EXECUTIVE SUMMARY

Final Impact Findings from the SaveUSA Evaluation

Gilda Azurdia
Stephen Freedman

January 2016
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Encouraging Nonretirement Savings at Tax Time

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SaveUSA is one of five evidence-based programs that were implemented as part of the Social Innovation Fund (SIF) grant to the Mayor’s Fund to Advance New York City and the New York City Center for Economic Opportunity. The SIF is a federal program administered by the Corporation for National and Community Service (CNCS). It catalyzes a unique public-private funding model in which each federal dollar must be matched by private and local contributions. Matching funds required by the SIF for SaveUSA were provided by several foundations and organizations: Bloomberg Philanthropies, Open Society Foundations, The Rockefeller Foundation, The Annie E. Casey Foundation, The Ford Foundation, MetLife Foundation, George Kaiser Family Foundation, Tulsa Community Foundation, and United Way of San Antonio and Bexar County.

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The findings and conclusions in this report do not necessarily represent the official positions or policies of the funders, the Mayor’s Fund to Advance New York City, or the New York City Center for Economic Opportunity.

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Overview

Launched in 2011, SaveUSA encourages low- and moderate-income individuals to set aside money from their tax refund for savings. Tax filers at participating Volunteer Income Tax Assistance (VITA) sites can directly deposit all or a portion of their tax refund into a special savings account, set up by a bank or credit union, and pledge to save between $200 and $1,000 of their deposit for about a year. Money can be withdrawn from the accounts at any time and for any purpose, but only those who maintain their initially pledged savings amount throughout a full year receive a 50 percent match on that amount. Account holders, irrespective of match receipt, can deposit tax refund dollars in subsequent years and become eligible to receive additional savings matches on their new tax refund deposits.

This report presents findings on SaveUSA’s implementation in four cities — New York City, Tulsa, Newark, and San Antonio — and on its longer-term effects on savings and other financial outcomes in two cities, New York City and Tulsa. In these latter cities, tax filers interested in SaveUSA in 2011 were randomly selected either to a group whose members were offered the opportunity to open a special savings account (the “SaveUSA group”) or to a group that could not do so (the “Regular Tax Filers” group). The report compares the savings and other financial behaviors of these two groups over time to estimate SaveUSA’s effects. Its findings thus suggest the effects that savings policies structured similarly to SaveUSA’s might have.

SaveUSA’s operation and evaluation were supported by the Social Innovation Fund (SIF), a program of the Corporation for National and Community Service (CNCS). This particular SIF project has been led by the Mayor’s Fund to Advance New York City and the New York City Center for Economic Opportunity (CEO) in collaboration with MDRC. CEO and the New York City Department of Consumer Affairs Office of Financial Empowerment led SaveUSA program operations, and MDRC conducted the program’s evaluation.

Key Findings

- SaveUSA was successfully implemented in all four cities. About two-thirds of the SaveUSA group received at least one savings match during the three program years. Across the whole SaveUSA group, total match dollars averaged $365 over the three program years.

- As of the 42-month follow-up point, SaveUSA had increased the percentage of individuals with any nonretirement savings by almost 8 percentage points and had increased the average total amount of savings held by $522, or 30 percent, above the average for the group that did not have access to a SaveUSA account. These effects were present even after most of the SaveUSA group no longer had access to a 50 percent match on savings.

- The program led to improvements in some measures of financial security, such as having more cash available to pay for normal household expenses or for emergency or unexpected expenses, that were directly related to (and reflected) the program’s savings increases. SaveUSA had no positive or negative effects on general indicators of financial security, including debt, financial net worth, and incidence of financial hardship.
Preface

In recent years, many policymakers and providers of social services have advocated for programs that encourage low- and moderate-income families to increase their savings. Having savings on hand has been linked with better financial outcomes, such as the ability to weather sudden losses of income or sudden increases in expenses without resorting to “payday” loans, credit cards, or other high-cost sources of credit.

The SaveUSA initiative helps low- and moderate-income tax filers build up short-term nonretirement savings by encouraging filers to pledge to save a portion of their tax refund in a special account. Tax filers who maintain their pledged savings amount for a year earn a 50 percent match on that amount, which they can use for any purpose. In the period covered by this study, individuals could pledge to save annually at least three times and be eligible to receive savings matches.

Although other asset-building programs have been studied, the effects of SaveUSA are noteworthy because they were measured using a randomized controlled trial. The SaveUSA evaluation also examines effects beyond the short term. A previous report from this evaluation found that in the first 18 months of follow-up, SaveUSA increased the percentage of tax filers with short-term nonretirement savings, compared with what would have occurred without the program. Longer-term effects, measured about four years after study entry, are presented in this final report. The results show that SaveUSA continued to produce gains in nonretirement savings and increased the likelihood that low- and moderate-income families would have cash available to pay for normal household expenses or for emergency or unexpected expenses. No positive or negative effects were found on study participants’ debt, material hardship, or other aspects of financial security, such as use of high-cost sources of credit.

The SaveUSA evaluation provides strong evidence that low- and moderate-income families can accumulate short-term savings and that using tax refund dollars is a viable strategy to accomplish this aim. We are confident that the results of the SaveUSA evaluation will inform future policymaking and research on asset-building strategies for low- and moderate-income families.

Gordon L. Berlin
President, MDRC
Acknowledgments

This report reflects the generous contributions and support of many people. We are especially grateful to the individuals participating in the SaveUSA evaluation, who have allowed us to learn from their experiences. The report also would not have been possible without the work and dedication of the participating partners. One group of partners consists of the nonprofit agencies that operated SaveUSA in New York City, Tulsa, Newark, and San Antonio. Past and present staff at these agencies helped us understand their efforts in implementing the program and supplied us with essential data. In particular, for assistance with this report, we would like to thank Irene Baldwin at Ariva in New York City; Janae Bradford and Brandy Holleyman at CAP Tulsa; German Tejeda, Arlene Sabdull, and Andy Nieto at Food Bank For New York City; Victor Silva at Newark Now; and Anna Weaver and Toni Van Buren at United Way of San Antonio and Bexar County. Another essential group of partners is made up of the financial institutions that volunteered to provide SaveUSA accounts. Individuals in these institutions facilitated the opening and ongoing maintenance of the accounts and shared periodic data files with MDRC. We thus express gratitude to Derek Martin at the Bank of Oklahoma; Mariadelle del Priest and Jamie Lutton at Capital One Bank; Doug Lindsey at Carver Federal Savings Bank; Juan Solis III and Patricio Lobos, formerly at Citibank; Tammie Zacharie and Priscilla Mendez at Select Federal Credit Union; and Brian Blake and Angel Fuentes at Spring Bank.

We owe special gratitude to our colleagues at the New York City Center for Economic Opportunity (CEO) and the New York City Department of Consumer Affairs Office of Financial Empowerment (OFE), who led the operations of SaveUSA. In particular, for help with this report, we thank Sinead Keegan, Emily Firgens, Emily Apple, Brigit Beyea, and Monica Copeland.

In addition, we appreciate the continuing support of the funders of the SaveUSA evaluation. The report is based upon work supported by the Corporation for National and Community Service’s Social Innovation Fund under Grant No. 10SIHNY002. Additional funders included Bloomberg Philanthropies, Open Society Foundations, The Rockefeller Foundation, The Annie E. Casey Foundation, The Ford Foundation, MetLife Foundation, George Kaiser Family Foundation, Tulsa Community Foundation, and United Way of San Antonio and Bexar County.

Special thanks are also due to external reviewers who carefully reviewed an early draft of the report and offered valuable comments: In addition to the above-named CEO and OFE staff members, Jonathan Mintz and Tamara Lindsay at the Cities for Financial Empowerment Fund, Inc., Amy Brown at The Ford Foundation, and Cathie Mahon at the National Federation of Community Development Credit Unions were very generous with their time and provided insights on the findings. Appreciated comments and reactions were also provided by a group of
asset-building researchers, including Rachel Black, Ray Boshara, Michael Collins, Jessica Dorrance, Lucy Gorham, Justin King, Signe-Mary McKernan, and Ida Rademacher.

At MDRC, Gayle Hamilton provided general oversight of SaveUSA evaluation activities, and Caroline Schultz oversaw SaveUSA program operations. Joshua Vermette and Paul Veldman assisted with the recent acquisition, processing, and analysis of all quantitative data. Jo Anna Hunter helped manage the survey of sample members, which was administered by Decision Information Resources, Inc. (DIR); Ron Bass helped design the survey instrument and monitored its fielding.

For this report, Gordon Berlin, James Riccio, Dan Bloom, Cynthia Miller, Joshua Malbin, and Jennie Kaufman provided valuable internal feedback on drafts. Crystal Ganges-Reid coordinated the production of the report, and Diane Singer helped with the production of the exhibits. Jennie Kaufman edited the report and Stephanie Cowell and Carolyn Thomas prepared it for publication.

The Authors
Executive Summary

Launched in 2011, SaveUSA is a voluntary tax-time savings program that offers low- and moderate-income families the opportunity to directly deposit all or a portion of their tax refund into a special savings account and pledge to save a specific amount for about a year. As an incentive to continue saving, account holders who maintain their pledged savings amount throughout the year earn a 50 percent match on that amount. SaveUSA replicated an earlier program, called $aveNYC, that was designed and managed by the New York City Department of Consumer Affairs Office of Financial Empowerment (OFE). SaveUSA’s goal is to encourage low- and moderate-income households to accumulate unrestricted savings to meet financial emergencies, pay bills or debts, or make necessary purchases, in order to strengthen their overall financial well-being.

This is the final report in a multiyear evaluation of SaveUSA. The evaluation broke new ground by using a randomized controlled trial to examine the effects (or impacts) of SaveUSA in two cities — New York City and Tulsa — on a wide range of outcome measures. Most outcomes analyzed in this report were measured using responses to a survey administered about 42 months (or three and a half years) after study entry. The report also analyzes the implementation of SaveUSA in four cities — New York City, Tulsa, San Antonio, and Newark — over three years of operation.

The evaluation sought to answer a range of primary questions: Can this type of program be implemented in different settings, and to whom and to what extent does it appeal? Does access to a SaveUSA account increase short-term nonretirement savings beyond what low- and moderate-income tax filers would have accumulated on their own? And, if so, are these increases large enough to improve households’ overall financial security?

SaveUSA’s implementation and its evaluation were supported by the Social Innovation Fund (SIF), a program of the Corporation for National and Community Service (CNCS). This particular SIF project has been led by the Mayor’s Fund to Advance New York City and the New York City Center for Economic Opportunity (CEO) in collaboration with MDRC. A number of foundations and organizations provided matching funds for the effort, as required by the SIF. CEO and OFE led (and continue to lead) SaveUSA program operations, and MDRC conducted the program’s evaluation.

The results show that a majority (68 percent) of the “SaveUSA group” — sample members who had access to a SaveUSA savings account — received at least one savings match during the three program years, and about 40 percent of SaveUSA group members deposited tax refund dollars into their SaveUSA accounts more than once across the three program years. They accumulated an average of $365 in match dollars ($540 per match recipient).
As of the 42-month follow-up point, the program had increased the percentage of SaveUSA group members with nonretirement savings (of any type) by 8 percentage points and had increased the total average amount of savings held by $522, compared with savings levels for the “Regular Tax Filers” group, who did not have access to a SaveUSA account. The program led to improvements on some measures of financial security, such as having more cash available to pay for normal household expenses or for emergency or unexpected expenses, that were directly related to the program’s savings increases. SaveUSA had no positive or negative effects on more general indicators of financial security, including debt, financial net worth, and incidence of financial hardship.

**The SaveUSA Program Model**

SaveUSA, offered during the tax return preparation seasons of 2011 through 2013, built on the free tax preparation services provided by a total of 18 Volunteer Income Tax Assistance (VITA) sites across the four cities. To be eligible for SaveUSA, tax filers had to be at least 18 years old and meet certain annual income requirements ($50,000 or less for filers with dependents, and generally $25,000 or less for filers without dependents). When preparing their tax returns, both single filers and couples filing jointly could open a SaveUSA account with a local financial institution participating in the program or redeposit into a SaveUSA account they established in a prior year. On their tax returns, SaveUSA participants instructed the Internal Revenue Service (IRS) or state taxing agency to deposit at least $200 from their tax refunds directly into their SaveUSA account. Participants also pledged to keep a certain amount of their initial deposit, from $200 to $1,000, in the account until January 31 of the following year. On February 1, participants who fulfilled this pledge received a 50 percent savings match, up to $500, on their pledged savings amount. Account holders whose balance fell below their pledged amount at an earlier date lost their eligibility for the savings match but did not incur any further penalty for withdrawing funds. Regardless of whether they received a match, individuals could pledge to save part or all of their tax refunds in subsequent years and again be eligible for eventual matches.

SaveUSA focused on tax-time saving because tax refunds, supported by the Earned Income Tax Credit (EITC) and other credits, typically constitute the largest source of cash that low- and moderate-income individuals receive at any one time. In addition, SaveUSA’s design was intended to influence federal tax policy, possibly leading to the creation of a federal program enabling low- and moderate-income households to directly deposit tax refund dollars in unrestricted savings accounts and receive tax credits.
The SaveUSA Evaluation

In New York City and Tulsa, eligible tax filers who were interested in opening a SaveUSA account and willing to enter the study were randomly assigned in 2011 to either a SaveUSA group (eligible to open a SaveUSA account) or a Regular Tax Filers group (not eligible to do so but with access to other savings products normally offered at tax sites). Random assignment ensured that, on average, the characteristics of the tax filers — such as income, refund amounts, and motivation to save — were similar for the SaveUSA and Regular Tax Filers groups at the start of the study. By tracking both groups over time and comparing their outcomes, MDRC can determine the impact or “value added” of the SaveUSA program. Random assignment was not conducted in Newark and San Antonio, where all eligible tax filers interested in SaveUSA could open SaveUSA accounts. Program implementation was studied by MDRC in all four cities.

Study Sample

During the 2011 tax return preparation season, about 28,000 tax filers in participating VITA sites were determined to be eligible for SaveUSA, and nearly 2,500 were interested in and enrolled in the study. The SaveUSA take-up rates, which ranged between 6 percent and 13 percent across the four cities, were comparable to take-up rates found for other tax-time asset-building initiatives, including the predecessor $aveNYC program.

Study enrollees on average received larger refunds than nonenrollees, some supported by the EITC, and had slightly higher adjusted gross incomes. (An informal survey of a subsample of nonenrollees suggested that many had already earmarked all of their anticipated refund to pay bills or reduce debt.) Even so, SaveUSA study enrollees faced significant barriers to initiating or increasing savings: About half of all enrollees were single filers with at least one dependent child; their average income during 2010 was about $18,000, with a quarter having an income of less than $10,000; and a significant share of enrollees reported that they did not have enough money to make ends meet and/or had sizable debt.

SaveUSA Implementation

- SaveUSA was consistently marketed and successfully integrated into the normal VITA tax return preparation process.

In all four cities where SaveUSA was offered, VITA program operators marketed SaveUSA before and during the tax filing season. The VITA staff also conducted SaveUSA eligibility screening and study enrollment, coordinated the opening of SaveUSA accounts, and assisted tax return preparers in arranging for direct deposit of tax refund dollars into the ac-
counts. As Table ES.1 shows, about 98 percent of all SaveUSA group members were successful in opening a SaveUSA account during the study enrollment period in 2011.

In 2013, the last year MDRC tracked direct deposits to SaveUSA accounts, SaveUSA operations remained strong, except in Newark, where program operators ceased opening new SaveUSA accounts but allowed individuals with existing accounts to deposit tax dollars through a new process. According to survey responses from New York City and Tulsa, the vast majority of SaveUSA group members were aware that they could participate in SaveUSA in 2013, the final program year for the study period.

**SaveUSA Pledge Amounts, Match Eligibility, and Use of Account Monies**

- Over three years of program operation, SaveUSA group members pursued different savings strategies. About two-thirds received at least one savings match, and about 40 percent pledged to save tax refund dollars in their SaveUSA accounts in more than one year.

Despite their modest income, individuals pledged to save a significant portion of their refunds — on average 14 percent of their refund in Year 1. During the first year, when almost all sample members participated in SaveUSA, 30 percent pledged to save $1,000, the maximum amount allowed to be matched, and 37 percent pledged to save $200, the minimum amount (Table ES.1).

Participation declined after the first program year, and just 23 percent of SaveUSA group members pledged to save during all three years (not shown). According to survey responses in New York City and Tulsa, among SaveUSA group members who did not pledge again in the second year, over half reported that they were not able to do so because they received no refund or their refund was not big enough, or they needed to use their refund to pay debts or bills or make expenditures. Similar reasons for not pledging to save again were provided regarding the final program year for the study period.

A majority of SaveUSA group members — 68 percent — received at least one savings match over the three program years (Table ES.1). Among all members, the SaveUSA group averaged a total of $365 in match dollars over this period (a $540 average among only those who received a match). Recipients of two or more savings matches were more likely to have pledged the maximum of $1,000 in any given program year. They also tended to be older and have higher adjusted gross incomes (that is, between $20,000 and $50,000), compared with other SaveUSA group members. Conversely, those who received only one or no savings match during the three program years had very low incomes (that is, less than $10,000); were more
### The SaveUSA Evaluation

**Table ES.1**

**SaveUSA Account Activity, by Program Year, in All Four Cities**

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>All Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>SaveUSA account opened or pledged (%)</td>
<td>97.5</td>
<td>39.1</td>
<td>28.8</td>
<td>97.9</td>
</tr>
<tr>
<td>Distribution of pledged deposit&lt;sup&gt;a&lt;/sup&gt; (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>0.0</td>
<td>60.8</td>
<td>71.2</td>
<td>0.0</td>
</tr>
<tr>
<td>$1 - $200</td>
<td>36.7</td>
<td>8.4</td>
<td>5.0</td>
<td>25.0</td>
</tr>
<tr>
<td>$201 - $999</td>
<td>33.3</td>
<td>15.1</td>
<td>9.7</td>
<td>31.3</td>
</tr>
<tr>
<td>$1,000</td>
<td>30.0</td>
<td>15.7</td>
<td>14.2</td>
<td>43.8</td>
</tr>
<tr>
<td>Average initial deposit amount&lt;sup&gt;b&lt;/sup&gt; ($)</td>
<td>506</td>
<td>293</td>
<td>244</td>
<td>1,042</td>
</tr>
<tr>
<td>Distribution of initial deposit&lt;sup&gt;b&lt;/sup&gt; (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>10.0</td>
<td>62.6</td>
<td>72.2</td>
<td>8.7</td>
</tr>
<tr>
<td>$1 - $200</td>
<td>32.0</td>
<td>7.4</td>
<td>4.0</td>
<td>21.4</td>
</tr>
<tr>
<td>$201 - $999</td>
<td>29.8</td>
<td>14.2</td>
<td>9.1</td>
<td>27.7</td>
</tr>
<tr>
<td>$1,000 or more</td>
<td>28.3</td>
<td>15.9</td>
<td>14.7</td>
<td>42.2</td>
</tr>
<tr>
<td>Received savings match (%)</td>
<td>65.5</td>
<td>27.5</td>
<td>20.5</td>
<td>67.5</td>
</tr>
<tr>
<td>Average amount of savings match ($)</td>
<td>191</td>
<td>96</td>
<td>78</td>
<td>365</td>
</tr>
<tr>
<td>Average savings match, among those who received the savings match ($)</td>
<td>291</td>
<td>348</td>
<td>383</td>
<td>540</td>
</tr>
<tr>
<td>Distribution of savings match (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>34.5</td>
<td>72.5</td>
<td>79.5</td>
<td>32.5</td>
</tr>
<tr>
<td>$1 - $100</td>
<td>20.1</td>
<td>4.3</td>
<td>1.7</td>
<td>14.0</td>
</tr>
<tr>
<td>$101 - $499</td>
<td>22.1</td>
<td>10.0</td>
<td>7.1</td>
<td>19.8</td>
</tr>
<tr>
<td>$500</td>
<td>23.3</td>
<td>13.2</td>
<td>11.6</td>
<td>33.7</td>
</tr>
</tbody>
</table>

Sample size 1,554

**SOURCES:** MDRC calculations from MDRC baseline data and financial institution data.

**NOTES:** The sample includes SaveUSA group members who were ages 18 to 64 at their time of study entry. Rounding may cause slight discrepancies in calculating sums.

<sup>a</sup>The pledged deposit refers to the amount of tax refund dollars that individuals committed to savings at the time of study entry.

<sup>b</sup>The initial deposit refers to the tax refund amount directly deposited into the SaveUSA account by the Internal Revenue Service.
likely to pledge to save smaller amounts and thus received a smaller match if they did receive one; and were less likely to pledge to save again in subsequent years. By city, savings match rates over the three program years ranged from 52 percent to almost 80 percent.

- Most recipients of savings matches withdrew their pledged savings amount plus their savings match within several weeks of receiving the match.

When surveyed, most match recipients reported that they used their savings match either for expenditures — such as a big purchase, usual household expenses, travel or a family event, or education — or to pay bills or debts. Typically, SaveUSA group members who did not receive a savings match withdrew some or all of their pledged savings within three months after pledging to save. During survey interviews, they reported most often that they used the funds to cover an emergency expense, to pay bills or debts, or to buy necessities.

**SaveUSA’s Effects on Savings**

SaveUSA’s effects (or impacts) are defined as the differences between the SaveUSA group and the Regular Tax Filers group in financial outcomes or in attitudes toward saving. Impacts in this report are estimated primarily from surveys administered to both research groups at about 18 months and 42 months after random assignment.

- At the 42-month follow-up point, SaveUSA group members had more nonretirement savings than members of the Regular Tax Filers group.

When interviewed at 42 months, 80 percent of SaveUSA group members reported having at least $1 in nonretirement savings, an increase of 8 percentage points above the level reported by members of the Regular Tax Filers group. As Table ES.2 shows, on average, SaveUSA group respondents reported having a total of $2,281 in nonretirement savings, an increase of $522, or 30 percent, above the average for the Regular Tax Filers group. SaveUSA’s impact on total nonretirement savings resulted in part from the program’s turning some nonsavers into savers (as represented by the impact on the proportion with any nonretirement savings). In addition, when only respondents with nonretirement savings are considered, the SaveUSA group savers averaged about $400 more in nonretirement savings than their counterparts in the Regular Tax Filers group. As expected, SaveUSA did not affect sample members’ accumulation of longer-term retirement savings.

- On average, SaveUSA group members saved more consistently during the follow-up period than members of the Regular Tax Filers group — even as their savings patterns changed over time.
## The SaveUSA Evaluation

### Table ES.2

Impacts on Selected Outcomes as of 42-Month Interview

<table>
<thead>
<tr>
<th>Outcome</th>
<th>SaveUSA Group</th>
<th>Regular Tax Filers</th>
<th>Difference (Impact)</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonretirement savings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has savings (%)</td>
<td>80.0</td>
<td>72.4</td>
<td>7.6 ***</td>
<td>0.002</td>
</tr>
<tr>
<td>Total savings ($)</td>
<td>2,281</td>
<td>1,758</td>
<td>522 **</td>
<td>0.024</td>
</tr>
<tr>
<td>Total savings (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0</td>
<td>20.0</td>
<td>27.6</td>
<td>-7.6 ***</td>
<td>0.002</td>
</tr>
<tr>
<td>$1 - $500</td>
<td>31.2</td>
<td>28.7</td>
<td>2.6</td>
<td>0.340</td>
</tr>
<tr>
<td>$501 - $1,000</td>
<td>9.1</td>
<td>11.5</td>
<td>-2.4</td>
<td>0.175</td>
</tr>
<tr>
<td>$1,001 - $2,000</td>
<td>12.1</td>
<td>12.3</td>
<td>-0.2</td>
<td>0.929</td>
</tr>
<tr>
<td>$2,001 - $5,000</td>
<td>15.1</td>
<td>12.0</td>
<td>3.1</td>
<td>0.117</td>
</tr>
<tr>
<td>$5,001 - $10,000</td>
<td>9.1</td>
<td>5.1</td>
<td>4.0 ***</td>
<td>0.008</td>
</tr>
<tr>
<td>More than $10,000</td>
<td>3.4</td>
<td>2.8</td>
<td>0.5</td>
<td>0.603</td>
</tr>
<tr>
<td><strong>Savings goals and attitudes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has a current savings goal (%)</td>
<td>78.2</td>
<td>71.6</td>
<td>6.6 ***</td>
<td>0.007</td>
</tr>
<tr>
<td>Thinks it very important to have money in a savings account (%)</td>
<td>78.6</td>
<td>76.1</td>
<td>2.5</td>
<td>0.304</td>
</tr>
<tr>
<td><strong>Financial security</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Used high-interest credit since the 18-month interview (%)</td>
<td>24.1</td>
<td>27.5</td>
<td>-3.3</td>
<td>0.186</td>
</tr>
<tr>
<td>Total non-housing-related debt ($)</td>
<td>9,733</td>
<td>10,309</td>
<td>-576</td>
<td>0.542</td>
</tr>
<tr>
<td>Has liquid net worth greater than zero (%)</td>
<td>36.2</td>
<td>34.7</td>
<td>1.4</td>
<td>0.620</td>
</tr>
<tr>
<td>Had financial hardship since the 18-month interview (%)</td>
<td>60.7</td>
<td>60.1</td>
<td>0.6</td>
<td>0.827</td>
</tr>
</tbody>
</table>

Sample size (total = 1,236) | 626 | 610 |

SOURCE: MDRC calculations from responses to the SaveUSA 42-Month Follow-Up Survey.

NOTES: The sample includes respondents from New York City and Tulsa who were ages 18 to 64 at their time of random assignment.

- Sample sizes for specific outcomes may vary because of missing values.
- Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members. No special weights were applied to responses to adjust for differences in sample size by site.
- Rounding may cause slight discrepancies in calculating sums and differences.
- A two-tailed t-test was applied to differences between outcomes for the SaveUSA group and Regular Tax Filers.
- The p-value indicates the likelihood that the difference between the SaveUSA group and Regular Tax Filers arose by chance.
- Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.
SaveUSA’s impacts on nonretirement savings as of 42 months of follow-up closely resemble the program’s effects measured two years previously, when most SaveUSA group members had recently received a savings match and many were saving for another match the following year. Nonetheless, SaveUSA group members’ savings patterns changed over time, which affected the program’s impacts on nonretirement savings in other ways. At 18 months, SaveUSA led to an extremely large impact on the incidence of directly depositing tax refund dollars into nonretirement savings and also to smaller but consistent increases above the Regular Tax Filers group in responses to questions about their views on the importance of savings. In contrast, two years later, the SaveUSA group’s incidence of directly depositing tax refund dollars into savings, and the program’s impact on this measure, had decreased substantially. Moreover, at their 42-month interview, respondents from both research groups voiced similar support for saving. The main exception to this finding was that SaveUSA group members were more likely to report that they had a specific savings goal.

These trends in program impacts suggest that SaveUSA group members were using a greater variety of savings strategies. They were relying less on tax-time savings and more on other savings products, most likely ones paying relatively low interest. This transition to a broader set of strategies may be interpreted as a notable achievement of the program.

- **SaveUSA group members attained some gains in financial security compared with members of the Regular Tax Filers group — in outcomes that were directly related to (and reflected) the program’s savings increases.**

Proponents of programs that encourage nonretirement savings among low- and moderate-income households have often posited that even modest increases in savings can have the positive effect of helping households avoid financial hardship and increase their financial well-being. The evidence from the SaveUSA evaluation is mixed on this perspective.

A primary reason why low- and moderate-income households with a certain level of savings can experience greater financial security is that household members can use savings or current income to pay for normal or unexpected expenses. In fact, at 42 months of follow-up, SaveUSA group members were more likely than members of the Regular Tax Filers group to report having the equivalent of cash on hand to pay expenses for at least one month. SaveUSA also led to an increase in the proportion of respondents who reported a preference for relying on savings or current income to pay for emergency or unexpected expenses, as opposed to increasing their debt. Furthermore, as a result of SaveUSA’s impact on nonretirement savings, the program led to a reduction of 6 percentage points in the incidence of “liquid-asset poverty” (defined as having insufficient liquid assets to subsist at the poverty level for three months in the
absence of income). These findings suggest that SaveUSA produced some modest gains in financial security.

- **At 42 months, SaveUSA had no positive or negative effects on more general indicators of financial security, including debt, financial net worth, and incidence of financial hardship.**

Findings indicate that SaveUSA did not positively or negatively affect other measures of financial security: Similar proportions of SaveUSA and Regular Tax Filers group members reported that they had used a high-cost source of credit, such as a cash advance with a credit card or overdrawning a checking account, in the previous two years. SaveUSA also did not affect non-housing-related debt levels, which averaged about $10,000 for both research groups, and did not increase the incidence of having positive “liquid net worth” (liquid assets that exceed non-housing-related debt). Similarly, about the same proportion of both research groups reported that their debt levels had decreased in the previous two years.

SaveUSA also did not affect the incidence of financial hardship among survey respondents. About 60 percent of both research groups reported that they had experienced at least one type of financial hardship in the past two years, such as an inability to pay housing or utility costs, food insecurity, or forgone use of medical care or prescription drugs. Finally, SaveUSA and Regular Tax Filers group members expressed similar sentiments about having made progress financially since their 18-month interview and in their views of their future financial prospects.

The above findings are similar to the results reported as of 18 months of follow-up.¹

- **In general, SaveUSA’s effects were consistent across subgroups.**

SaveUSA could have worked differently for different types of people or depending on the enrollment city. For example, the effects of SaveUSA could have differed depending on tax filers’ circumstances when they entered the study. Certain characteristics, such as having a very low income or having children, could make it harder for individuals to save. The findings, however, show that SaveUSA led to savings increases that were consistent across subgroups defined by city of residence, age, income level, educational attainment, and tax filing status. Similar to the results for the full sample, no effects were found on general indicators of financial security for any of these subgroups.

Discussion

SaveUSA was designed as a possible precursor to a federal tax-time savings incentive for low- and moderate-income households. The program embodies one of several strategies that policymakers think might increase nonretirement savings, and it is best evaluated as one candidate for inclusion among a potential “toolkit” of types of savings programs — each varying in appeal and possibly leading to benefits for different segments of the low- and moderate-income population.

Results from this evaluation show that SaveUSA was successfully implemented over several years at VITA sites in a variety of settings and that the program maintained the active support of a number of financial institutions. Two-thirds of SaveUSA group members received at least one savings match, but the program experienced sustained involvement by less than a quarter of SaveUSA group members, disproportionately those with higher incomes (between $20,000 and $50,000) at the start of the study. Different types of savings interventions, however, can be expected to engage different people. Programs that use lotteries, prizes, or carefully targeted marketing as savings incentives, for example, likely appeal to certain types of savers as well. From the standpoint of assembling a toolkit of savings options for low- and moderate-income households, the SaveUSA model should be considered as a viable option.

The impact results show that opening a SaveUSA account had positive behavioral effects. SaveUSA increased nonretirement savings without increasing debt and engendered greater longer-term support for having a savings goal. On average, SaveUSA group members demonstrated a stronger commitment to save, using a variety of savings strategies. Tax refund dollars and the SaveUSA match provided opportunities to save, but SaveUSA group members made use of other savings products, such as personal savings and checking accounts, as well. Moreover, the impacts on nonretirement savings at 42 months after random assignment showed that SaveUSA could sustain savings increases above the level for members of the Regular Tax Filers group even after most SaveUSA group members no longer had access to a 50 percent match on savings.

Although generally positive, the longer-term findings from the SaveUSA evaluation also demonstrate the limitations of programs that focus solely on helping low- and moderate-income households increase their nonretirement savings. Three and a half years after random assignment, members of the SaveUSA group did not report better outcomes than Regular Tax Filers on a series of general indicators of financial security, including accumulated levels of debt, liquid net worth, and incidence of experiencing financial hardship. It could be that SaveUSA’s savings increase of $522, while of a magnitude associated in past studies with increased financial security, was not enough to markedly improve the financial situations of a significant portion of study sample members who already had some savings at study entry. Possibly, SaveUSA could have had greater positive effects on financial security if it could have been
targeted only to individuals who did not have any savings. However, individuals with very low incomes, who likely had little or no savings, were the least likely to participate in SaveUSA and receive savings matches.

It should also be noted that the financial situations of sample members as of the 42-month follow-up point were very precarious — with average non-housing-related debt of around $10,000, well in excess of their accumulated savings, and an average household income of less than $2,000 per month (including public assistance). In order to improve their financial security, savings increases may need to be much larger, or other interventions may need to be tried — alone or coupled with SaveUSA-like programs. For example, additional rigorous research could be conducted on programs that give incentives to save and also seek to increase income through skills training or other means, or that combine savings incentives with other services, such as financial coaching on debt reduction or financial management strategies. Research on savings interventions is still at an early stage, and the findings from the SaveUSA evaluation represent just a single piece of the puzzle.
About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC’s staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program’s effects occur. In addition, it tries to place each project’s findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC’s findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC’s projects are organized into five areas:

- Promoting Family Well-Being and Children’s Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation’s largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.