Financial Education and Asset Building

*Turning Partnerships into Opportunities*

Webcast Series
Transactional Activities

Presented by
IRS - Wage and Investment Division
CARE/SPEC
Banking the Unbanked at VITA Sites

Rita Eygabroad Garretson
Director C.A.S.H., Rochester, NY

SPEC Financial Education & Asset Building Webcast
Transactional Activities
September 15, 2010
C.A.S.H. History & Mission

• Creating Assets, Savings and Hope

• Convened by United Way of Greater Rochester in 2002

• EITC/Asset Building Initiative

• Mission: Provide opportunities to workers with low incomes to get, keep, and grow their money
  o Increase uptake of the Earned Income Credit
  o Offering alternatives to predatory financial services
  o Maximize assets through financial education, credit repair, savings programs, and home ownership
C.A.S.H. Service Area & Results

• Located in Upstate NY - Primarily Urban/Suburban
  o Monroe County: population ~ 730,000
  o City of Rochester: population ~ 220,000

• 2010 Tax Season
  o 12,500 households served
  o $23 million federal refunds & credits ($10 million EITC)
  o 550+ volunteers; 14 seasonal staff
  o 3 super sites (85% of returns); 13 partner sites
More than Tax Return Preparation

- Fee-Free Bank Accounts
- US Savings Bonds
- Affordable Prepaid Cards
- Free Credit Reports & Credit Counseling
- Health Insurance Facilitators
- Referrals to Community Resources and Public Benefits – Food Stamps, Health Insurance, Child Care, Money Management Training, Home Buying Programs, etc.
2010 Asset Building Results

- Direct Deposit: 70%
- New Savings and/or Checking Accounts: 240
- New Prepaid Card Accounts: 368
- Savings Bonds: 304 purchased 520; more than $70,000
Super Site Work Flow

1. Client completes intake sheet along with customized questionnaire

2. Client waits – Asset Specialist works the room

3. Client meets with C.A.S.H. Advisor – eligibility, privacy/consent, tax prep readiness, community resources and asset building
Super Site Work Flow

4. If interest in new account, client meets with Asset Specialist – complete application, fax to bank or enter via internet, place hold on e-filing return

5. Client meets with tax preparer – return prep, encourage direct deposit and savings

6. Quality Review - final check of the tax return and a final opportunity for client to hear about savings and direct deposit options.
Bank Product Features

• Fee free savings and checking
• No minimum balance required during first year
• CHEX System: Savings Account with no ATM
• Credit Unions typically more flexible than Banks
Prepaid / Debit / Direct Deposit Card

- No CHEX system filter
- ID requirements met with tax return ID
- No fear of overdraft / insufficient fund fees
- Due Diligence: Fees, Rechargeable, etc.
- Potential for Financial Literacy Training
Lessons Learned

• Train ALL volunteers about Asset Building
• FAQ and Marketing Material for clients and volunteers
• Include Asset Building with Quality Review
• Asset Specialist advantages
Savings Bonds and Financial Resources at VITA Sites

Megan Kiesel
Director, Impact and Outreach
Campaign for Working Families
Philadelphia, PA

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Agenda

- CWF Overview
- Why Offer Additional Resources?
- Highlight: Series I U.S. Savings Bonds
- CWF Resource Builder Program
- What Works
- Challenges
- Advice for Beginners
## CWF Overview

### Cumulative Program Results (Since 2003)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns Prepared</td>
<td>90,610</td>
</tr>
<tr>
<td>Tax Refunds Generated</td>
<td>$146.4 million</td>
</tr>
<tr>
<td>Amount Saved in Fees and Charges</td>
<td>$20.2 million</td>
</tr>
</tbody>
</table>
# CWF Overview

## Tax Season 2010 Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns Prepared</td>
<td>11,748</td>
</tr>
<tr>
<td>Tax Refunds Generated</td>
<td>$22.1 million</td>
</tr>
<tr>
<td>Total Financial Products</td>
<td>716</td>
</tr>
<tr>
<td>Total FAFSA</td>
<td>107</td>
</tr>
<tr>
<td>Total Benefits Applications</td>
<td>289 (estimated $320,000 in annual food stamp benefits)</td>
</tr>
</tbody>
</table>
Why Additional Resources?

Family income before and after benefits

Family income before benefits: $44,953

Family income after benefits: $17,784

- **Wages Only**: $17,784
- **Wages Plus Work Supports**: $44,953

**Sources of Additional Income**:
- Pell Grant
- Making Work Pay Credit
- Additional Child Tax Credit
- LIHEAP
- Child Care Subsidy
- Medicaid/SCHIP
- SNAP
- EITC
- Wages
Why Additional Resources?

• Customers might not know about public benefits

• Tax time is a unique financial opportunity to save
  – Customers want to save but often find it hard to locate the money year round

• Direct deposit causes refunds to arrive to the customer quickly and securely
  – Can we offer products that compete with check cashers
Series I U.S. Savings Bonds

• What are Series I Savings Bonds?
  – Federal government-issued, interest earning product
  – Sold at face value ($50 bond costs $50)
  – No access to money for 12 months (interest penalty prior to 5 years)
# Series I U.S. Savings Bonds

Why Savings Bonds for LMI customers?

<table>
<thead>
<tr>
<th>Saving Challenge</th>
<th>Bond Feature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small amounts to save</td>
<td>→ Low $50 minimum</td>
</tr>
<tr>
<td>Imperfect credit history</td>
<td>→ No credit screen (e.g., ChexSystems)</td>
</tr>
<tr>
<td>Risk averse</td>
<td>→ Principal is risk free</td>
</tr>
<tr>
<td>Suspicious of financial service industry</td>
<td>→ Government backed, no fees</td>
</tr>
<tr>
<td>Eager to see results</td>
<td>→ Competitive return</td>
</tr>
<tr>
<td>May not have bank account</td>
<td>→ No bank account required</td>
</tr>
<tr>
<td>Unclear goal(s)</td>
<td>→ Can save for anything</td>
</tr>
<tr>
<td>Long-term goals &amp; liquidity need in tension</td>
<td>→ Long-term orientation, access after 1 year</td>
</tr>
</tbody>
</table>

IRS
New Savings Bond Policy

• Easier for VITA programs to offer
  – New policy for TS 2011 – bonds are available on the tax form!
  – You can train current tax prep volunteers to offer
  – No additional administrative work
• Convenient for customers
  – Lots of utility
    • You can buy for co-owners
    • You can split refund between bonds and paper checks
  – Better long term savings rate than traditional savings accounts
CWF Resource Builder Program

- Tax Season 2010: Resource Builder Program
  - Focused on linking customers to a range of resources
  - Integrated into the intake process/tax site structure
  - Utilized mixed model of paid and volunteer staff
  - 13% take up rate (ranged from 9% to 16% by site)
## CWF Resource Builder Program

### Tax Season 2010: Resource Builder Program

<table>
<thead>
<tr>
<th>Product or Benefit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Bonds</td>
<td>Medical Assistance</td>
</tr>
<tr>
<td>Prepaid Cards</td>
<td>CHIP (health insurance for children)</td>
</tr>
<tr>
<td>Bank Accounts</td>
<td>LIHEAP (energy assistance)</td>
</tr>
<tr>
<td>FAFSA</td>
<td>Rent Rebate (state program)</td>
</tr>
<tr>
<td>SNAP (food stamps)</td>
<td>Voter Registration</td>
</tr>
</tbody>
</table>
Site Work Flow Process

2007-2009 Model

- Sign in at tax site
- Wait for tax services
- Meet with Tax Preparer

Resource Pitch
Site Work Flow Process

2010 Model

Sign in at tax site

Wait for tax services

See Intake Coordinator (Resource Pitch)

Meet with Tax Preparer

Meet with Resource Builder
What Works

• Good marketing or integration into tax site flow
• Designate staff or volunteers to spearhead
• Strong tax operation as base
• Buy-In from site staff
• Spread the knowledge
Challenges

- Training is difficult
- Developing relationships for financial products
- Integrating into the tax structure
Advice for Beginners

- **How**, is at least as important as, **what**
- Work within your resources
- Be patient
Financial Education Tools at VITA Sites

Beth LeVine
Community Impact Manager of Financial Stability
United Way of Capital Region
Albany, NY

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CA$H of the Greater Capital Region

Background

– Creating Assets, $avings and Hope
– Begun in 1998 as Build Your Money Coalition
– Restructured in 2006 as CA$H of the Greater Capital Region
CA$H of the Greater Capital Region

- 90 partner agencies through five counties in upstate New York
- Population: Just under 1 million in five counties
- 30-40% poverty rate in targeted populations, 10% overall poverty in region
Coalition Structure

- Five County Chapters
- Disability Initiative Committee
  (20+ agencies working with People with Disabilities)
- Asset Committee
  (15+ financial institutions or asset building agencies)
- Tax and Technical Committee
- Public Relations and Outreach Committee
2010 Tax Demographics

- 24 VITA sites, 21 AARP sites
- 10,839 tax returns
- $15.5 million in return refunds
  - (20% increase over 2009 tax season)
- 15 Mobile sites – 42 days of taxes
  - Outreach to Rural areas, Individuals with Disabilities, Migrant Populations
Transactional Activities

- Savings bonds and split deposits available at all sites during tax preparation
- Staff from local asset institutions available at “Super Saturday” events
- Availability of “Money Menu” and “Family Financial Toolkit” at sites
- Introduction of “Money Manager” at sites
Money Menu

- Eight pages in a plastic holder
- Basic Financial Literacy concepts in clear, simple language
  - Budgeting
  - Banking
  - Saving
  - Medicaid Buy In
  - Individual Development Accounts
- Available in Spanish and English
Family Financial Toolkit

• A box to help families become financially stable

• Folders with information and resources on:
  • Banking – including how to write a check
  • Budgeting
  • Credit
  • Insurance
  • Estate Planning
  • Taxes and Social Security
  • Financial Responsibility and Identity Theft
Toolkit

- Includes:
  - Software
  - Calculator
  - Pen
  - Blank Forms
  - Child’s Bank
  - Children’s Activities
Money Manager

- Volunteers from local banks and credit unions
- Result of Asset Committee call to action
- Assisted taxpayers with new bank accounts, individual development products, and general questions
Super Saturdays

• Events held at a VITA site

• Financial Literacy Presentations
  • Budgeting
  • Credit
  • Withholding

• Sponsoring opportunity

• Resource tables available for area agencies
  • Free Credit Reporting
  • Health Insurance information
  • Individual Development Account Agencies
  • Taxpayer Advocates representing State and Federal
And a special thank you

For all the support and assistance of the local IRS Stakeholders Partnerships Education and Communication team including:

Patricia Faulkner
Shelley Willette
Kathleen McNulty
Barb Pielo
and Joanne Passineau

We couldn’t do it without you!
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Contact Information

Beth LeVine
Community Impact Manager of Financial Stability

518-456-2200 x131
blevine@unitedwaygcr.org
www.cashgreatercapitalregion.org

1 United Way, PO Box 13865
Albany, NY 12212
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Questions?
Please call
1-888-674-0224

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For additional information
please e-mail - FinancialEducation@irs.gov