANDING FINANCIAL CAPABILITY AT TAX TIME





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**Genevieve Davison, Meredith Covington, Olga Kondratjeva,
Stephen P. Roll, and Michal Grinstein-Weiss**

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Center for Social
Development

BROWN SCHOOL AT WASHINGTON UNIVERSITY



Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

ABOUT CSD

The Center for Social Development's mission is to create and study innovations in policy and practices that enable individuals, families and communities to formulate and achieve life goals, and contribute to the economy and society. Through innovation, research and policy development, CSD makes intellectual and applied contributions in social development theory, evidence, community projects and public policy.

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PREFACE

At the Center for Social Development (CSD), we believe that all families deserve the opportunity to live a life of prosperity: to be able to send their children to college, save for retirement, buy a home, start a business—to be financially secure in the short and long term. Yet, for too many families, financial stability is not a reality. And as one might expect, financial challenges are more frequent and more serious for low- and moderate-income (LMI) families. Two thirds of households making under \$40,000 a year could not cover a \$400 expense without having to take on debt they could not immediately pay off.¹

For households living paycheck to paycheck, having even a little saved for emergencies can be the difference between successfully managing a financial shock and falling into a cycle of debt and hardship. However, when a family faces persistent income volatility, high medical expenses, or similar issues, its chances of maintaining financial stability are weakened and saving becomes difficult.

Inspired by *Assets and the Poor: A New American Welfare Policy*, a revolutionary book by CSD's Michael Sherraden, a growing number of researchers, practitioners, and policymakers have realized that these households can and will save if given the right opportunities at the right moments.² One of those moments is tax time. Clearly, saving is important, but why should we care about saving at tax time? Truthfully, there are few better times to think about encouraging saving. Tax time is also one of the few times in a year when a household may stop to consider finances holistically. A nudge to save from a trusted source, such as a tax preparer at a Volunteer Income Tax Assistance (VITA) site, could help an LMI tax filer save some of their refund and gain a meaningful foothold in preparing for the financial future. Through our tax-time savings initiative, Refund to Savings (R2S), an ongoing collaboration of Washington University in St. Louis, Duke University, and Intuit, Inc., the makers of TurboTax Freedom Edition, we embed experiments in the Freedom Edition's online tax-filing software in order to encourage LMI tax filers to

save more of their tax refund. The initiative applies techniques of behavioral economics to the online tax-filing environment in order to “nudge” tax filers toward saving.

But it’s not just about saving at tax time—it’s about the moment when a person looks holistically at their personal finances from the last year and thinks about their household’s financial situation. This insight prompted us to build upon CSD’s 2015 Toolkit, *The Volunteer Income Tax Preparer’s Toolkit: Showing Clients Why Tax Time Is the Right Time to Save*. For this new Toolkit, we decided to expand the focus beyond findings from our tax-time savings work and present evidence generated by CSD and other researchers on an array of tax-time services with the potential to improve financial capability.

We are grateful to all of the practitioners, volunteers, and advocates who make a difference in the lives of thousands of Americans throughout each tax season. Just this year, EARN and Commonwealth launched [Savers Win](#),³ a new tax-time program that encourages filers to save a part of their refund. We are also thrilled by the efforts of our friends at Prosperity Now as they relentlessly pursue support for the Volunteer Income Tax Assistance Permanence Act,⁴ which would establish a grant program to provide matching funds for the development, expansion, and continuation of VITA sites.

All of our work is sharpened and strengthened by your insights and ongoing, salient contributions to this field. We hope that key decision makers in the United States will continue to see the positive impacts of VITA sites and tax-time financial capability efforts in the communities and budgets of LMI families.

Michal Grinstein-Weiss

Acknowledgments

**The Center for Social Development at Washington University in St. Louis
is grateful for the immense support of JPMorgan Chase & Co.**

As a generous funder of the Refund to Savings Initiative, JPMorgan Chase & Co. helped us to create this practitioners' Toolkit on encouraging saving and financial capability at tax time, and served as an active partner and contributor throughout the Toolkit development process.

We also wish to recognize contributions from additional funders of Refund to Savings:

The Ford Foundation
The Annie E. Casey Foundation
U.S. Department of the Treasury
Intuit, Inc.
The Intuit Financial Freedom Foundation

Without the commitment of our funders, the Refund to Savings experiment would not exist, could not have grown into what it is today, and could not continue to grow.

Many thanks are also due to the practitioners profiled in this Toolkit:

The Boston Tax Help Coalition
The Center for Economic Progress
Prepare + Prosper
Southern Bancorp Community Partners

They agreed to be interviewed regarding the operation of their tax-time saving and financial capability campaigns. The work they have done in their communities is remarkable, and they have brought profound benefits to their clients' lives. We deeply appreciate their willingness to share their stories in this Toolkit.

Lastly, we extend our great thanks to partners and friends who have made great strides in advancing tax-time savings and financial capability programs:

The Consumer Financial Protection Bureau
RAISETexas
The Illinois Asset Building Group

In producing this Toolkit, we have benefited tremendously from their insights.

Disclaimer

The views and opinions expressed in the report are those of the authors and do not necessarily reflect the views and opinions of JPMorgan Chase & Co. or its affiliates.

Statistical compilations disclosed in this document relate directly to the bona fide research of and public policy discussions concerning savings behavior as it relates to tax compliance. Intuit Inc. shared administrative data from the TurboTax Freedom Edition product with the researchers in accordance with Title 26 U.S. Code §7216, through the sharing of anonymous, aggregated data from no fewer than 10 people, in the form of high level statistical compilations, and individual-level data only with the prior explicit consent of TurboTax Freedom Edition customers. Compilations follow Intuit's policies and internal procedures to help ensure the privacy and confidentiality of customer tax data.

INTRODUCTION

About Expanding Financial Capability at Tax Time

Since 2006, Volunteer Income Tax Assistance (VITA) sites and organizations that focus on asset-building services have offered tax time programs to improve the financial capability of the people they serve. In pilot site demonstrations, nationwide randomized controlled trials, and several established programs, there is a common goal: to help low- and moderate-income (LMI) households save a part of their refund in order to develop some control over their financial future. Thanks to these efforts, we now have ample evidence that tax time is a critical financial period for LMI households, and each tax season offers a new opportunity to boost household savings. We also know that U.S. households have significant amounts of debt. The tax refund season presents a timely opportunity for LMI households to focus on overcoming credit problems, excessive debt, and other financial issues.

When we use the term **tax-time financial capability program**, we mean a program consisting of financial products and services introduced during the tax-filing process with the aim to improve the economic resilience of an individual or a household. Although each tax-time financial capability program is different, they all offer one or more of the following:

- ❑ Free in-person tax preparation, usually provided at a VITA site
- ❑ Incentives, such as prize-linked savings, encouraging filers to deposit part of the refund into a savings account
- ❑ Assistance in opening checking and savings accounts
- ❑ Individualized credit counseling or financial coaching
- ❑ Financial education seminars
- ❑ Home-buyer education sessions
- ❑ Help in developing a plan for small business creation or expansion

Intuit partners with VITA sites around the country to provide eligible tax filers with the tools to prepare and electronically file their tax returns for free through the Internal Revenue Service's Free File program.

- ❑ Help in understanding and/or applying for public benefits⁵
- ❑ Help in finding alternative financial products for emergency loans, enabling clients to avoid borrowing from payday and predatory lenders
- ❑ Assistance in applying for alternative refund-anticipation loans
- ❑ Help in sending remittances
- ❑ Assistance in applying for student financial aid
- ❑ Help in refinancing an automobile
- ❑ Free online tax preparation as well as access to computer stations for and assistance with self-preparation of tax returns
- ❑ Legal counsel and tax preparation for small businesses
- ❑ Bookkeeping services for self-employed individuals and small businesses
- ❑ Assistance for victims of identity theft—for example, help in working with the Internal Revenue Service (IRS), clearing credit reports, and preventing future harm

This Toolkit discusses some of the offerings mentioned above. It also touches upon the lessons learned and best practices identified by the following organizations, each of which has pioneered the delivery of tax-time financial capability services through VITA sites:

The Boston Tax Help Coalition operates 37 free tax sites in the city of Boston, Massachusetts. More than 400 volunteers prepare tax returns for 13,000 clients each year. Boston Tax Help partners with Bank On Boston to help their clients open checking and savings accounts and to deposit some of their tax refunds into savings vehicles. The coalition also offers brief financial assessments through its Financial Check-Up Program.⁶

The Center for Economic Progress, located in Chicago, Illinois, operates 16 tax-preparation sites in central Illinois and serves about 15,000 clients each year. The center helps clients to save at tax time by enabling them to open bank accounts at the tax preparation sites, by participating in the SaveYourRefund campaign, and by employing dedicated savings coaches at some locations. The center also provides yearlong financial-coaching services and helps tax filers to review their credit reports after tax season.⁷

Southern Bancorp Community Partners, a Community Development Financial Institution (CDFI) affiliated with Southern Bancorp, has a somewhat unique organizational model. Most of the volunteers at its 20 VITA sites in Arkansas and the Mississippi delta are also employees of Southern Bancorp. In 2015, Southern Bancorp Community Partners introduced the Split, Save and Win! sweepstakes, which is modeled after the SaveYourRefund campaign. Through its Individual Development Account program, the organization helps VITA clients accumulate assets for investments like home purchases and higher education. The institution also provides online financial-education resources and helps clients review credit reports. In addition, clients of Southern Bancorp Community Partners are able to access a wide array of financial products through Southern Bancorp.⁸

Prepare + Prosper has been operating VITA sites in Minnesota for 48 years and currently oversees more than 500 tax-preparation volunteers. The organization began offering financial capability products and services in 2006. It now encourages tax-time saving through savings accounts and U.S. savings bonds. After working to identify the specific financial needs and goals of VITA clients, the Prepare + Prosper financial-capability staff and volunteers deliver various products, services, and incentives to accommodate those priorities. In 2013, the organization launched Got Some, Save Some, a social-marketing campaign to encourage tax-time saving, and it has participated in the national SaveYourRefund campaign. The organization has tested and piloted several savings incentives including physical rewards and matched savings. The organization also helps tax filers to review their credit reports and administers a financial coaching program. It maintains partnerships with a certified credit-counseling agency as well as several financial institutions. In 2017, with the Center for Economic Progress, the organization released *Moving People to Save at Tax Time*,⁹ a report that draws upon the insights of thousands of tax filers, volunteers, and frontline staff to identify effective methods for supporting people in their efforts to save.¹⁰ In 2018, Prepare + Prosper is piloting a new initiative to promote financial products that are suitable for its clients.

About This Toolkit

This work expands upon *The Volunteer Income Tax Preparer's Toolkit: Showing Clients Why Tax Time is the Right Time to Save*, a 2015 Toolkit by the Center for Social Development (CSD). This new offering presents the current evidence underpinning various tax-time efforts to expand financial capability among LMI households. It includes sections on creating a VITA program and on several financial-capability products and services that organizations can offer alongside free tax-preparation services. The evidence comes from a variety of sources, but we highlight findings from research conducted by CSD, particularly that conducted as part of the Refund to Savings (R2S) Initiative. Although we have verified the accuracy of the research discussed in this Toolkit, organizations should evaluate the appropriateness, quality, and value of products and services before offering them to clients.

We created this Toolkit for anyone who is interested in or is in the process of designing a tax-time financial capability program. Our hope is that this Toolkit will also serve as a useful guide for other supporters of tax-time financial capability efforts—funders, advocates, policymakers, and community members—who want to understand the evidence behind related initiatives.

How to Use This Toolkit

A Toolkit for Expanding Financial Capability at Tax Time identifies three steps to designing and delivering a tax-time financial capability program grounded in the most up-to-date evidence from the field.

Step 1: Learn About Tax-Time Programs

In Step 1, we introduce the types of tax-time financial capability programs out there and briefly review the research on each. In this step, we help readers to identify the program that would best fit their organization. We synthesize the research into bite-sized insights on why organizations should consider offering a given program, and we highlight common issues that practitioners have encountered in running a program.

Step 2: Develop Your Tax-Time Program

Step 2 provides guidance on designing your own financial capability program. We offer a thorough list of considerations, detail lessons learned, and identify best practices in designing several types of programs. All of the information is grounded in rigorous research evidence and key insights from reputable practitioners who have excelled in running their own tax-time financial capability programs.

Step 3: Learn About Helpful Resources

In the final step, we identify useful resources to help you get the most from your tax-time financial capability program. We have grouped the resources in four high-interest areas:

- ❑ Budgeting and fundraising
- ❑ Publications
- ❑ Online tools
- ❑ Policy and research hubs

Step 1. LEARN ABOUT TAX-TIME PROGRAMS

Free Tax Assistance for LMI Households

If you hear someone discussing free tax-preparation services, chances are they're talking about VITA. Since its founding in 1971, the VITA program has trained volunteers to help millions of LMI households file their taxes at no cost. In addition to offering tax preparation services, the program develops outreach products and delivers financial education to assist LMI households in achieving financial security. The VITA program has also become known for its role in helping filers claim the Earned Income Tax Credit (EITC) and all of the other tax credits they qualify for. The VITA program has the highest accuracy rate: Its tax preparation services score higher than all other tax-filing services, certified public accountants, and mainstream tax preparers.¹¹

Formerly administered by the IRS, VITA programs are now managed by community organizations. This structure enables organizations to tailor services to the needs of local populations. The IRS assigns a representative from the Stakeholder Partnerships, Education and Communication office to assist every VITA program in the United States. These representatives help programs to secure IRS grants, volunteer training materials, and curriculum guides. Many VITA sites operate in community centers, libraries, schools, shopping malls, and other places that are open to the public. Other sites are located within bank branches or nonprofit organizations.¹²

As you'll see in the pages that follow, VITA sites offer more than tax-preparation services. They serve as hubs for delivering a variety of financial capability services to help LMI households become (and remain) financially stable.

TABLE 1. WHY YOUR ORGANIZATION WOULD WANT TO OFFER VITA

MOTIVATION	WHAT THE RESEARCH SAYS	HOW THE EVIDENCE SUPPORTS VITA
Make an impact in your community	In 2015, VITA volunteers filed more than 3.3 million returns, resulting in almost \$4 billion in refunds and credits, including over \$1.1 billion from the EITC. ^a	This money goes back into the places where VITA clients live, supporting their families and local economies in some of the nation's most distressed communities.
Save LMI households the money they would have spent on tax preparation services	Many families that claim the EITC, and that would qualify for a service like VITA, give away nearly 25% of their refund for tax preparation services. These families pay more than the average U.S. household does for those services. ^b	Spending less on tax-preparation services increases the amount of the refund that households can keep, giving households more flexibility to pay down debt or save part of their refund as protection from future material hardship. ^c
Help the millions of households that are eligible for VITA services	The median household income in the United States is \$55,322. Approximately 117 million households file taxes. ^d	VITA sites provide free tax help to households with annual incomes of \$54,000 or less, persons with disabilities, and tax filers with limited English skills. ^e Census data indicate that over 45 million American households would qualify for VITA services but do not receive them.
Meet the proven level of demand for tax assistance	Due to budget and staffing constraints, more than 60% of calls to the IRS went unanswered in 2015, and households were unable to access tax assistance from the agency. ^f But demand for VITA services is growing, and existing organizations struggle to keep up with it. ^g	Due to the limited capabilities of the IRS, many tax filers turn to in-person tax assistance from volunteers at local VITA sites. Yet, more capacity is needed to deliver VITA services at a level that meets existing demand.
Provide a gateway for financial capability and asset-building services	Of the approximately 5,100 VITA sites operating across the United States, more than 500 are offering financial capability services beyond free tax preparation. ^h	With a secure environment and trusted staff, a local VITA site can be critical in bridging the gap between the financial needs of LMI tax filers and the financial products available to them.

VITA = Volunteer Income Tax Assistance; EITC = Earned Income Tax Credit; LMI = low and moderate income.

^a Prosperity Now. (n.d.). 2015 VITA data. Retrieved from <https://prosperitynow.org/2015-vita-data>.

^b White, G. B. (2016, April 14). How the tax-prep industry takes advantage of low-income filers. *The Atlantic*. Retrieved from <https://www.theatlantic.com/business/archive/2016/04/eict-tax-prep/478305/>.

TABLE 1 (Continued)

^cGrinstein-Weiss, M., Despard, M. R., Guo, S., Russell, B. D., Key, C., & Raghavan, R. (2016). Do tax-time savings deposits reduce hardship among low-income filers? A propensity score analysis. *Journal of the Society for Social Work and Research*, 7(4), 707–728. doi:10.1086/689357.

^dU.S. Census Bureau. (n.d.). QuickFacts. Retrieved April 23, 2018, from <https://www.census.gov/quickfacts/fact/table/US/PST045216>.

^eInternal Revenue Service. (2017, December 12). Free tax preparation for qualifying taxpayers. Retrieved from <https://www.irs.gov/individuals/free-tax-return-preparation-for-you-by-volunteers>.

^fPramuk, J. (2015, March 31). IRS ignoring 60% of calls as tax deadline looms. *CNBC*. Retrieved from <https://www.cnbc.com/2015/03/31/irs-ignoring-60-of-calls-as-tax-deadline-looms.html>.

^gLevin, E., & Sebastian, S. (2016, March). *Strengthening VITA to boost financial security at tax time & beyond* (Federal Policy Brief). Retrieved from Prosperity Now website: https://prosperitynow.org/files/resources/FINAL_VITA_Policy_Brief_4_14.pdf.

^hTaxpayer Opportunity Network. (2017, December). *Tax time financial capability library* (Resource Brief). Retrieved from https://www.prosperitynow.org/files/PDFs/12-2017_Tax_Time_Financial_Capability_Resource_Interactive_Brief_1.pdf.

Encouraging Clients to Save at Tax Time

What do we really mean by tax time saving? As you’ve read, helping LMI households save is important, and the tax moment—the period in which households file their taxes and receive a refund—can be a good opportunity to help them save. How do we do that? Over the last 15 years, the asset building field has pursued different approaches to helping LMI households save more at tax time. One of the first was fielded through the Refund to Assets initiative, which ran from 2004 through 2006. Funded by the Doorways to Dreams Fund (now Commonwealth), the initiative helped tax filers at VITA sites split their tax refund and put some of it into a savings account.¹³ Commonwealth, in collaboration with America Saves, also sponsors the SaveYourRefund campaign, which holds weekly raffles and encourages VITA tax filers to save by allowing them to enter one of the raffles if they save at least \$50 of their federal tax refund.¹⁴ Other tax-time savings initiatives include SaveUSA, a program that encouraged VITA tax filers to save by offering to match 50% of any tax-refund dollars still in savings after one year,¹⁵ the SaveNYC program,¹⁶ which inspired SaveUSA, and CSD’s own R2S Initiative, which encourages LMI tax filers to save some of their refund through TurboTax Freedom Edition’s online tax-filing software.

TABLE 2. WHY YOUR ORGANIZATION WOULD WANT TO ENCOURAGE CLIENTS TO SAVE AT TAX TIME

WHY SHOULD YOU PROMOTE SAVINGS AT TAX TIME?	WHAT THE RESEARCH SAYS	WHAT THIS MEANS FOR VITA
The tax refund is the largest payment many households receive all year	Over 70% of tax filers receive a refund, and the average federal refund is over \$2,000. ^a The average federal refund for EITC recipients was more than double their monthly income (Figure 3).	Saving even a fraction of the refund may help filers build a substantial financial cushion against emergencies or set them on the path to achieve their financial goals.
Your clients are thinking about how the tax moment fits in their broader financial picture	Months before tax season begins, more than 1 in 10 households have mentally allocated their refund for paying down debt. ^b	Filers are already thinking about their finances at tax time, so it is a prime opportunity to encourage positive financial behaviors.
The availability of direct deposits for tax refunds allows filers to allocate savings based on their financial goals	In 2017, the IRS distributed almost 87 million refunds through direct deposits into checking or savings accounts. ^c Additionally, IRS Form 8888 allows filers to split their refund across multiple accounts.	Direct deposit makes building up a savings account more efficient, but it may also increase the effectiveness of efforts to help VITA clients open bank accounts during tax filing.
Saving the tax refund is associated with improvements in household well-being	CSD found that R2S participants who saved some of their refund were less likely to report that financial constraints prompted them to skip bill or rent payments, or forgo needed medical care, in the 6 months after filing. ^d	Your efforts to provide free tax assistance will save your clients money, and helping your clients save money may benefit them long after tax season!

EITC = Earned Income Tax Credit; IRS = Internal Revenue Service; VITA = Volunteer Income Tax Assistance; CSD = Center for Social Development; R2S = Refund to Savings Initiative.

^a Internal Revenue Service. (2017, November 27). Filing season statistics for week ending Dec. 30, 2016. Retrieved from <https://www.irs.gov/uac/newsroom/filing-season-statistics-for-the-week-ending-december-30-2016>.

TABLE 2 (Continued)

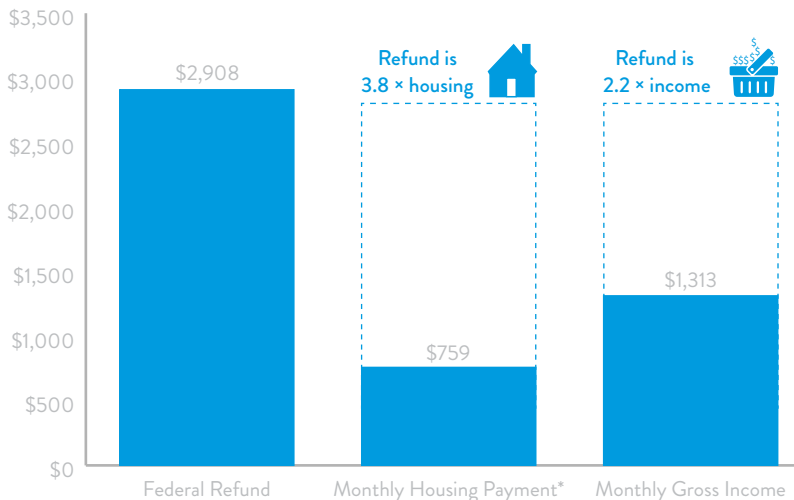
^b Grinstein-Weiss, M., Perantie, D. C., Russell, B. D., Comer, K., Taylor, S. H., Luo, L., Key, C., & Ariely, D. (2015). *Refund to Savings 2013: Comprehensive report on a large-scale tax-time savings program* (CSD Research Report No. 15-06). Retrieved from Washington University, Center for Social Development website: <https://csd.wustl.edu/Publications/Documents/RR15-06.pdf>.

^c Internal Revenue Service. (2018, February 22). Filing season statistics for week ending September 1, 2017. Retrieved from <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-september-1-2017>.

^d Covington, M., Oliphant, J., Perantie, D., & Grinstein-Weiss, M. (2015). *The volunteer income tax preparer's Toolkit: Showing clients why tax time is the right time to save* (CSD Toolkit No. 15-56). Retrieved from Washington University, Center for Social Development website: <https://csd.wustl.edu/Publications/Documents/T15-56.pdf>.

Figure 1. Average federal refund, housing payment, and income of EITC recipients. Among Earned Income Tax Credit (EITC) recipients participating in the 2016 Household Financial Survey, the average federal refund was 3.8 times their average monthly housing payment and 2.2 times their average monthly income.

*The monthly housing payment is shown as the average monthly payment among households whose payment does not equal zero.



Offering Financial Capability Services at Tax Time

Financial capability is a broad term, and a wide array of financial capability services have been offered to households over the years. Some of the most commonly offered financial capability services are financial education, credit counseling and debt management, and financial coaching services. Though these services have long been delivered through standalone shops or through large, multiservice agencies like the United Way and Lutheran

Box 1.

Financial Education? Proceed with Caution!

- ❑ In theory, there is an expectation that financial education programs can improve the financial literacy and financial behaviors of individuals with low or moderate income.
 - ❑ Evidence shows that financial education programs can be effective in improving financial outcomes if aligned with specific decisions or integrated with other products and services.¹⁷
 - ❑ Yet, there is limited evidence showing that general financial education programs improve financial behaviors.
 - ❑ **Here's the bottom line:** Standalone financial-literacy workshops may not work, but financial education delivered at key moments can be successful.
-

Social Services, many VITA organizations have begun providing additional financial-capability services at tax time. In this section, we briefly discuss the major types of financial capability programs and present evidence on the effectiveness of each type.

Financial Education Programs

The purpose of financial education is to provide basic training on personal finance, financial concepts, and other essential elements of financial management. Interest rates, inflation, investment strategies, and the responsible use of financial instruments are examples of frequently discussed topics. Some of the advice commonly offered through financial education—such as guidance on building savings, managing different types of debt, and improving credit scores—may be more relevant to LMI households than is the education on other subjects like investment strategies.

The logic in providing LMI households with financial education is that they will be better equipped to make responsible financial decisions if they have a more thorough understanding of basic financial concepts. An important component of this logic is the premise that poorer families tend to receive less financial education over their lives—they are exposed to less information about investments, debt management, and the various financial products available to them. Research has substantiated this premise.¹⁸ We can correct this gap in financial literacy by delivering supplemental financial education to populations that have typically lacked it, but there is little convincing evidence that financial education can lead to long-term behavior change or improve outcomes.

Financial education can be delivered through organized seminars covering a diverse array of topics. For example, workshops on debt and credit management explain the costs of different types of debt, ways to prioritize debt repayment, the elements used to calculate credit scores, and strategies for improving credit scores or restructuring debt. Some financial-education programs focus on the details of specific financial-management areas, and others offer general discussions on financial management topics.

Credit Counseling Services

With rising consumer debt levels, the need for effective credit and debt management practices is becoming more acute.^{19,20} Credit counseling services offer a potential way of addressing that need. In helping consumers cope with debt problems and improve their personal finances, credit counseling involves a more personalized approach than is typical of financial education services. These counseling services are well suited to individuals who have trouble managing their finances, are overwhelmed by their debt, or wish to improve their credit profiles. Accredited services are typically offered by specialized, nonprofit credit-counseling agencies via phone, online, or in-person sessions.

Credit counseling services can be offered by for-profit or nonprofit providers, but the distinction between for-profit and nonprofit providers is important. Credit counseling services in general and for-profit counseling services in particular have sometimes employed exploitative practices that can harm consumers.²¹ One good way to ensure that a credit counseling agency is acting in the best interests of its clients is to confirm that the agency has been accredited by the National Foundation for Credit Counseling (NFCC), the governing authority for nonprofit credit counseling agencies. The NFCC had around 600 member offices serving approximately 1.1 million clients in 2016.²² However, the number of credit counseling clients served annually is much larger if one counts those served at for-profit counseling agencies.²³

Nonprofit credit counseling services typically have three primary components:

- ❑ A general or focused financial education offering
- ❑ A budget counseling session that generates a financial action plan tailored to client needs
- ❑ A debt management plan for clients who may benefit from lumping multiple debt payments into a single one

Most people with severe debt problems never intended to be in their situation. A financial emergency may have kicked off a debt spiral, they may have lacked the appropriate financial knowledge to avoid high-cost debts, or they may have had poor money-management skills that resulted

in unsustainable spending. Indeed, people typically seek credit counseling because they have experienced some income loss or spike in expenses that resulted in an unsustainable debt situation.²⁴ Through the combination of education, counseling, and debt-repayment management, credit counseling aims to resolve the client's current debt problems and, more importantly, to avoid their recurrence by addressing the roots of the problem.

In the context of credit counseling, financial education can take several forms. For instance, credit counselors may devote a session to explaining financial concepts or may explain only relevant financial concepts in a session devoted to drafting and reviewing a household budget. Accredited, nonprofit credit-counseling agencies are required to provide some form of financial education as part of their services.²⁵

A typical budget-counseling session lasts for around an hour. A part of the session involves a one-on-one discussion in which counselors and clients assess the client's current financial situation by going over monthly household income and expenses, credit card statements, debt payments, assets and investments, and credit reports. After sharing insights and recommendations based on this financial review, the counselor and client discuss the present financial situation as well as short- and long-term financial goals such as buying a car, saving for college, or repaying debts. They create a personalized action plan that is based on the household budget and outlines concrete steps to achieve these goals.

Depending on the client's financial situation and the amount of debt they owe, credit counselors may also offer enrollment in a debt management plan. The basic idea behind such a plan is that, rather than managing a large number of debt obligations by themselves, the client makes a single payment to the counseling agency. The agency then distributes this payment to all of the client's creditors. Working with both creditors and clients, counselors create a detailed repayment schedule. As part of this process, credit counselors negotiate lower interest rates, extend debt repayment periods, waive extra charges, reduce monthly debt-payment obligations, and bring delinquent accounts current. In return, counseled clients agree to

Box 2.

ADDITIONAL SERVICES OFFERED BY CREDIT COUNSELING AGENCIES

- ❑ Student-loan debt counseling, a relatively new offering from credit counseling agencies, provides information on and resources for effective management of student debt.
- ❑ Homeownership education and counseling provide a comprehensive array of services intended to help homeowners better manage and understand their mortgages and to prepare future homeowners for these tasks.
- ❑ Bankruptcy counseling, a required part of filing for bankruptcy in the United States, aims to ensure that bankruptcy filers are fully educated on their decision and its implications.

make monthly payments to the counseling agency and pledge to follow the budget developed with the counselor.

Some credit counseling agencies offer supplementary services other than the three main elements outlined above. For example, agencies may offer additional financial-literacy workshops covering selected financial topics in greater depth, automated text or email reminders to stay on track with payments or goals, assistance in accessing public benefits, recommendations for legal services, and referrals to other loan-assistance programs. They may also recommend clients to other counseling services, including counseling on student-loan debt, homeownership, and bankruptcy (see Box 2).

Financial Coaching Programs

Financial coaching is characterized in part by an emphasis on clients' long-term outcomes, a continual and collaborative approach to financial behavior change, the provision of support to encourage new financial behaviors, and education focused on a client's specific needs and goals.²⁶ Financial coaching typically involves a series of one-on-one sessions between professionally trained financial coaches and their clients.

Box 3.

FUNDAMENTAL SKILLS AND KNOWLEDGE FOR FINANCIAL COACHES

- ❑ Coaching and motivational skills
 - ❑ Financial content knowledge
 - ❑ Cultural responsiveness and systemic understanding
 - ❑ Self-awareness and self-management skills
 - ❑ Listening and communication skills
 - ❑ Skill in maintaining ethics, confidentiality, and trust
 - ❑ Skill in developing referrals and knowledge of community resources
 - ❑ Data collection and technology skills
 - ❑ Outreach, engagement, and marketing skills²⁸
-

Financial coaching programs typically begin by asking clients to identify their financial goals (e.g., saving for education or retirement, buying a house, and getting rid of medical debts). A coach then guides, encourages, and supports each client along the path to reach those goals. In helping clients to pursue the goals, coaches may help clients to develop an action plan and identify additional resources. Coaches may make referrals and follow up with clients to discuss progress over time. They may also access credit reports and embed financial literacy instruction into the coaching process.

A study with data collected in 2016 from 453 social service organizations indicated that approximately 18,120 clients received financial coaching services each month from more than 2,200 financial coaches. Forty-eight percent of those financial coaching services were delivered as part of the bundle with other programs and services, 27% were delivered as standalone services, and the remaining 25% were delivered as elements within other direct services.²⁷ In general, financial coaches are expected to possess a wide range of professional and personal skills (see Box 3).

How Is Financial Coaching Different From Credit Counseling?

The two differ in several ways. Credit counseling specializes exclusively in credit and debt management. It is offered only through accredited credit-counseling agencies. Although counseling generally focuses on addressing some crisis or immediate need (e.g., unsustainable debt or financial circumstances affecting the credit score), financial coaching can address a wide array of financial considerations and emphasizes long-term behavioral solutions rather than near-term remedies.²⁹

Perhaps most importantly, financial coaching centers on the client's perspective rather than on that of the coach. Credit counselors instruct clients on what to do to get their finances under control while coaches help clients identify their own financial goals and support them in reaching those goals. Coaches also lack some of the resources available to credit counselors. For example, credit counselors can restructure and renegotiate debts on behalf of their clients; financial coaches cannot.

Partnerships to Offer Financial Products

There are other ways in which your organization can help clients better manage their debts, improve their credit, and pursue their financial goals. One is to create partnerships with local banks and credit unions that offer low-interest loans, low fee (or no fee) bank accounts, and other appropriate financial products. Three types of loans exemplify products designed to enhance the financial capability of individuals with limited access to mainstream credit products.

Credit builder loans are designed to help consumers build credit history. They are most suitable for individuals who have low credit scores or no credit history and who are unable to access loans through traditional financial institutions.

Payday loan alternatives are short-term, small-dollar loans that help borrowers cover financial shortfalls and make essential purchases. Although payday lenders have long offered such loans—usually with extremely high (sometimes triple-digit) interest rates and fees³⁰—some federal credit unions offer them at lower rates.

Loans offered through Borrow and Save programs have an embedded savings component.³¹ The exact terms of these programs vary across financial institutions. Typically, a portion of the “borrowed” amount is deposited into a savings account when consumers take out the loans. Borrowers make regular payments on the loans and, when the debt is repaid, they gain access to the amount initially placed in savings. In addition to providing loans, Borrow and Save programs help borrowers to build a credit history through regular payments and to develop the habit of saving.

Box 4.

How Your VITA Site Can Address Financial Capability Issues at Tax Time

THE ISSUE

Your clients struggle to understand financial issues

THE POTENTIAL SOLUTION Financial education

WHAT THE RESEARCH SAYS Levels of financial literacy are low among U.S. adults,^{32,33,34} but evidence on the effectiveness of financial education is decidedly mixed and the success of these programs depends heavily on the context.^{35,36} Providing general financial education in a classroom setting is less effective than providing financial education at key decision points.

WHAT THIS MEANS FOR VITA Given that targeted education delivered at key moments is more effective than general financial education, providing financial education on debt and credit usage in VITA sites—delivered when tax filers are planning to use their tax refunds to pay off their debts—may be successful.

THE ISSUE

Your site lacks the resources (time, money, etc.) to implement a robust financial capability program

THE POTENTIAL SOLUTION Low-touch, low-cost nudges

WHAT THE RESEARCH SAYS Several financial capability approaches do not require large investments. Evidence shows that just providing access to credit scores can positively affect some finan-

Box 4 (Continued)

cial behaviors. For example, such access is associated with declines in the likelihood of past due payments and with increases in credit scores.³⁷ Other research demonstrates that delivering simple financial rules of thumb can reduce credit card debt. Examples of these rules of thumb—which have been tested in experimental settings—are displayed in Box 5.³⁸

WHAT THIS MEANS FOR VITA

Low-touch interventions convey simple information that is easy to understand and easy to remember, and resonates more with clients. A growing consensus holds that low-touch, low-cost financial initiatives can be as (or more) effective than traditional financial education programs while much cheaper to implement and scale.^{39,40} Therefore, even VITA sites without the capacity to run a full financial capability program can undertake small efforts to improve a client’s financial situation.

THE ISSUE

Many of your clients struggle with their debts or have difficulty sticking to a budget

THE POTENTIAL SOLUTION

Credit counseling

WHAT THE RESEARCH SAYS

Research shows that the results of credit counseling services are generally positive. Impact evaluations demonstrate that borrowers who underwent one-on-one credit counseling saw reductions in credit card debt and overall debt. Additionally, the most distressed clients saw improvements in credit scores after counseling.^{41,42}

WHAT THIS MEANS FOR VITA

Debt is already on your client’s mind, and debt repayment is among the most common uses for tax refunds.⁴³ Additionally, evidence shows that bankruptcy filings increase after households receive their refunds.⁴⁴

Box 4 (Continued)

Given this, credit counseling (and related bankruptcy counseling) can reduce VITA client debt burdens and, if necessary, make debt more manageable by providing services that restructure it. VITA sites can also guide clients toward reputable, accredited counseling services.

THE ISSUE

Your clients have trouble setting or sticking to financial goals

THE POTENTIAL SOLUTION Financial coaching

WHAT THE RESEARCH SAYS Experimental research generally indicates a positive relationship between financial coaching and a variety of client financial outcomes, including improvements in savings levels, on-time bill payments, and budgeting behaviors, as well as reductions in debt and financial stress. Coaching is also associated with several other indicators of financial capability.^{45,46}

WHAT THIS MEANS FOR VITA One of the core advantages of financial coaching is its flexibility. LMI populations like VITA site clients tend to have a variety of financial needs. The many benefits observed in evaluations suggest that financial coaching could meet the needs of a broad swath of your client base in ways that credit counseling may not.

THE ISSUE

A substantial proportion of your client base lacks a checking or savings account or affordable access to other financial products

THE POTENTIAL SOLUTION Partnerships with banks or credit unions

WHAT THE RESEARCH SAYS Bank accounts provide access to resources that facilitate effective financial management—e.g., the ability

Box 4 (Continued)

to easily pay bills, access mainstream credit options, securely build assets, and earn interest.^{47,48} Lacking a bank account is associated with forgoing food, housing, clothing, and needed medical care. It is also associated with higher rates of income fluctuation, an inability to cover unexpected expenses, and feeling worried or anxious about finances.^{49,50,51}

Additionally, access to credit allows households to invest in assets and education, smooth current consumption, and address financial emergencies. Yet, economically vulnerable populations often lack access to affordable credit and resort to alternative financial services for additional funds.^{52,53} Evidence suggests that users of alternative financial services are more likely to experience financial difficulties like the inability to cover regular expenses and to lack sufficient emergency savings. They also are more likely to experience material hardships—e.g., skipping bills and rent payments, and food insecurity.⁵⁴

WHAT THIS MEANS FOR VITA

Offering access to affordable financial products at tax time through a trusted financial partner is an excellent complement to your core tax-filing services. Enabling filers to open bank accounts at tax time can facilitate the direct deposit of the tax refund, and offering access to affordable credit products may appeal to tax filers who are already concerned with using the refund to repay debt.

Box 5.

RULES OF THUMB FOR CONSUMERS WITH CREDIT CARDS

Recent research has shown that delivering simple financial rules of thumb can impact households' financial behaviors:⁵⁵

- ▣ “Don’t swipe the small stuff. Use cash when it’s under \$20.”
- ▣ “Credit keeps charging. It adds approximately 20% to the total.”⁵⁶

What rules might be relevant for your client base? Commonwealth has provided a free toolkit to help you develop rules of thumb:
<https://buildcommonwealth.org/publications/rules-of-thumb-toolkit>.

Step 2. DEVELOP YOUR PROGRAM

Starting Your VITA Program

First Things First: Contact the IRS

If you are interested in beginning a VITA site partnership, visit www.irs.gov and conduct a search with the keyword community partnerships; select the result titled “Become an IRS Partner to Help in Your Community.” You can also email partner@irs.gov to find a Stakeholder Partnerships Education and Communication office in your area. As we mentioned, the IRS is the key partner in VITA work. The agency provides funding to support VITA, develops the official trainings for VITA volunteers, and employs representatives who can offer essential guidance as you start or continue to develop your VITA site.

Develop Strong Partnerships

Establishing a VITA site begins with partnerships beyond the one that you will form with the IRS. One partner or several partners typically work in a coalition to deliver the messages and programs chosen by coalition members. Most coalitions use commitment letters to determine who will take responsibility for different aspects of the program. Committees oversee the coalition’s work and provide administrative support. Coalitions usually create a volunteer recruitment committee, a training committee, and an outreach/marketing committee. A funding committee could also be included.

Partnerships on VITA sites often include banks and credit unions, the local United Way, colleges and universities, and other community groups.

Some partners, such as banks and credit unions, can help provide specific products and services (e.g. savings accounts). Partners can also help provide facilities, a volunteer pool, and material assistance such as computers and office supplies.

Determine Your Site Location and the Technology Needs

The physical location you choose for your site is important. Successful sites are typically located in communities with large EITC-eligible populations that can easily access the sites (e.g., the site is located close to public transit routes). Begin thinking about site choices by investigating the locations of established VITA sites and soliciting the guidance of your representative from the IRS's Stakeholder Partnerships, Education and Communication office. Important considerations are the physical location and existing client base of the site.

Because the VITA program is specifically designed to serve people with disabilities, make sure your site is accessible to all and compliant with the Americans with Disabilities Act.⁵⁷

Secure Funding Sources

Costs for operating a VITA site vary. Staffing levels and the hours of operation are important variables. Therefore, we strongly recommend that potential VITA-site organizers consider the short- and long-term funding needs associated with hosting and operating a site. Each partner in a VITA coalition is typically responsible for providing some support, whether it is in-kind or monetary support. In particular, support is typically required in the following areas:

- ❑ Site coordinator (may or may not be paid; see below)
- ❑ Setting up tax filing software (the software itself is provided by the IRS)
- ❑ Training materials for volunteer and site administrators (a core training curriculum for tax preparers is provided by the IRS)

- ❑ Technical assistance and troubleshooting throughout the tax season
- ❑ Promoting the site and its services
- ❑ Supplies for the VITA site

There are several common funding sources for VITA sites and services:

- ❑ IRS VITA Grants are awarded each year to nonprofits, state and local government agencies, and regional, state, and local coalitions. The annual application period for the grants opens in May. Information on the grants may be found via the [Grants.gov](https://www.grants.gov) website.
- ❑ Other state and federal grants are applicable. See the [Grants.gov](https://www.grants.gov) site for information.
- ❑ Local financial institutions fund VITA to meet obligations imposed by the Community Reinvestment Act.⁵⁸
- ❑ Corporations and local businesses provide both funding and in-kind supplies.
- ❑ City, county, and municipal authorities often give monetary support for VITA.
- ❑ Secondary and postsecondary educational institutions provide in-kind support through volunteers and donation of physical space.
- ❑ Nonprofit organizations.
- ❑ Faith-based organizations.
- ❑ Local and national foundations.
- ❑ Donations and sponsorships from individuals, businesses, and trade associations.

Establish a Plan to Recruit, Coordinate, and Train Volunteers

Volunteer recruitment should begin in September or October, and it is helpful if the host agency has an existing pool of volunteers. Corporations that encourage community service are another promising resource; they can often be reached through the local United Way chapter and may allow their employees to volunteer at a VITA site. Don't overlook knowledgeable

community members who might be willing to volunteer. Many already have trusting relationships with prospective clients and organizations. As you recruit volunteers, let them know that the training on tax law and software is usually provided in December and January. In most cases, coalition partners and a representative from the IRS's Stakeholder Partnerships, Education and Communication office coordinate in training volunteers. Classrooms need to be located, procedures set in place, computers found, and decisions made on any additional trainings to be received by volunteers.

Schedule Your Launch and Plan Accordingly

New VITA sites typically open on the tax season's first day of electronic filing. That is generally the second Friday of January. Most VITA sites stay open until the April tax-return deadline. However, the successful launch and operation of a VITA site requires planning over a much longer period of time. Agencies intending to serve as VITA sites should dedicate staff time for planning and service delivery throughout the year, with the majority of staff time allocated during the period from September through May.

Market, Market, Market!

A campaign to draw prospective clients is a critically important part of launching a VITA site, and an essential part of that campaign is the outreach to communities that can benefit from the services. This is especially true when it comes to recruiting participants in households that qualify for the EITC. Many qualifying households do not know that the EITC is available and do not file taxes because their income is so low that they are exempt from filing requirements. Your organization should create a communication plan that includes strategic press releases and media alerts about the services. You should also consider working with a local United Way chapter.

For more information on starting a VITA site, see the IRS's *VITA/TCE Volunteer Site Coordinator Handbook*.⁵⁹

Building Your Tax-Time Savings Program

Determine Your Best Partners

Whether you're running an established VITA site and looking to expand your core services or launching a new VITA site and looking to make the biggest impact in your clients' lives, you should consider incorporating a tax time savings focus into your program. If you are interested in promoting tax time savings at your VITA site but aren't already doing so, consider partnering with a bank or credit union. As you'll see in the next section, such partnerships can be a way of promoting a wide array of asset-building programs. One of the core benefits of these partnerships is the ability to offer clients the option of opening a savings account at your VITA site. This option can complement other initiatives that promote depositing the refund into savings accounts—initiatives like the widely adopted SaveYourRefund campaign, which gives refund savers the chance to win up to \$25,000.

When identifying potential partners, there are a few things to think about:

- ❑ Make sure that your organization's mission is aligned with that of your partner. Before launching any partnership, it is important to understand the motivations of and incentives for all parties. This can make planning easier and avoid conflict down the road.
- ❑ Understand the services and products provided by your partner. Since VITA sites often serve low-income communities, make sure that the products provided by a potential partner are appropriate for the population you serve. For example, some banks have strict minimum-balance requirements and charge hefty fees for things like overdrawing an account. The savings accounts offered by such banks may not fit the needs of your VITA site clients. This consideration of fit is of particular concern. The Consumer Financial Protection Bureau (CFPB) has found

that account holders from neighborhoods with lower incomes and less access to mainstream credit options are more vulnerable to frequent overdraft fees.⁶⁰

- ▣ It is also important to make sure that your partner will be accessible to the population you serve. For example, if you serve a population whose primary language is Spanish, it is important to partner with an organization that can provide materials and services in Spanish.

Box 6.

How did they do it?



In addition to the [SaveYourRefund] campaign, we offer several safe and affordable products on site. If someone does not already have a savings account, we partner with several local banks, credit unions, and online savings accounts to open accounts on site. We also promote savings bonds as long-term investments that can be gifted to family and friends. Also, [we] have partnered with [a national bank] to open ... online savings accounts directly. This allows us the flexibility to provide a consistent menu of products regardless of whether the bank partner is able to be physically present.

—**Center for Economic Progress**

Box 7.

WHAT WORKS IN PROMOTING SAVING AT TAX TIME?

Since 2013, the Refund to Savings Initiative has tested many different approaches to promoting tax time saving within TurboTax Freedom Edition, the free online tax-filing platform for LMI tax filers. Here is a brief summary of what we've learned.

WHAT WE TRIED	Persuasive messaging to promote saving
WHAT IT IS	Research demonstrates that changes in the way information is presented can impact the way people respond to that information. ⁶¹ In R2S, we used a variety of messages to encourage households to save. These messages included cues to think about saving for emergencies, retirement, the family, and general financial goals.
WHAT WE FOUND	In general, the use of messaging was less effective than other behavioral interventions and only had a minor impact on tax-refund savings deposits. However, we found that messaging around saving for emergencies was more effective than other messages.
WHAT WE TRIED	Using suggested savings amounts to encourage savings deposits
WHAT IT IS	Research shows that, when people make financial decisions, they tend to be influenced by the amounts provided to them as reference points. ⁶² In R2S, we used suggested refund-savings amounts—or, <i>anchors</i> —to encourage tax filers to save a certain amount of their refund.
WHAT WE FOUND	We found that providing suggested refund-savings amounts was effective at promoting saving and that higher savings suggestions (e.g., 75% of the refund) were more effective than lower ones (e.g., 25% of the refund). However, the overall rate at which filers split the refund between accounts was very low—around 1%.

Box 7 (Continued)

WHAT WE TRIED	Sending emails to get tax filers thinking about saving
WHAT IT IS	Emails can be a low-cost way to promote certain financial behaviors, and they have been shown to be effective in changing retirement savings behaviors. ⁶³
WHAT WE FOUND	Our work on using emails to promote refund saving was inconclusive. However, we found that emails were positively associated with tax filers' willingness to consider using the refund to open a retirement account.
WHAT WE TRIED	Treating refund saving as the “default” decision
WHAT IT IS	Changing the option presented as the default is one of the most powerful behavioral tools available to guide decisions. For example, making automatic enrollment the default option in retirement savings plans substantially boosts participation by workers, who typically do not exercise the option to opt-out of the plan. ⁶⁴ In R2S, we've explored a variety of techniques to present saving the refund as the default decision.
WHAT WE FOUND	Building on the finding that very few tax filers want to split their refund across multiple accounts, we began presenting the option to deposit the entire refund into a savings account as the default decision. This led to an increase of over 50% in the rate at which filers deposit to savings!
WHAT WE TRIED	Encouraging tax filers to “precommit” to saving their refund
WHAT IT IS	Getting people to precommit to making a certain decision before they are confronted with the actual choice can help “lock” an individual into a plan of action and help them avoid future temptation. ⁶⁵ In R2S, we invited tax filers to commit to saving their refund at the beginning of the tax filing process, then preselected the savings decision for them at the end (though they could easily select a different deposit option)
WHAT WE FOUND	The combination of a savings precommitment with a decision structure that treated saving the refund as the default decision was the most effective R2S intervention to date!

When Communicating to Clients, the Type of Content and Method of Delivery Matter a Lot

In developing a tax-time savings program, you will almost certainly communicate with clients about the importance of saving. Here, we outline some things for you to consider as you develop a communication approach.

TREATING SAVING AS THE DEFAULT CHOICE

One of the key findings from the R2S Initiative—as well as from other behavioral-economics interventions focused on saving—is that treating savings as the default option is one of the most powerful tools available to you if you want to promote saving. Our experiments showed that, when savings deposits were just treated the same as any other option, around 7% to 9% of LMI tax filers deposited any of their refund into a savings account. But when we emphasized savings deposits and treated them as the default option, around 13% to 15% of filers deposited their refund into a savings account—a large increase for such a minor change!

Figure 2 illustrates what treating savings deposits as the default option might look like. The option to directly deposit the entire tax refund into a

Figure 2. A decision structure that emphasizes savings. This screenshot comes from the Refund to Savings Initiative. Copyright 2017 by Intuit, Inc.


Choose how you'd like your refund

Direct deposit my entire refund into my savings account

Direct deposit some of my refund into my savings account, and put some into another bank account or onto U.S. Series I Savings Bonds

Direct deposit my entire refund into a checking or other bank account

Mail me a paper check

Earlier, you told us you wanted to save your refund 

Let's do that here. Be ready for life's unexpected emergencies by saving your refund.

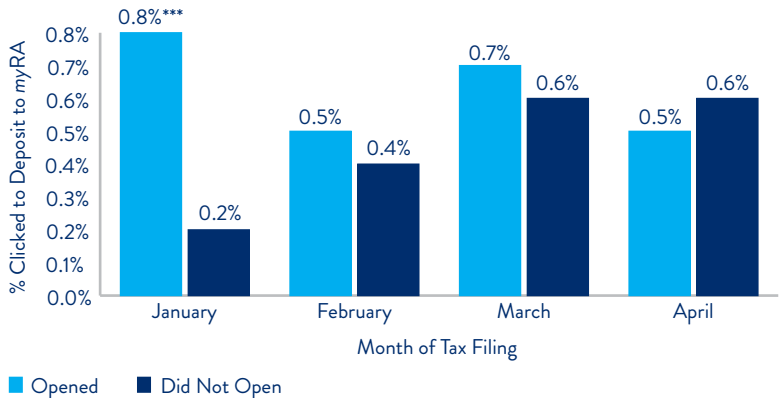
savings account is the first option filers see, and it is preselected if they committed to save earlier in the tax filing process. Of course, you might not be able to change the way refund deposit options are structured in the tax filing software used at a VITA site, but you can train tax preparation volunteers and other VITA staff to communicate about savings in ways that presented it as the default option. Then, if filers want, they can decide to receive their refund in a different way.

TIMING

Know your high-traffic periods, and only send materials during those times. In 2016, the R2S Initiative tested the effects of pre-tax season emails on tax filer interest in the government retirement program *myRA* (see Box 7, p. 32). Three different emails were sent on December 23, 2015, to individuals who filed their taxes through TurboTax Freedom Edition in previous years. We found that, if they filed their taxes in January, tax filers who received and opened an email promoting *myRA* were more likely to click to deposit into a *myRA* account than were those who didn't open the

DID YOU KNOW?
Emails sent between 10 a.m. and noon tend to get the most attention, and emails sent on Wednesdays tend to have the highest response rates.^{166,67}

Figure 3. Tax filers who clicked to deposit into *myRA*. The figure shows the percentages of filers who were sent a pre-season email and, in the tax filing process, clicked to deposit into a *myRA*, by whether they opened the pre-season email and by filing month. All emails were sent on December 23, 2015 (10,443 opened and 21,275 did not open). *** Opened different from Did Not Open, $p < .001$



email. This suggests that promoting products through pre-tax season emails can work but that an effort's effectiveness may depend on whether recipients actually open the email close to when they file their taxes.

What does this mean for VITA sites? Many sites reach out to previous clients before each tax season to remind them about their service. Postcards, emails, and other pre-tax season communications afford opportunities to promote tax time saving and to let tax filers know about different savings options. These communications should be timed to come soon before the highest-traffic periods at your site—for example, right before the start of tax season and right before the filing deadline.

EMERGENCY SAVINGS MESSAGING

Experimental evidence from R2S found that messaging about saving for emergencies was more effective than messaging about saving for retirement or other financial goals. Previously, we found that when R2S participants saved, they were most likely to say that they were saving for emergencies. In 2015, the R2S Initiative tested different types of messaging designed to promote tax time saving. Participants were shown messages that prompted them to think of emergencies, retirement, or other financial goals like saving for a house. We found that messages prompting participants to think about possible financial emergencies were generally more effective. This suggests that messaging around saving for emergencies may resonate more with LMI tax filers.

PRECOMMITMENT

Asking tax filers to commit to saving some of their refund before they filed their taxes increased the number of savers.

Research shows that precommitting to a particular course of action before you actually have to make a decision can change behavior.⁶⁸ In 2017, the R2S Initiative decided to test this. Before they began filing their taxes, the initiative asked some participants to precommit to save. If participants checked the box indicating they wanted to save some of their refund, they were reminded of their commitment when they reached the screen asking

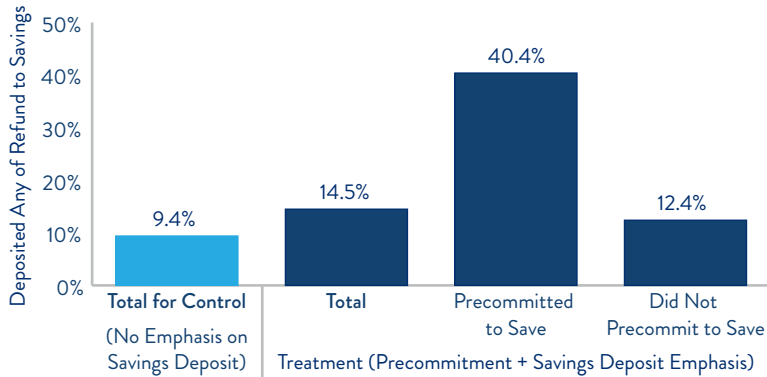


Figure 4. Refund savings deposit rates in 2017: Control versus precommitment to save refund. Precommitment different from No Precommitment, $p < .001$.

where they wanted to deposit their refund, and the option to deposit all of their refund to their savings account was preselected.

We found that approximately 15% of participants who were given the option to precommit actually followed through by saving, and these precommitters were much more likely to save some of their refund than were participants who did not precommit. Overall, the 2017 intervention with the precommitment feature had a greater effect than any other R2S intervention. Although the strong majority of the intervention’s impact was due to the emphasis on savings deposits, our analysis indicated that precommitment can be a useful complement to other tax-time savings approaches.

A similar effort could be implemented at VITA sites when clients complete their intake paperwork. A precommitment to save would prompt tax-preparation and quality-review volunteers to bring up saving later in the process. The R2S research found that the use of a precommitment mechanism in a very light-touch environment produced incremental increases in tax-refund savings behaviors. Even better results may be possible at VITA sites in the high-touch context of in-person tax filing.

Box 8.

LESSONS FROM *myRA* RESEARCH: WHAT ARE VITA SITES SAYING?

During the 2017 tax season, CSD conducted a series of interviews with VITA directors, staff, volunteers, and tax filers. We solicited perspectives on the *myRA* program, which provided retirement accounts designed for people who lacked access to an employer-provided retirement-savings product. The U.S. Department of the Treasury contracted CSD to research better ways of promoting *myRA*. Although the program was cancelled in 2017, CSD gained extensive insights into savings promotion at VITA sites and about what sites are doing to help tax filers save.⁶⁹ Below, we share some of what we learned.

The Saver's Credit Can Serve as an Effective Promotional Tool

The Saver's Credit is a nonrefundable tax credit available to LMI households that save in a retirement account (e.g., a Roth IRA). The credit can serve as an effective promotional tool because tax filers who save some of their refund in a qualifying account can get a bigger refund the next year, and VITA sites reported that this possibility was very attractive to filers. Some of CSD's other research on strategies for promoting long-term saving has shown that highlighting the Saver's Credit is more effective than other strategies such as emphasizing the ease of a particular product.

Our interviews at VITA sites also indicated that the Saver's Credit can be used to introduce the concept of tax-time saving to tax preparation volunteers. Interviewees commonly reported that tax preparation volunteers feel uncomfortable discussing saving with tax filers; volunteers believe that the subject is too personal or think that it isn't their job to talk about more than taxes. Because the Saver's Credit is directly related to tax preparation, mentioning it is a good way to bring up saving and perhaps to overcome some of volunteers' discomfort.

Box 8 (*Continued*)

Selling Saving: VITA Savings Coaches and Financial Capability Volunteers Use a Variety of Strategies to Promote Saving

Often, the way information is presented can influence people’s decisions and can be a valuable tool for shifting opinion.

HELP TAX FILERS VISUALIZE THEIR FUTURE

Comments by one VITA savings coach illustrate this approach:

When I coach individuals I say, “You know you have a certain lifestyle that you’re living. You want to keep that the same no matter if you’re old age working or not. And Social Security is a lot less than what you think it’s going to be.” I show them the maximum amounts per month, and people are really surprised at how low it is, right. And I say, “You’re going to need some income to supplement that.”

REMIND TAX FILERS THAT, BY NOT SAVING, THEY COULD BE LEAVING MONEY ON THE TABLE

Several savings coaches mentioned that growth charts modeling compound interest are an effective tool for promoting long-term saving. Reminding tax filers that they could be losing out on future gains by choosing not to save could be the nudge that motivates them to save.

Other Messaging Approaches You Can Use

FAMILIARITY

Research shows that people prefer the familiar and tend to distrust the unfamiliar.⁷⁰ Promoting your savings initiative frequently can build “brand” awareness among your client population and make the initiative more attractive to tax filers.

SOCIAL NORMS

Social norms—our perceptions about the behavior and expectations of others—can have a powerful influence on our behavior.^{71,72} Framing tax time saving as popular or socially desirable can nudge tax filers to save. For example, you could communicate to

Box 8 (Continued)

filers that most people save at least some of their refund for emergencies. Our survey research has confirmed that most do.⁷³

POSITIVE SELF-IMAGE

Understandably, people are motivated to maintain a positive self-image and will engage in behaviors that reinforce the image.⁷⁴ You can promote saving by framing behavior in a way that aligns with their values. For example, if being a good parent is important to a tax filer, you might frame saving as a good way to improve their family's financial well-being.

“ANCHORING” TAX FILERS TO REFUND SAVINGS AMOUNTS

As discussed in Box 7, providing suggested savings amounts (or “anchors”) has proven to be effective in driving filers to save refunds at tax time.

You can incorporate anchors when you communicate with clients about saving! For example, you might suggest an anchor of \$400, encouraging clients to save \$400 of their refund (a minimum threshold to be considered “asset secure”), by saying, “Even saving just \$400 is enough to protect you against a lot of smaller emergencies like a car repair.”

ACCURACY

People tend to find specific numbers more persuasive and trustworthy than round numbers.⁷⁵ When using interest rates or average savings amounts in your messaging, be specific. Say, for example, “On average, our clients deposited \$52.30 to savings accounts,” rather than, “Our clients deposited about \$50 to savings accounts.”

MAKING SAVING FUN

Interviewees at VITA sites also reported that promotions to make saving fun (e.g., raffles) were very popular. Most of the sites CSD visited were participating in the SaveYourRefund campaign, and we found that it was well received by both tax filers and volunteers. As one site volunteer said, “It’s almost like a free lotto ticket, right? And then you get to keep the \$50.”

Box 9.

How did they do it?

SAVINGS AT TAX TIME



We implemented [the Split, Save and Win! sweepstakes] in the 2015 tax season with 47 entrants,⁷⁶ [and with] 67 in the 2016 tax season. We anticipate continued growth in the 2017 tax season. Employees and others who are ineligible to participate in [the sweepstakes] are encouraged to participate in SaveYourRefund.

—Southern Bancorp Community Partners

We partner with and leverage the Commonwealth and America Saves SaveYourRefund campaign to offer weekly \$100 incentives for anyone who saves at tax time. While the SaveYourRefund campaign allows anyone using the Form 8888 on the federal return to qualify, we supplement this with our own funding to celebrate and reward anyone who decides to save all of their federal refund. Together with SaveYourRefund, the incentive campaign makes saving at tax time fun and gives us a reason to celebrate on site. Celebrations usually include bell ringing and gift giving. Some of our sites even play music to applaud our savers.

—Center for Economic Progress

[CSD Note: One site made up a song and dance routine!]

Box 10.

OTHER TAX TIME SAVINGS RESEARCH: A SUMMARY

SaveNYC

DETAILS

In 2008, the New York City Department of Consumer Affairs piloted SaveNYC, a matched savings intervention to leverage the tax refund in order to help LMI households build emergency savings and increase financial stability. This program was implemented in collaboration with community banks and free tax sites. Specifically, SaveNYC highlighted the benefit of allocating the tax refund to savings because doing so does not reduce households' daily cash flow.^{77,78,79}

FINDINGS

- For most participants, this was their first time saving any of their refund.
- Eighty percent of account holders in 2009 saved for the full year required to receive a match, and more than 30% of participants saved in subsequent years.
- In the following intervention year, 2010, at least 70% of participants saved for the full year to receive a match, and participants continued to save after receiving their match.

SaveUSA

DETAILS

SaveUSA similarly hoped to optimize the tax-time moment as a method for increasing savings in the LMI population. The program provided matching contributions to the accounts of households that saved the refund. SaveUSA was built on the free tax preparation services provided by 18 VITA sites across four cities. SaveUSA aimed to

Box 10 (*Continued*)

influence federal tax policy by encouraging the creation of a federal program enabling LMI households to directly deposit tax refunds into unrestricted savings accounts.⁸⁰

FINDINGS

- ❑ Sixty-eight percent of participants received at least one savings match over the life of the program.
- ❑ Over the course of the program, savings match rates by city ranged from 52% to 80%.
- ❑ On average, the group receiving the matches had \$2,281 in nonretirement savings, a level 30% higher than a group not receiving the matches.

It's Not Like I'm Poor: How Working Families Make Ends Meet In A Post-Welfare World

DETAILS

This book presents a qualitative study of the financial lives of EITC recipients. It discusses factors involved when they file their taxes and how they choose to spend their refunds.⁸¹

FINDINGS

- ❑ A significant amount of debt repayment occurred at tax time; participants felt a sense of relief in clearing debt.
- ❑ Participants who put their refund towards debt typically reduced their debt amount by half.
- ❑ The majority of participants aspired to save for college or homeownership.
- ❑ Families are not familiar enough with the tax code to accurately predict how much they will receive in their refund.
- ❑ Most of the participants did not quite understand how the EITC worked, or why they received the amount that they did. Many families wanted to save a

Box 10 (Continued)

portion of their refund—and some did manage to save—but many were burdened by debts and ended up spending their refunds on unplanned expenses or drops in income.

SaveYourRefund

DETAILS

SaveYourRefund is a national campaign encouraging savings at tax time among low-income households. Two new strategies to increase savings were tested: Lottery-style instant win scratchers and “gamifying” the tax preparation experience. During the 2015 tax season, 100 people each won \$100 in the weekly drawings, and one was selected as the winner of the \$25,000 grand prize.

FINDINGS

- ❑ Eighty-three percent of 129 SaveYourRefund respondents indicated that their decision to enter was due to a conversation with their tax preparer.
 - ❑ The sites that distributed the lottery scratchers saw a higher percentage of new savers and a higher average amount of new savings created.
 - ❑ At tax preparation sites with lottery scratchers, 41% of savers were newly incentivized and saved an average of \$689, compared to the standard SaveYourRefund sites at 38% and \$482, respectively.
 - ❑ Tax filers reported that the use of game boards to promote savings were less effective.⁸²
-

Beyond Savings: Incorporating a Financial Capability Program at Tax Time

Incorporating a tax-time savings program into your VITA site work is in many ways a natural choice. Almost everyone can benefit from having additional savings, and the large refunds received by many LMI tax filers make the tax moment a prime opportunity to save. But what about the other financial needs of your clients? How can you best provide services that fit their needs as well as your organization's mission and resources?

What you decide should depend heavily on your organization's capacity, the partnerships available to you, and the characteristics of your target population. To understand what services would benefit your clients, you might conduct a basic needs survey as part of the VITA intake process. This survey could shed light on the extent to which clients lack basic financial knowledge and struggle with debt. It could also provide straightforward answers about what services they want to receive through the VITA site. The insights can help you prioritize among types of products and services.

Another consideration when identifying potential services that you can provide to your clients is the array of services already offered by other community partners. By getting to know your local credit-counseling agencies, credit unions, and social-service providers, you can get a sense of what options best fit your site and clients. Of course, this approach need not be adopted in lieu of a needs survey. Indeed, a good path forward would be to merge these two options, matching the identified needs of your clients to services already available in the community.

In this section, we identify ways to incorporate additional financial capability services into you VITA program. The following options are ordered from low to high according to the extent of your organization's engagement in the program. We did this because the extent of engagement could influence the

costs and quality of service provision. (The passages below briefly summarize options and resources, but the overview is not comprehensive.)

A LIGHT TOUCH: REFERRING YOUR CLIENTS TO ONLINE RESOURCES

As a first step in embracing new financial capability services, your organization could refer clients to a wealth of online resources offering guidance on financial issues and in-depth information about financial concepts. For example, your clients could fill out detailed household budgets and receive immediate feedback online. Examples of online tools include the following:

- ❑ NFCC’s MyMoneyCheckUp tool (also available in Spanish) provides a personalized evaluation of the user’s financial situation and individually targeted advice: <https://www.mymoneycheckup.org/syff>.
- ❑ NFCC’s online budget planner allows users to track monthly income and expenses: <https://www.nfcc.org/tools-and-education/budget-worksheet/>
- ❑ The NFCC’s budgeting calculators enable users to plan a variety of budgets: <https://www.nfcc.org/tools-and-education/calculators/>
- ❑ Free credit reports can be accessed through <https://www.annualcreditreport.com/index.action>.
- ❑ Financial education resources, including financial tips, videos, podcasts, and other tools for improving money management skills, can be accessed through the following locations:
 - ❑ <https://www.nfcc.org/financial-education/>
 - ❑ <https://www.nfcc.org/tools-and-education/money-management-tips/>
 - ❑ [MyMoney.gov](https://www.mymoney.gov)
 - ❑ The Federal Deposit Insurance Corporation’s Money Smart financial-education program: <https://www.fdic.gov/consumers/consumer/moneysmart/>

The major advantage of referring your clients to online resources is that it significantly reduces the burden on your organization. Of course, lighter touches sometimes correspond to lighter impacts (but not always!). There are

Box 11.

How did they do it?

LIGHT TOUCH INITIATIVES



[Southern Bancorp offers] eHome America (in English and Spanish) and eHome Money for convenient, accessible online general financial education ... anyone can take or be referred to the class now for free. [Information on both efforts can be accessed via <https://app.ehomeamerica.org/southernpartners>.] In addition, [Southern Bancorp Community Partners] has collected a variety of financial education resources in an online publicly available learning center. [The materials can be accessed through <http://southernpartners.org/learning-center/>.]

—**Southern Bancorp Community Partners**

The Boston Tax Help Coalition provides online information about financial coaching available through the Mayor's Office of Financial Empowerment, encouraging tax filers to attend an orientation session at the Roxbury Center for Financial Empowerment.

a few things to consider in determining which online tools are appropriate for your clients' use. First, it is virtually impossible to ensure that your clients will actually use the online resources you identify. Second, given the abundance of online financial materials, your clients may end up accessing information that is factually incorrect or less useful to their specific financial situations. Third, the lack of real-time interactions with professionals may leave some financial questions unresolved.

BUILDING BRIDGES FOR SUCCESS: REFERRING YOUR CLIENTS TO A PARTNER AGENCY

Referring your clients to online resources and encouraging them to learn about financial capability on their own may be ineffective. A more effective alternative might be to partner with a reputable agency that provides the type of services your clients may benefit from—a financial-coaching or credit-counseling agency, for example. The primary objective is then finding a suitable partnering agency that would be able to adequately work with your clients. We have suggestions to help you start with the search for potential credit counseling partners:

- ❑ The U.S. Department of Justice keeps a list of approved nonprofit credit-counseling agencies: <https://www.justice.gov/ust/list-credit-counseling-agencies-approved-pursuant-11-usc-111>.
- ❑ NFCC maintains a directory of nonprofit NFCC-certified consumer-credit counselors: <https://www.nfcc.org/locator/>.
- ❑ NFCC also maintains a database of agencies that offer a wide range of counseling services and financial workshops: https://active.nfcc.org/rpc/member_locator/find.cfm.
- ❑ The Financial Counseling Association of America maintains a list of nonprofit member agencies that provide different types of certified credit-counseling services: <http://fcaa.org/>.

The search for potential credit-counseling partners does not have to be limited to the preceding list. However, if you decide to look for counseling agencies through other channels, make sure that you locate a reputable, NFCC-certified, nonprofit credit counseling agency that provides credit counseling free of charge and enrolls its clients in a low-cost debt-management plan.

Notably, there is no analogous list of certified financial-coaching agencies or programs. Generally, however, financial coaching programs can be found through credit unions, credit counseling agencies, social service organizations, and specialized nonprofit organizations that focus on financial security issues.

Financial credit counseling and financial coaching can be delivered in person, online, or via phone, and service delivery methods could influence

partner selection. Research has shown that the effectiveness of credit counseling may be similar across different delivery channels,⁸³ though some experts consider the lack of face-to-face interaction to be problematic. Face-to-face counseling can offer more comprehensive evaluation of financial circumstances and more individualized recommendations. Because of these advantages, it may be preferred.⁸⁴ In turn, there are multiple methods for delivering financial coaching: group coaching sessions as well as in-person, phone, and online interactions offered alone or in combination.⁸⁵

Evidence also indicates that people tend to approach credit counseling agencies at the last moment, when they are already deep in financial trouble.⁸⁶ Your organization can be proactive in encouraging tax filers to approach credit counselors or financial coaches early on, when financial problems are looming but have not reached a critical level and are still solvable.

As part of your VITA partnership, one of the major roles of your organization is to serve as a point of contact between tax filers and financial capability agencies. You ensure that your clients work with a legitimate agency and derive the maximum benefit from financial capability services. For example, many credit counseling agencies engage in predatory practices like deceitful marketing or impose hidden charges, and your role is to thoroughly screen potential partners, linking your clients to certified, reputable agencies (see Box 12).

In addition, your staff may need to be familiar with key topics in financial coaching and credit counseling so that they can explain the services to tax filers and provide answers to most basic questions like the following:

- ❑ What is the difference between financial coaching and credit counseling?
- ❑ What should I expect from credit counseling?
- ❑ How will a debt management plan affect my credit?
- ❑ What is right for me: a debt management program, a debt consolidation program, a debt settlement program, or filing for bankruptcy?⁸⁹

Overall, the major benefit of providing financial capability services via partnerships with external agencies is that it significantly reduces the

Box 12.

THE CREDIBILITY OF CREDIT COUNSELING AGENCIES

The quality of credit counseling agencies varies greatly, and there are plenty of agencies that engage in predatory behaviors. It is therefore of foremost importance to do your homework when searching for a trustworthy, credible partner.

Credible credit-counseling agencies will likely be nonprofit and accredited. They will not charge for credit counseling sessions and will charge a low fee to enroll in a debt management plan. Beware of agencies (usually for-profit entities) that charge for counseling services, ask for high debt-management-plan enrollment fees, engage in aggressive advertising, have hidden fees that they fail to disclose, or try to “sell” debt management plans to clients, regardless of whether they need it. However, nonprofit status does not guarantee that an agency will not engage in such practices, and this again highlights the need to thoroughly research credit counseling agencies before establishing a partnership.

The aforementioned resources from the Department of Justice, the NFCC, and the Financial Counseling Association of America provide an extensive list of credible credit counseling agencies. More information on finding a good credit counseling agency can be found in the Federal Trade Commission’s resource, *Choosing a Credit Counselor*,⁸⁷ and in a report by the National Consumer Law Center and Consumer Federation of America (pp. 8, 52).⁸⁸

Box 13.

How did they do it?

REFERRING TO PARTNERS



Prepare + Prosper partners with a statewide NFCC-certified financial counseling agency called LSS Financial Counseling. A robust referral partnership allows site staff and volunteers to send a detailed referral on a customer (e.g., type of debt, best time of day to contact, specific financial issues) and a certified financial counselor reaches out directly to the P+P customer with [a] tailored message within one business day.

—Prepare + Prosper

burden on your organization without sacrificing the quality of services, as established financial capability agencies already deal with customers who are similar to yours.

DELIVER FINANCIAL PRODUCTS THROUGH PARTNERSHIPS WITH FINANCIAL INSTITUTIONS

If your VITA site would like to offer clients access to financial products, you can create partnerships with local banks and credit unions. Contact the financial institutions in your area to explore such partnerships and the array of financial products that could benefit LMI consumers. Begin your search by exploring the products and services offered by local CDFIs and BankOn coalitions.

Information on CDFIs and their products and services may be accessed through the CDFI Fund's website.⁹⁰ Bank On coalitions in your area may be found via an interactive map maintained by the Cities for Financial Empowerment.⁹¹

Box 14.

How did they do it?

PARTNERING WITH FINANCIAL INSTITUTIONS

“ [Prepare + Prosper] has been partnering with financial institutions since the introduction of financial capability programming into its tax clinics in 2006. While some of these partnerships have come and gone, there are a couple that have had staying power, namely with a local community bank and credit union who have been partners for 10+ years.

—**Prepare + Prosper**

“ P+P is currently leading the Financial Access in Reach (FAIR) initiative to bring a solution of affordable, transparent financial products specifically tailored for financially underserved, LMI consumers. Specifically, FAIR bundles a checking account, savings account and credit builder loan that together is the FAIR Financial Solution and will be promoted and distributed not in a bank branch but in the community at trusted nonprofits, employers, and other public institutions. The FAIR Financial Solution will be piloted in Minnesota during 2018 with an aim to reach national scale in 2019–2020.

—**Prepare + Prosper**

“ [The Center for Economic Progress partners] with several banks, credit unions, and online savings institutions. Many of them are local institutions servicing certain regions in which we have a tax site or two. In those cases, banks partner directly with those sites and send representatives to help our staff and volunteers open accounts. In some cases, our bank partners train our financial capability manager on how to enroll clients and we manage the account opening process directly. In other cases, banks do not have the capacity to train our staff so they need to be on-site to open ac-

Box 14 (Continued)

counts. If, for some reason, the bank representatives cannot be on-site and our staff cannot help open accounts, we have partnered with [a national bank] to open an online savings account directly.

—**Center for Economic Progress**

“**Southern Bancorp Community Partners** has an existing relationship with [their] affiliate bank partner, Southern Bancorp Bank,” which offers a wide array of financial services specific to the needs of LMI individuals. For example, the Credit Builder Certificate of Deposit (CD) is a loan and savings program that helps customers improve their credit history: “First, you receive a loan from Southern Bancorp for either \$500 or \$1,000 that is put into your CD. Make monthly payments until the loan is paid off. Then, you receive the full value of the CD, plus interest, and this important bonus: an improved credit rating by credit bureaus due to your monthly payments.” As another example is, Southern Bancorp’s offers a basic Freedom Checking account, which features a “\$100 minimum deposit required to open” and a “monthly service charge waived with eStatements.

KEEPING IT CLOSE TO HOME: OFFERING FINANCIAL CAPABILITY SERVICES IN-HOUSE

It may not be feasible to start and fully administer your own financial capability program. To do so, your organization might have to procure additional space and hire additional staff. These costs may be prohibitively high. As an alternative, you could offer a limited array of related services.

For example, you may be able to find financial coaches who would volunteer at the VITA site several times a week. You could integrate financial-literacy and debt-management content into the tax preparation services offered during the tax season. After assisting with tax filing, VITA volunteers could pull credit reports and review them with clients. Volunteers can discuss

clients' financial issues and goals, providing financial management tips during the filing process. After tax season, volunteers could phone filers to follow up on progress toward the identified goals. If funding is available, you might hire a staff member to provide financial capability services. The menu of services does not have to be extensive.

We provide the following list to help you better understand what your organization can do internally:

- ❑ Financial-education materials can help you get familiar with financial concepts. Sample resources can be obtained from the NFCC, the Financial Literacy and Education Commission's [MyMoney.gov](https://www.mymoney.gov) site, and the FDIC's Money Smart financial-education program. Additional resources are available from the National Endowment for Financial Education and Southern Bancorp Community Partners.⁹²
- ❑ During the tax filing sessions, your staff can encourage filers to evaluate their current financial situation by filling out a household budgeting worksheet.⁹³
- ❑ Help in implementing financial capability programs can be found in CFPB's resources for practitioners, Prosperity Now's resource directory, and the Financial Coaching Strategies website from the University of Wisconsin–Extension.⁹⁵
- ❑ NeighborWorks America offers a variety of trainings on financial capability topics.⁹⁶

A benefit of providing financial capability services internally is that, if you are part of an established VITA site or VITA organization, your organization has already built rapport with tax filers and knows their financial needs. This makes your organization uniquely equipped to address those needs, and the organization's encouragement can amplify clients' enthusiasm to pursue their financial goals.

Box 15.

How did they do it?

OFFERING FINANCIAL CAPABILITY IN-HOUSE



New in the 2018 tax season, the financial capability team at ... began offering balance due and W4 withholding education to better serve those taxpayers who are not receiving a refund at the 'money moment' of tax time.

—**Prepare + Prosper**

Box 15 (Continued)

“ Coupling an annual credit report review with the tax time money moment has been very popular among P+P customers. Each year, staff and volunteers access and review anywhere from 600–1,000 credit reports via the AnnualCreditReport.com. However, a credit report review often brings up deeper conversations and questions about debt management that require the expertise of a certified financial counselor.

—**Prepare + Prosper**

“ For those customers who may want to work on more long-term financial goals, such as credit building, debt repayment, or living within a budget, our tax site staff and volunteers refer them to P+P’s financial coaching program, called Money Mentors. Participants in the Money Mentors program are coupled with a volunteer financial coach to work over 6 months on defining, creating a plan, and implementing the financial behavior change to reach their financial goal(s). Not only is the financial coach a cheerleader [who provides] accountability support to participants, but participants [are] included in peer sessions to share resources and build community with others doing the hard work of financial behavior change.

—**Prepare + Prosper**

“ We provide year-long financial coaching services at our main office and refer tax clients to that program regularly.

—**Center for Economic Progress**

“ During our post-season tax events, we provide a Credit Geek program where tax clients visiting our site can pull their report and sit with a volunteer Credit Geek to discuss ways to build their credit.

—**Center for Economic Progress**

Box 15 (Continued)



We offer in house ... counseling through which the client and counselor evaluate their credit report and make a personal plan that fits their current place in life and includes future goals.

—**Southern Bancorp**



Boston Tax Help Coalition's Financial Check-Up Program offers free, personalized financial-assessment initiatives at selected VITA sites. The program provides “credit advising with a FICO Score evaluation, access to financial aid advising if needed, and referrals to other services leading to greater financial stability.”⁹⁴

Step 3. LEARN ABOUT HELPFUL RESOURCES

Budget and Fundraising

Association of Fundraising Professionals

<http://www.afpnet.org/>

The association's Resource Center offers tailored research assistance on fundraising issues and best practices in the field for grant-seeking organizations.

The Chronicle of Philanthropy

<https://www.philanthropy.com/>

The Chronicle of Philanthropy is an independent media outlet that reports on activities occurring within philanthropic organizations. In its advice section, it provides guidance on succeeding as a nonprofit professional and seeking grant opportunities.

Foundation Directory Online

<https://fconline.foundationcenter.org/>

As a service of the Foundation Center, Foundation Directory Online provides up-to-date information for approximately 140,000 U.S. foundations and the types of grants they make.

The Grantsmanship Center

<https://www.tgci.com/>

The Grantsmanship Center offers training and publications to help organizations develop grant proposals that will secure funding for their efforts.

Internal Revenue Service

<https://www.irs.gov/individuals/applying-for-a-vita-grant>

If you're wanting to start a VITA site, you need to reach out to the IRS first. The IRS site walks an organization through all the steps required to launch a VITA program.

Key Publications From the Field

Introducing Saving to Your Clients at Tax Time

The Volunteer Income Tax Preparer's Toolkit: Showing Clients Why Tax Time Is the Right Time to Save (CSD)⁹⁷

<https://csd.wustl.edu/Publications/Documents/T15-56.pdf>

In our first Toolkit, we presented the evidence supporting tax-time savings. The evidence comes largely from our R2S Initiative as well as from real-world examples in different VITA programs throughout the United States.

Start the Savings Conversation: A Toolkit for VITA Volunteers (Prosperity Now)⁹⁸

<https://prosperitynow.org/start-savings-conversation-toolkit-vita-volunteers>

The purpose of this toolkit is to guide VITA volunteers in conversations they may have with their clients about saving part of their tax refund. The work highlights best practices from leading VITA programs and demonstrates real-life conversations.

Introducing Financial Capability Services at Tax Time

Your Money, Your Goals (CFPB)⁹⁹

https://csd.wustl.edu/OurWork/FinIncl/FinCap-AccessAbilities/Documents/201701_cfpb_YMYG-Toolkit.pdf

This toolkit provides a variety of information related to financial empowerment and is designed for practitioners who work with economically

vulnerable clients. The purpose of the Toolkit is to offer practitioners numerous options in assisting clients with their financial goals.

Building Financial Capability: A Planning Guide for Integrated Services

(Prosperity Now)¹⁰⁰

https://www.acf.hhs.gov/sites/default/files/ocs/afi_resource_guide_building_financial_capability.pdf

This guide, authored by Prosperity Now under the ASSET Initiative Partnership for the Administration for Children and Families at the U.S. Department of Health and Human Services, walks community-based organizations through the process of building LMI clients' financial capability by integrating financial capability services into existing programs (e.g., housing, workforce development, family services) that clients are already using.

Relevant Online Resources

The resources provided below have been reviewed by CSD researchers and come from independent organizations. We offer the following as ideas for options to increase financial capability among your clients at tax time—CSD does not endorse any particular service, program, or organization.

Learn More

Taxpayer Opportunity Network's Tax Time Financial Capability Library¹⁰¹

https://prosperitynow.org/files/PDFs/12-2017_Tax_Time_Financial_Capability_Resource_Interactive_Brief.pdf

This library, made for practitioners running VITA sites, offers comprehensive listings of research, implementation supports, and model practices related to introducing financial capability services and products at tax time.

University of Wisconsin–Extension Cooperative's Financial Coaching Strategies website

<https://fyi.uwex.edu/financialcoaching/>

Hosted by one of the foremost experts on financial coaching, this website is specifically focused on research and publications related to offering a financial coaching program.

NFCC

<https://www.nfcc.org/>

The NFCC serves as a research hub and directory for all accredited, nonprofit, credit-counseling agencies. The foundation also offers a variety of free tools and resources for practitioners and consumers. Even if your organization is not ready to offer its own credit-counseling or financial-coaching services, you can be confident that programs certified by the NFCC are sound.

Offer More

FDIC's Money Smart program

<https://www.fdic.gov/consumers/consumer/moneysmart/>

A financial education program developed for use by financial institutions and other organizations, Money Smart offers a comprehensive financial education curriculum for LMI households. The program offers no specific product or service recommendations and can be adopted for no cost.

CFPB's Financial Well-Being Scale

<https://www.consumerfinance.gov/consumer-tools/financial-well-being/>

The CFPB's scale is a free and well-researched way to understand your clients' current financial situations.

Policy & Research Hubs

Center for Financial Security at University of Wisconsin–Madison

<https://cfs.wisc.edu/>

The Center for Financial Security supports applied research on household finance and financial capability, examining the role that specific programs,

policies, and products can play in helping individuals overcome financial challenges. The center's research is known for its focus on vulnerable populations, including low-income families, youth, and people with disabilities.

Center for Advanced Hindsight at Duke University

<http://advanced-hindsight.com/>

The Center for Advanced Hindsight is renowned for its wide-ranging work on using behavioral insights to guide individuals' decision-making processes, specifically in the areas of health and finance. Researchers at the center have informed the design and implementation of the R2S experiment.

Commonwealth

<https://buildcommonwealth.org/about>

Commonwealth is a nonprofit organization that works to develop innovations that enable financial security for all Americans. Commonwealth's SaveYourRefund project promotes saving at tax time by offering cash prizes to individuals who split and save a portion of their tax refund.

CFPB

<https://www.consumerfinance.gov/>

As a government watchdog agency for American consumers, the CFPB functions to enforce federal consumer financial laws and protect consumers in the marketplace. The CFPB also conducts its own consumer finance research and offers numerous tools for practitioners, including resources for tax preparers.

Prosperity Now

<https://prosperitynow.org/>

Prosperity Now is a nonprofit organization that seeks to improve the financial security of LMI households in the United States through research, advocacy, technical assistance to state and local nonprofits, and events. Prosperity Now is home to the Taxpayer Opportunity Network, which gathers VITA programs from around the country to learn about best practices and develop new ideas and solutions for VITA sites.

NOTES

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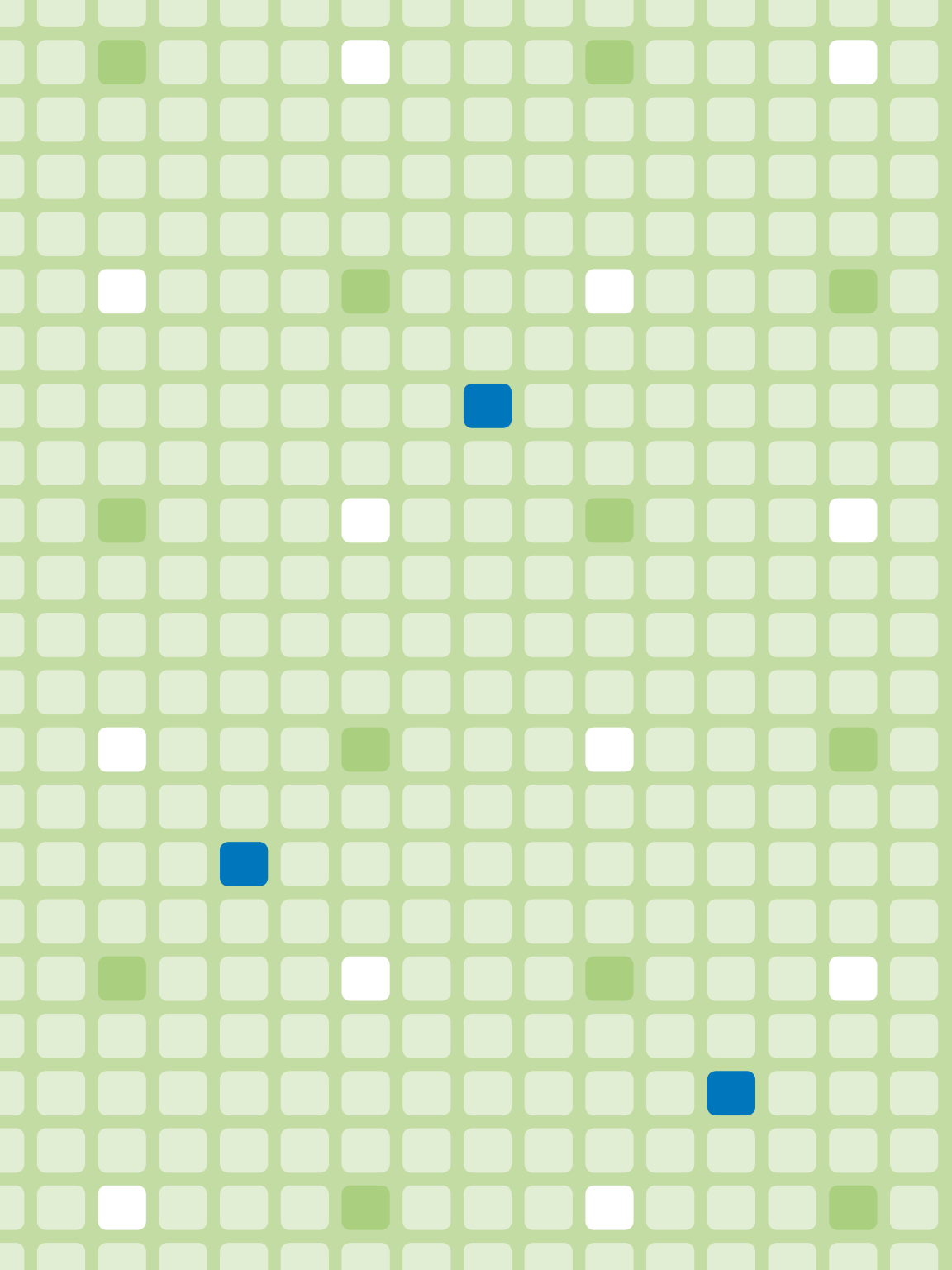
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