



August 22, 2012

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Savings Soars: *OpportunityTexas*' Tax-Time Savings Project Triples Impact from Last Year

Household savings provides financial security and strongly predicts whether individuals move up the economic ladder; however, many Texas families have little or no savings.¹ In fact, the Corporation For Enterprise Development (CFED) 2012 Assets & Opportunity Scorecard ranked Texas near the bottom in overall measures of household financial security and found that one in two Texans lacks enough “rainy day” savings to weather a temporary loss of income.² A lack of savings leaves families more anxious about paying monthly bills, more likely to carry credit card balances, and more at risk for predatory lending loans. As a result, Texans are much less likely to get ahead than their counterparts in other states.³

Making Savings Happen

The *OpportunityTexas* Tax-Time Savings Project (TSP)—our partnership with the United Ways of Texas and Foundation Communities—aims to increase household savings and reduce asset poverty. For many working families, tax refunds represent the largest lump sum of money they receive all year. During tax season, more than 100,000 Texans get their taxes prepared at Volunteer Income Tax Assistance (VITA) sites. These IRS-certified sites, operated by local entities, provide free tax return preparation to low-income families and have emerged as a primary platform to provide financial stability services to working families.

TSP provides modest incentives to VITA clients to encourage them to save a portion of their tax refunds by purchasing at least one U.S. Savings Bond. In 2012 the project distributed a \$25 grocery or discount store gift card to filers that purchased at least \$50 in U.S. savings bonds with their tax refund.

As a result of our partnerships promoting savings at tax time, the number of VITA savers has soared. The number of savers tripled and the amount saved quadrupled from last year. In 2011—the inaugural TSP tax season—265 filers participated, saving \$30,700; in 2012, 942 filers saved over \$143,000. For an overview of last year’s project, please see this guide, which highlights best practices and lessons learned from TSP’s first season. During 2012, we also leveraged financial support from the local business community and public sector.

Profile of 2012 TSP Savers

Average Refund	\$2,892
Average Household Income	\$20,243
Average Value of Savings Bonds Purchased	\$152



2012 Key Tax-Time Savings Outcomes

Number of Project VITA Filers who Saved	942
Number of Project VITA Filers who Saved More than \$500	44
Total Number of Savings Bonds Purchased	1,061
Total Value of TSP incentives	\$14,240
Total TSP savings	\$143,300

Source: United Ways of Texas, 2012; Foundation Communities, 2012

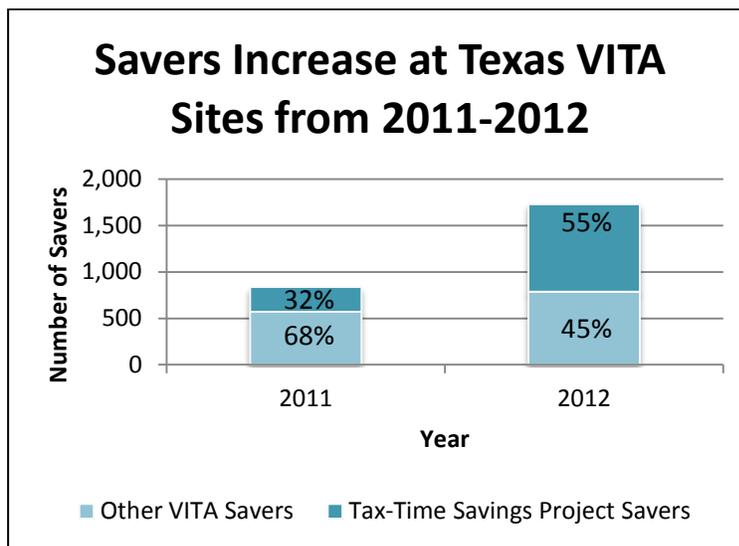
Some Benefits of U.S. Savings Bonds for Tax-Time Saving

- Tax filers can purchase savings bonds directly through the tax return and typical VITA preparation;
- Tax filers can purchase savings bonds without a bank account; and
- Savings Bonds are categorically exempt from Texas asset tests for public income and health supports for the first year after purchase.

Overall, 12 Texas communities, including 51 VITA sites (about 20% of VITA sites statewide), participated in our Tax-time Savings Project — Austin, Brownsville, Corpus Christi, Dallas, Fort Worth, Longview, Lubbock, Midland, Port Arthur, San Antonio, Temple, and Wichita Falls.

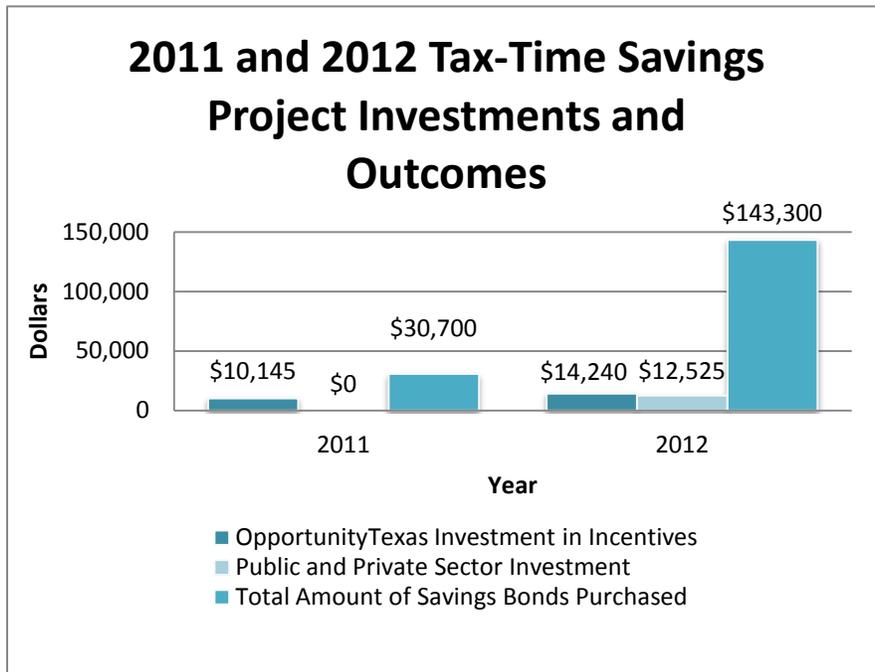
Savings at VITA Sites Gaining Steam

As shown below, this year's VITA savings doubled from the 2011 tax season, with TSP savers becoming a majority of all VITA savers.



Source: IRS, 2012; United Ways of Texas, 2012; Foundation Communities, 2012

This year the TSP improved its marketing techniques and shifted from using a \$50 U.S. Bond incentive, which was used TSP’s first year, to a \$25 gift card incentive. These changes paid off, as “return-on-investment,” i.e. savings-to-incentives, increased from 3:1 to 10:1 from 2011 to 2012.



**If \$10,000 challenge grant from the City of Austin for general operational support to Foundation Communities is included, public and private sector investment in the project would be \$22,525 in 2012.*

Policy Choices Matter

Texas policymakers also have a role to play in promoting savings and reducing asset poverty. In particular, the Legislature should reform resource limits for public benefits eligibility. These savings penalties discourage thrift and personal responsibility. In fact, asset limits reinforce poverty, whereas savings combats poverty.

The Tax-Time Savings Project Makes a Difference for Families

- 80% of participants were new tax-time savers.
- 89% said that the incentive was important in their decision to save.⁴
- 39% purchased a savings bond for a child.

OpportunityTexas is committed to increasing the number of low-income savers in Texas, both through Texas VITA sites, and through other scalable platforms. Next tax season, we plan to continue investing in projects that encourage filers to purchase Savings Bonds with their tax refund and in projects that incentivize clients to save their refund in a matched savings account.

ENDNOTES

- ¹ Reid Cramer, Rourke O'Brien, Daniel Cooper and Maria Luengo-Prado, "A Penny Saved is Mobility Earned: Advancing Economic Mobility through Savings," Economic Mobility Project, November 2009.
- ² CFED 2012 Assets and Opportunity Scorecard, <http://assetsandopportunity.org/scorecard/>, Liquid Asset Poverty – the percentage of households without sufficient liquid assets to subsist at the poverty level for three months in the absence of income. The threshold used to determine the liquid asset poverty rate varies by family size. A family of three with liquid assets less than \$4,632 in 2011 is asset poor.
- ³ Pew Center on the States, Measuring State Economic Mobility, 2012. Texas is one of nine states with worse economic mobility than the national average. The Pew analysis covers three types of mobility: relative; absolute; directional (upward or downward). Texas ranks below average on 2 of 3 of these mobility measures. For more information, see <http://www.pewstates.org/research/data-visualizations/economic-mobility-of-the-states-interactive-85899381539>
- ⁴ Data collected for United Way of Texas grantees only.

For More Information

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About the Center

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About *OpportunityTexas*

OpportunityTexas is a joint project of the Center for Public Policy Priorities and RAISE Texas that works to move Texas families toward greater economic opportunity through academic and financial education and savings. To learn more, visit OpportunityTexas.org and [facebook.com/OpportunityTexas](https://www.facebook.com/OpportunityTexas)