

NCTC Workshop, June 9, 2011

Financial Services at Tax Time: Integrated Program Models, Outcomes, Evaluations, and Best Practices

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Agenda

- Icebreaker
- Organizations and tax and financial service programs
 - AccountAbility Minnesota
 - The Financial Clinic
- Programs
 - Experience & Results
 - What's Worked and What's Not: Challenges and Surprises
 - Lessons
- Evaluations
 - Why are evaluations important?
 - How and what we planned?
 - What happened? Results
 - What this means for TS2012
- Q & A

Financial Services at Tax Time

*Organizations
and
Service Programs*

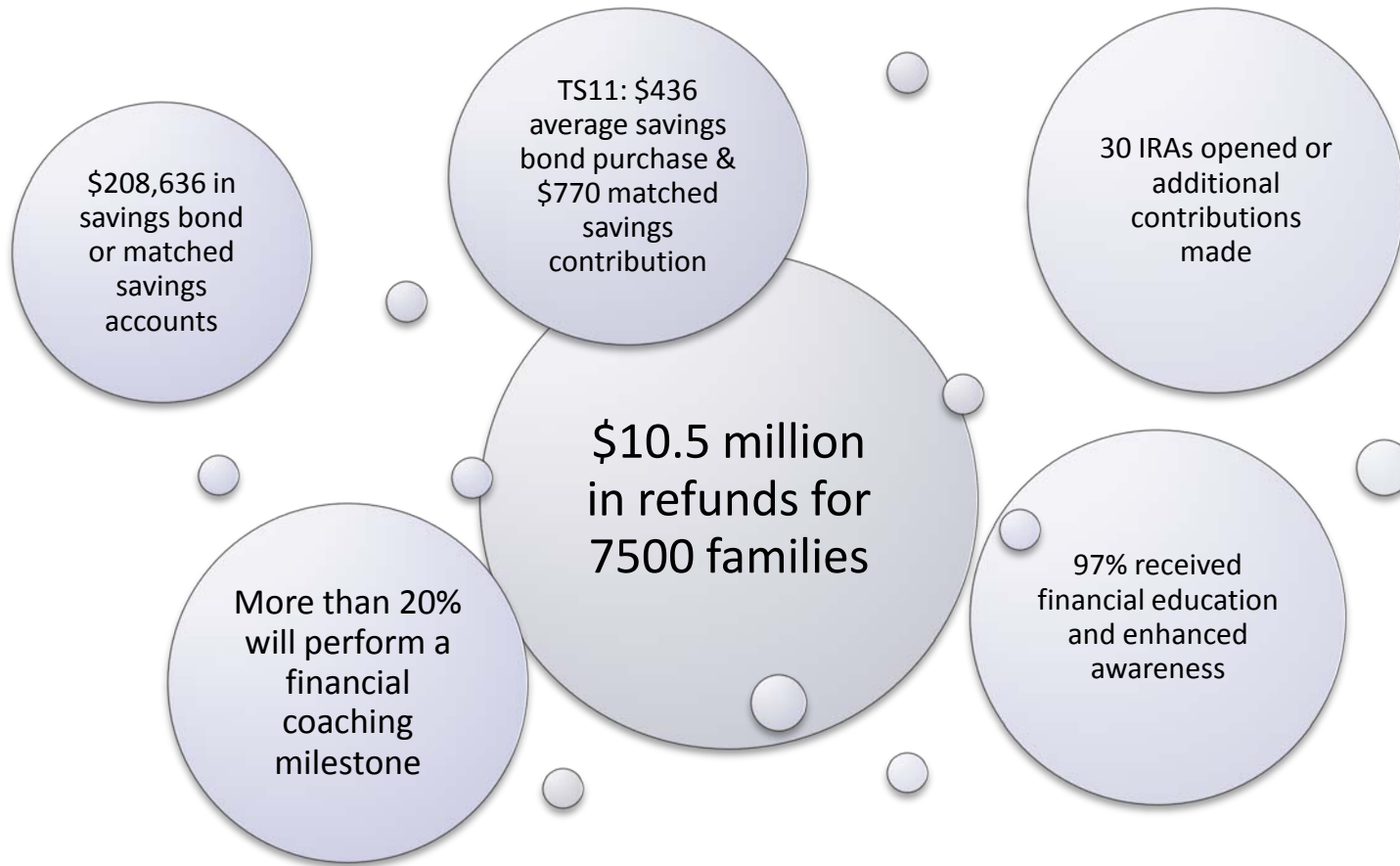
The Financial Clinic

- The Financial Clinic
 - *Mission:* The Clinic exists to build working poor people's financial security. We do this by addressing their immediate financial challenges and helping them create trajectories for long-term goals and financial mobility.
 - Financial Coaching (Assets, Banking, Credit , Debt, Taxes)
 - Legal Services (consumer debt, tax, foreclosure, bankruptcies)
- Accomplishments
 - \$2.3 million returned in assets and resources to 5,000 customers; additional \$10 million in refunds at our tax project
 - In 2011, 21 staff members will assist 4,000 families (not including our tax filers) across all 5 boroughs and Newark at 20+ sites

2010 and Preliminary 2011 Tax Season Results

	2010 (AAM & Statewide Partners)	2011 Results to Date (AAM Only)
Taxpayers receiving free tax assistance	20,027 (AAM served 11,000)	10,310
Cash refunds returned to Minnesota families	\$35.8 million	\$19.7 million
Accounts Opened	650 savings accounts (Express Refund Loan Program)	<ul style="list-style-type: none"> • 226 savings accounts • 87 prepaid debit cards
Volunteers	719 (400 Twin Cities)	554
Volunteer Hours	27,200	14,900
Tax Prep to Sole Proprietors	800	683
Bridge to Benefits Screenings	-	843

MoneyUP Accomplishments



Accountability MN

AAM helps to create pathways to economic security for low-and moderate-income Minnesotans

Direct Service/ Management	<ul style="list-style-type: none">•Free tax preparation and financial services•Self-employment tax program•Year-round tax services•Twin Cities – 13 tax sites
Asset Development & Financial Services	<ul style="list-style-type: none">•Free savings accounts regardless of banking/credit history•Low-cost prepaid debit cards•Credit reports, credit information, education and referrals•Public benefits screening•Financial planning•Former program to offer alternative Express Refund Loans
Technical Assistance Program	<ul style="list-style-type: none">•Tax site and volunteer management•Marketing and outreach•E-file administration•VITA polices and procedures•Financial services

Mission: AccountAbility Minnesota (AAM) is dedicated to providing high quality tax preparation and related financial services to individuals and families of limited means by leveraging volunteer resources and advising and assisting others to provide similar services in their communities.

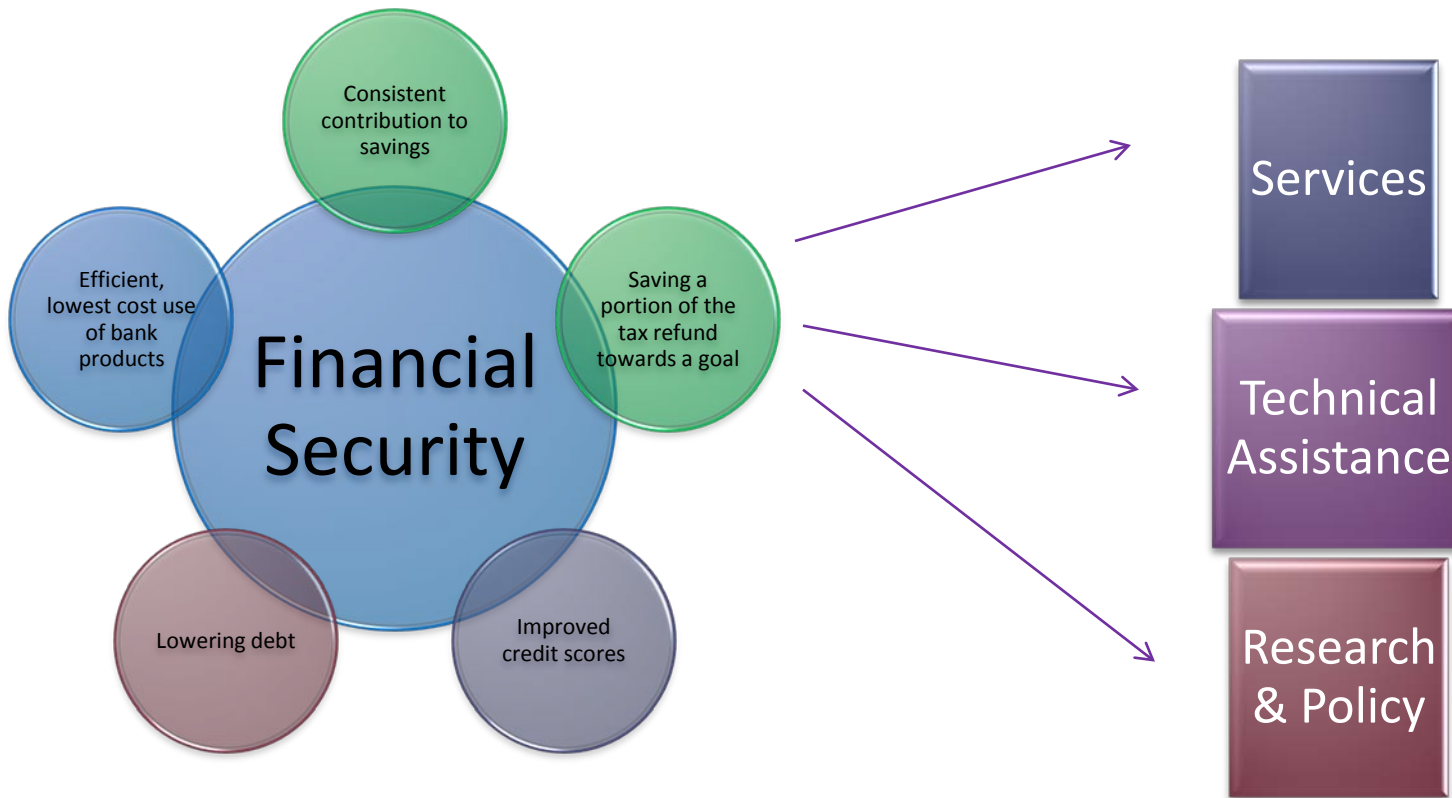
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PROGRAMS

Asset Building at Tax Time at AAM

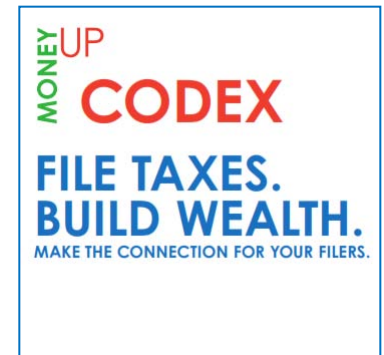
Asset Building Products	Asset Building Services
Transaction accounts -checking/ savings regardless of credit/banking history - prepaid debit cards	Credit/debt management counseling
U.S. Savings Bonds	Financial coaching
Individual Development Accounts (IDA)	Access to public benefits
Certificates of deposits (CD)	Personal financial management assistance - budget spending plans - credit report access
Savings incentive program -matched savings -high interest savings accounts	College Access (FAFSA assistance)
	Asset Protection (Anti-predatory lending) -Formerly offered alternative RALs

The Financial Clinic's Tax Work: Taxes365



MoneyUP: Seamless Integration

- Leveraging the 1040:
 - Buy US Savings Bonds
 - Split refunds
 - Participate in matched savings programs
 - Retirement Savings Credit
 - Education Credits
 - Understanding the refund
- Use the tax preparation process to help
 - Rejections—ID theft, dependents claimed
 - Refund offsets



MoneyUP: Year-Round Model

- We don't pack up after April 15. Filers are eligible to:
 - Meet with staff financial coaches on an ongoing basis to solve financial challenges and set long-term goals.
 - Consult with a staff attorney on consumer debt and tax issues including full representation before tax authorities and in court.
 - Participate in research projects like SaveUP that offer savings incentives
 - Invitations to join advocacy issues like our projects cash earners, peer lending circles, etc.

Why Tax Time?

Resources

Refundable tax credits (ie. EITC) specifically geared for low-income individuals

Average refund for those eligible in 2009 was \$2,246

Tax return is a financial statement and contains useful information for planning (ie. household composition)

Intent

Take advantage of financial decision-making

One of the few times of the year that the filer had the resources readily available to carry out a decision

Opportunity to reinforce good intentions

Financial Coaching Approach

Light Touch

- Introduce basic financial education through tax season group workshops, offer credit report pulls while customers wait
- 32 question survey that tasks basic demographic questions and introduces the range of services

Medium Touch

- A range of limited “milestones” that helps the filer take advantage of an asset-building activity within the 1040 or in another financial area (banking, credit, debt)

Financial Security

- Long-term one-on-one engagement with the filer to help them address obstacles

FINANCIAL COACH "TUNE-UPS"

ASSESSMENTS AND SURVEY QUESTIONS FOR THE 2010 TAX SEASON

INTRODUCTION BY THE FINANCIAL COACH:

Hello—This tax preparation service is made possible by the MoneyUP initiative which combines free tax prep with financial coaching. I am a volunteer financial coach, and I help people with their finances: create spending plans; make ends meet; manage debt; and realize their goals. Suggested questions to engage the customer: What does "financial coaching" mean to you? What does a "tune up" mean to you? Well, I might be able to help you with those things.

To start, I'd like to ask you a few questions about your financial situation. If you are interested in working with me on your financial situation, then your answers will help us determine next steps. If you are not interested in working with a financial coach, then your answers will be anonymous.

[FIELD 1] REFERRAL SOURCE

R51. How did you hear about the tax prep and tune ups here?

- A Filed here last year
- B Staff person at tax site
- C "MoneyUP" business card or flyer
- D Friend/family member
- E Community group or presentation
- F 3-1-1 (NYC Info Line)
- G Radio/TV
- H Another Nonprofit Agency
- I Another tax service (H&R Block, IRS)
- J From another The Financial Clinic's staff
- K Unsure/Decline to answer

[FIELD 2] TAXES

T1. Did you file a tax return last year?

- A Yes
- B No
- C Unsure/Decline to answer

T2. How did you get your taxes done?

- A Here or another free program like this
- B On my own
- C Friend or family
- D Paid tax service (H&R Block, Jackson Hewitt, Liberty, etc) (go to T3)
- E Unsure/Decline to answer
- X Pass because they didn't file a return

T3. Did you receive an instant or "rapid" refund last year?

- A Yes
- B No
- C Unsure/Decline to answer
- X Pass because they didn't file a return

T4. If you received a refund last year, did you save a portion of last year's refund?

- A Yes
- B No
- C Unsure/Decline to answer
- X Pass because they didn't file a return

MONEYUP

MoneyUP Tax Season 2010: Weekly Report		Date: March 13, 2010			
	Nazareth Housing	Partnership for the Homeless	Chinese-American Planning Council	TOTAL	Comparison with TS09
Number of Tax Filers	405	639	297	1341	1550
Number of Tax Returns Created	450	639	298	1387	1870
Expected Number of Returns Created by Site	725	850	425	2000	1750
Percentage Completed Towards Goal	62%	75%	70%	69%	107%
Number of Financial Coaching Surveys Completed	405	639	297	1341	1550
Expected Number of Surveys Completed by Site	800	750	400	1750	1590
Percentage Completed Towards Goal	68%	85%	74%	77%	98%
Number of Customers Who Received Medium Touch Financial Coaching	142	136	97	375	328
Expected Number of Medium Touch Services Completed by Site	109	128	64	300	175
Percentage Completed Towards Goal	131%	107%	152%	125%	187%
Medium Touch Financial Coach Details					
Information Given: Split Refund	59	45	53	157	88
Action Taken: Filer Deposits Federal Refund Into More Than One Account	51	36	41	128	48
Information Given: US Savings Bond	66	52	52	170	113
Action Taken: Customer Buys US Savings Bond	52	3	41	96	48
Information Given: Matched Savings Program (PFTH only)	NA	98	NA	98	NA
Action Taken: Open SaveNYC account	NA	37	NA	37	NA
Information Given: Education for Cash Earners	5	3	3	11	16
Action Taken: Customer Calculates Estimated Quarterly Tax Payments for 2009	1	1	2	4	4
Information Given: Advance Earned Income Credit (AEIC)	7	4	0	11	21
Action Taken: Customer Fills Out Forms to Receive AEIC	1	0	0	1	1
Information Given: Savings Credit	15	4	9	28	32
Action Taken: Customer Contributes to Retirement Account During Tax Season	0	1	9	10	2
Information Given: Public Benefits	35	73	5	113	136
Action Taken: Public Benefits Screening Completed	28	19	4	51	70
Information Given: Credit Report	103	91	105	299	224
Action Taken: Download Credit Report	80	24	80	184	135
Information Given: FAFSA application	12	106	10	128	NA
Action Taken: FAFSA application completed	10	5	8	23	NA

DATA COLLECTION

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
FIELD 1 (referral source)										
FIELD 2 (tax prep)	TH 2009 return					FC: cash error				
FIELD 3 (refund)			TH form 8888	TH US Savings Bond	TH error tax out		FC: benefits scanning	TH check W-2	FC: fill out Form W-2	
FIELD 4 (banking)										
FIELD 5 (save & credit)				FC: refer to staff attorney	FC: refer to staff attorney	FC: refer to staff attorney	FC: refer to staff attorney	FC: credit report download		
FIELD 6 (goals & coaching)		FC: help with goal								

MONEYUP

CUSTOMER INFORMATION SHEET

REFERRAL SOURCE: _____

COACH'S NAME: _____

MR./MRS./MS.: _____

DATE OF BIRTH: _____ MARITAL STATUS: _____

ANNUAL INCOME: _____ ETHNICITY: _____ GENDER: Male Female

PEOPLE LIVING IN YOUR HOUSEHOLD: _____

NAME: _____ DATE OF BIRTH: _____ RELATIONSHIP TO YOU: _____

EMPLOYER: _____

MEDIUM TOUCH FINANCIAL COACHING

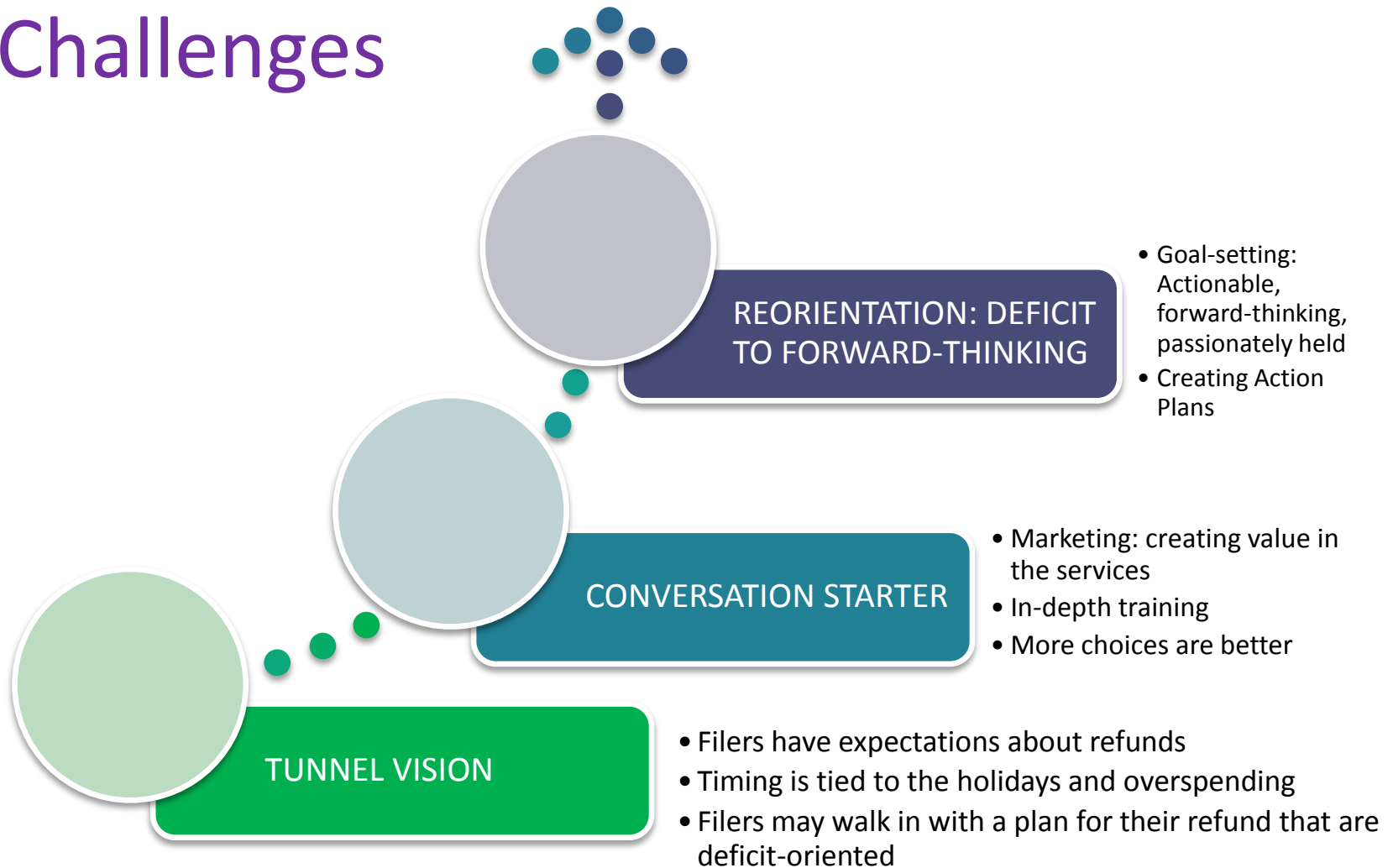
Information given: SPLIT REFUND Action taken: FORM 8888 COMPLETED
 Information given: US SAVINGS BOND Action taken: US SAVINGS BOND PURCHASED (AMOUNT: \$ _____)
 Information given: CASH ERROR Action taken: FORM W-2 IS COMPLETED
 Information given: SAVED CREDIT Action taken: FORM 8888 COMPLETED
 Information given: PUBLIC BENEFITS Action taken: BENEFITS SCREENING COMPLETED
 Information given: CREDIT REPORT Action taken: DOWNLOAD CREDIT REPORT
 Information given: MATCHED SAVINGS PROGRAM Action taken: OPEN SAVINGS ACCOUNT (AMOUNT: \$ _____)
 Information given: OPEN SAVINGS ACCOUNT

NOTES: _____

What's Working, What's Challenging

- Seizes “money moment” that tax time provides and can foster innovation via specialized product development – requires strong relationships with customers and financial institutions
- Customers have “time to fill” while waiting to get their taxes filed and/or reviewed
- Customers tend to trust us, and therefore don't question motives
- Challenges of over-saturation (e.g. too many “other things”) and time
- Challenges around full “buy-in” by the array of VITA staff and volunteers involved in the process

Challenges



Incorporating Products: How To's

Existing Savings Vehicles

- Financial institutions
- IRS pilots
- Local CBOs with IDA programs

- Visible signage
- Everyone at the site should know how to pitch the services
- Use surveys as a way to introduce a concept or product as part of a larger conversation
- Always talk about the filer's goals

Research Projects

- Matched Savings, SaveNYC Research Partner
- Savings Bonds, D2D Research Partner
- SaveUP, University of Chicago Research Partner

- Training, training, training
- Appointments or designated times in the week to focus on this
- Weekly check-ins
- Set up a support system

Lessons Learned during Tax Season

- Aspects of integration require paid staff devoted to facilitation and provision of services and products
- Buy-in is key and requires training with all parties
- If there's any follow-up with customers, calls must be made
- Private, confidential space is needed
- Clear marketing that outlines services and products offered, and the benefits of each, is key
- Accessibility, including location of institutions (if relevant), matters

Tax Season Surprises

- Asset-building take-up rates may not correlate to tax season volume
- Products with significant education benefits (529s, savings bonds, retirement account penalty-free withdrawals) can be attractive *even when the filer does not have children*
- Interest in asset-building even by filers who have offsets

**Contrary to the “tunnel vision” myth,
filers want to save—they lack easy, accessible ways to do it.**

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EVALUATIONS

AAM: Impetus for Conducting Evaluation and Customer Needs Assessment

- AAM has institutionalized tax-related financial services, but has not evaluated the longer-term impact since the program's inception. Years of data now exist
- AAM seeks to enhance and/or expand services to more fully support low-income customers in their efforts to build assets through education, access to services/products, and access to the financial mainstream
- Changes in funding at AAM
- Desire to inform both internal programming and the field at large

Evaluation/Assessment Objectives and Methodology

Objectives:

- To assess the financial planning and service needs, practices and experiences of AccountAbility Minnesota customers.
- To assess the effectiveness of existing financial services as alternatives to Alternative Financial Services (AFS) (or “fringe” services) for AAM customers.
- To develop and/or refine strategies, tactics and/or services for improving the financial well-being and long-term asset accumulation of customers.
- Methodology included:
 - 105 customer surveys and seven focus groups with 48 customers (incentives included)
 - Literature review
 - Interviews with financial institutional partners, T.A. partners, and seasonal staff
 - Quantitative analysis of data of more than 900 people who opened savings accounts with US Federal Credit Union through AAM

Demographics (survey)

Race	Total	%
African	7	7%
African American	49	47%
American Indian/Alaskan Native	1	1%
Asian or Pacific Islander	6	6%
Hispanic or Latino	9	8%
Non-Hispanic white	18	17%
Multi-Racial	7	7%
Other	8	8%
Total	105	100%

Family Structure	Total	%
Single without children	44	42%
Single with children	35	33%
Married without children	4	4%
Married with children	10	10%
Domestic partnership without children	1	1%
Domestic partnership with children	6	6%
Other	5	5%
Total	105	100%

Income	Under \$10,000	\$10,000 - \$14,000	\$15,000 - \$24,000	\$25,000 - \$34,000	\$35,000 +
Total	37	19	25	13	11
Percent	35%	18%	24%	12%	10%

Common Attributes: Resilience and Resourcefulness

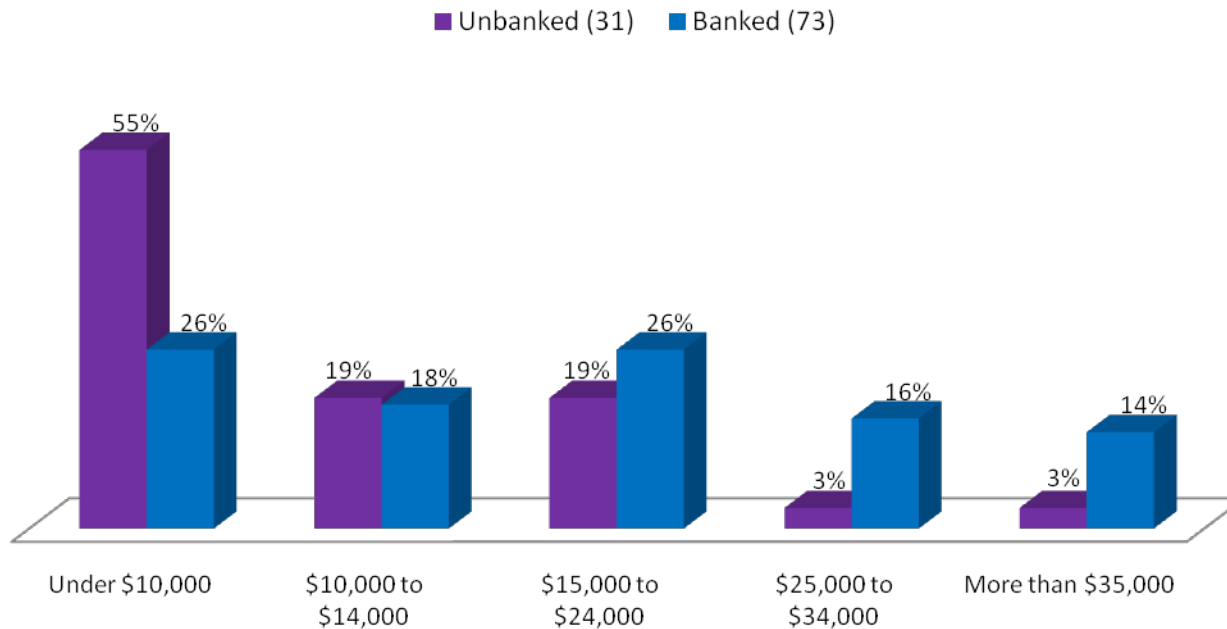
- While lack of income and assets can make it difficult to move ahead, many families are adept at getting by, navigating barriers, and efficiently utilizing the resources they have
- The majority of low-income households want to save and learn more about ways to build assets
- Families want their children to thrive, and want to save for their children's education

Customers Needs, Practices and Experiences

- Conflict between savings and circumstances is prevalent
 - 77% do set priorities on managing their money
 - Top priority for 78% is paying expenses; 62% faced with at least one unexpected expense over the last year
 - 71% did not have enough money to save

Differences exist based on banking status of respondents

Income by Unbanked & Banked Status (N=103)



Customers Needs, Practices and Experiences

- Creating access to relevant financial education is key and desired for asset building
 - Designated place for savings had not been helpful in changing financial habits due do to a myriad of financial challenges
 - Mismatch between LMI's information desired (more complex) and what financial institutions believe they want (basic)
 - People know the basics, but not as much about benefits and drawbacks of various financial tools and vehicles

Customers Needs, Practices and Experiences

- Many find it difficult to integrate with the financial mainstream
- Un- and underbanked see AFS as option, but not preferable to mainstream because of costs

Criteria that inform experience and attitudes about financial institutions

- ✓ Trust/Respect
- ✓ Customer Service
- ✓ Accessibility/Convenience
- ✓ Fees
- ✓ Relevant Products
- ✓ Culture

Strengths and Gaps with Financial Services System

- Mismatch between AAM customers' priorities, needs, and services and products available
- Some barriers/areas of inaccessibility include:
 - Liquidity required
 - Credit and chex system
 - Once "in," not many products designed to help build on initial success
 - Cash-based norms
- USFED/AAM customers experience:
 - Smaller account balances
 - Lower credit scores; 65% denied for loans
 - If second product pursued, done so quickly (within three weeks)

Data on AAM-Affiliated US Federal Credit Union Members

- Of the 886 AAM-affiliated members who opened accounts at US Federal Credit Union since 2006, **567 (64%)** of those accounts have **closed**.
- The median number of days any AccountAbility Minnesota-affiliated members membership stayed open was **413 days**.

Year Membership Opened	Count All Memberships	Count of Closed Memberships	Percent Closed Memberships
2006	37	30	81%
2007	195	150	77%
2008	319	207	65%
2009	226	151	67%
2010	109	29	27%
Total	886	567	64%

Data on AAM-Affiliated US Federal Credit Union Members

- US Federal Credit Union – Loan applications of AccountAbility Minnesota-affiliated members (N=329)

Loan Application Status	Total	%
Approved	74	22%
Declined	214	65%
Application in Process or Canceled	41	12%

- Type of US Federal Loan to AccountAbility Minnesota-affiliated members

Type of Loan	Applications	Booked		Declined		Withdrawn/Canceled	
		#	%	#	%	#	%
Signature unsecured personal loan	105	9	9	87	82	9	9
Used Vehicle for vehicle 5+years	67	12	18	47	70	8	12
Visa Classic credit card	42	3	7	33	79	6	14
Ready Cash overdraft protection	30	2	7	18	60	10	33

Data on AAM-Affiliated US Federal Credit Union Members

US Federal Credit Union - Average Balance

Product	Individuals	Accounts	Typical USFED Member	AAM
Checking	60	61	\$3,534	\$312
Savings	327	514	\$2,055	\$315

Credit Score	Typical USFED Member %	AAM %
700+	71%	9%
680-699	6%	2%
640-679	8%	5%
600-639	5%	10%
599-360	9%	67%
0	N/A	7%

income by %	AAM	Typical USFED
< 20,000	25%	7%
20,000-29,999	17%	6%
30,000-39,999	21%	9%
40,000-49,999	13%	11%
50,000-74,999	19%	29%
75,000-99,999	4%	18%
100,000-124,999	0%	8%
125,000+	1%	13%

Strengths and Gaps in Current Financial Services System

- Nonprofits as important delivery channel and access facilitator
 - Facilitating access to bank accounts is one step in a larger process – helps with initial access point and place for direct deposit and security
 - More needed to help people move along the path
 - Credit repair options
 - Low-interest personal loan
 - Matched savings opportunities
 - Low-interest credit cards
 - Free automatic bill pay
 - Assistance with home foreclosure
 - Online budgeting charts and tools
 - Many said they would like help in implementing a financial plan that would help them to save more money, however small the amount

Improve Financial Well-being

- Focus group participants noted top need for money management is financial education... they often don't know where to go; areas to address include:
 - Budgeting with spending plan and mechanism to track
 - Addressing unexpected expenses
 - Investment options that meet their circumstances, reality, and needs
 - Saving for children's education
 - Retirement options – vehicles suited to their needs
- Mixture of group support (for peer learning) and 1:1 coaching and follow up desired (locations matter); web resource sometimes preferred due to work and family obligations
- Educational interventions to address needs and capabilities: research suggests they should be relevant, timely, actionable, and relationship oriented

Areas for Exploration

- Continue to bridge the divide: key nonprofits are uniquely positioned to serve as liaison between the unbanked and underbanked and the financial mainstream
- Explore product innovation and enhancements
- Create strategies to optimize existing and develop new relationships with the newly banked
- Increase access to financial education and explore various delivery models
- Develop new marketing messages and strategies that appeal to and meet customers where they are

Forthcoming Data Collection & Analysis

- **Questions include, but are not limited to:**
 - Does the proportion of banked to unbanked respondents increase as income increases?
 - What are the characteristics of those who plan to save a portion of their tax refund?
 - Are the characteristics of those who plan to save different from those who plan to pay current bills and not save a portion?
- **Survey data as baseline, continue administering at tax sites in coming years.**

MoneyUP Field Report: Impact and Efficacy

- Evaluation
 - Conducted by Dr. Michael Collins, Assistant Professor at the University of Wisconsin-Madison and Faculty Director of the Center for Financial Security at Madison
 - Analysis of TaxWise information of previous TS08 and TS09 including survey results and tax return information
 - Mail survey to 1,501 current and former filers
 - 439 respondents—28% return rate

Findings

Coaches customers are more financially secure:

- More likely to have a bank account
- Engage in budgeting
- Save consistently
- Manage debt effectively

	Coached Respondents	Non-Coached Respondents
Had a Checking Account	92%	88%
Have a Savings Account	92%	87%
Have a Written Budget	92%	89%
Last Six Months Bought a Bond	89%	86%

Goal-Setting Is Critical

- Coached customers are more likely to have an asset-oriented goal than non-coached ones.
 - 25.6% have a savings-related goal
 - 26.5% have a debt-related goal
 - 18.5% have a purchase-oriented goal
- Goals convey confidence
 - More than 50% reported “very confident” or “somewhat confident” that they will reach their goals

Take-Aways

- Data collection is complicated but necessary
- As The Financial Clinic revises its own service delivery, we've placed greater emphasis on effective goals
- Year-round models may not be feasible but year-round supports are critical
- The tax season is much longer than the filing season: start early!

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