

FILE TAXES, BUILD WEALTH

A RETROSPECTIVE SUMMARY OF THE MONEYUP EVALUATION

Prepared by The Financial Clinic
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INTRODUCTION

For the fifth consecutive year, the MoneyUP Program proves to be immensely successful. An initiative of The United Way of New York City—in which The Financial Clinic (the “Clinic”) is the lead partner—MoneyUP provides free tax preparation services to low and moderate-income New Yorkers at community-based organizations throughout New York City. The MoneyUP model capitalizes on the tax moment to introduce year-round financial coaching and legal services.

Since its first season, MoneyUP has assisted 7,500 families, securing over \$10.5 million in tax refunds. In tax season 2011 alone, nearly one quarter of eligible MoneyUP filers saved part of their refund, resulting in over \$208,000 set aside for long-term financial goals.

Nearly one quarter of eligible MoneyUP filers consistently contribute to savings.



United Way of New York City

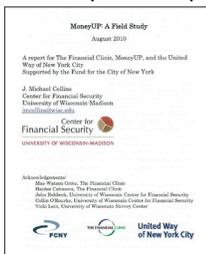
United Way of New York City connects people, resources and ideas to create a thriving community characterized by income stability, educational success, and healthy people.

THE EVALUATION

In late 2009, the Clinic teamed up with Dr. Michael Collins, Assistant Professor at the University of Wisconsin-Madison and Faculty Director of the Center for Financial Security, to develop a third-party evaluation of MoneyUP’s impact and efficacy. Dr. Collins, who studies consumer decision-making



and the role of public policy in influencing credit, savings and investment choices for lower income people, was a natural partner in this endeavor.



The final report, *MoneyUP: A Field Study*, provides valuable insights into the effectiveness of an integrated tax preparation services model, which pairs free tax assistance with year-round financial coaching. The assessment is based on a survey that was mailed to 1,501 current and former MoneyUP customers. A total of 436 customers responded to the survey, making the overall response rate a robust 29 percent. For the full report, go to: www.thefinancialclinic.org.

THE FINDINGS: COACHED CUSTOMERS ARE MORE FINANCIALLY SECURE

MoneyUP: A Field Study confirmed that coached customers are more likely to engage in positive financial behaviors that create financial security. Fourteen percent of respondents worked with a Financial Coach. These individuals were more likely than their non-coached counterparts to:

- Have both checking and savings accounts;
- Engage in budgeting; and
- Use both mainstream and informal financial products to save.

Coached customers are also less likely to use fringe financial services (pawnshop loans and check cashers), which otherwise put them at risk of financial insecurity.

	COACHED RESPONDENTS	NON-COACHED RESPONDENTS	MARGINAL EFFECT
Have a Checking Account	84%	67%	26%
Last Six Months Signed Up for Savings Program	14%	6%	143%
Have a Written Budget	58%	35%	66%
Last Six Months Bought a Bond	7%	1%	296%

Source: *MoneyUP: A Field Study*



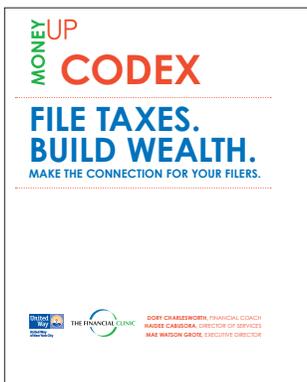
TAXES365

The Clinic's mission to increase the financial security of working poor people is grounded in its philosophy of integrated services. Embedding financial coaching into other service delivery models—including tax preparation, housing support, and domestic violence advocacy—is critical to generating customer interest and commitment to the overall goal of financial security.

Five years ago, MoneyUP began as a challenge to the conventional wisdom underlying tax preparation for working poor families. For these families, the historical challenge focused on how to get them access to the Earned Income Tax Credit, the country's largest anti-poverty program. Today, VITA programs across the country provide free, high-quality tax preparation services to people while protecting them from the predatory practices. The Clinic built on the traditional VITA Program and asked whether incorporating accessible asset-building products' and year-round support services, into VITA could result in making a customer's refund last year-round. MoneyUP proves that traditional assumptions of customers' "tunnel vision" of their refunds as money that has "already-been-spent" are not universally true.

TAXES365

Taxes365 represents the Clinic's core philosophy that tax planning is a year-round process that can help working poor people build assets, a tenet of financial security.



An internal survey of customers from the 2011 tax season showed that a substantial proportion of customers who engaged in financial coaching also took advantage of at least one, and sometimes multiple, asset-building opportunities offered at the MoneyUP site. Overall, MoneyUP staff finds that customers are eager to engage in a meaningful, holistic dialogue about their finances when given the opportunity.

In addition:

- 33% of customers who received limited coaching services chose to deposit their tax refunds into more than one account.
- 25% of coached customers bought a U.S. Savings Bond, and
- 50% of coached customers downloaded their credit report.

In Fall 2010, the Clinic released the *MoneyUP Codex*, a guide for other VITA sites to incorporate best practices and strategies into new or existing asset-building programs.

FROM PROGRAM TO POLICY

After five tax seasons and many thousands of tax returns, the Clinic has learned a tremendous amount about how best to leverage tax season to improve the financial security of working poor people. We also know that our work is far from over, so we are asking ourselves:

- **“Forgotten” Customers:** Many asset-building activities focus on capturing filers with large refunds, but the Clinic finds that its best uptake rate and highest average number of savings bond purchases occur in March—a time when refunds are typically lower. March filers are *23 percent more likely* to save than January filers; *16 percent more likely* to save than February filers; and *twice as likely* to save a portion of their refunds than April filers. Should asset-building products be offered more universally and more evenly throughout the tax season?
- **Diversifying Savings Strategies:** It is traditionally assumed that customers first decide how much to save, and then choose the vehicle with the best return on investment. And yet each tax season, a number of MoneyUP customers choose to participate in more than one savings vehicle even if it will yield fewer dollars overall. Are working poor tax filers following standard portfolio diversification principles? If so, how may the 1040 be modified to support this trend?
- **Periodic Earned Income Tax Credit:** With the recent demise of the Advance Earned Income Tax Credit, the tax code lacks a mechanism to help make refunds last all year. Would a refundable credit delivered in quarterly payments improve financial security by helping working poor recipients meet their expenses throughout the year?

MoneyUP has effectively leveraged the tax season to introduce working poor New Yorkers to a range of asset-building opportunities, as well as year-round financial coaching. The impact of these paired services should not be underestimated: coached customers are more likely than their non-coached counterparts to engage in positive financial behaviors. The MoneyUP model is both successful and accessible. It is well-poised for replication across America.

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OVERVIEW OF RESPONDENTS

MoneyUP customers are considered very low-income in light of the cost of living in New York City—respondents had an average annual adjusted gross income of \$12,018. Although respondents come from a variety of racial and ethnic backgrounds, they all share the same struggle to gain control of their financial situations:

- 40% of respondents reported having no savings;
- 19% report having between \$1 and \$100 in savings;
- 17% report having between \$100 and \$500 in savings; and
- 27% report paying their bills after their due date often or almost always.

Constantly teetering on the edge of poverty, these New Yorkers are eager to improve their finances and to build assets. In fact, 100 percent of respondents said they would refer MoneyUP services to a friend or family member. Customers' overall satisfaction with MoneyUP speaks to the program's success in integrating tax preparation and financial development work into community-based organizations.

ABYSMAL ECONOMIC TIMES

MoneyUP's strong achievements in helping working poor New Yorkers move toward financial security is remarkable in light of the seemingly never-ending Great Recession. In the 12 months preceding the survey, respondents reported having experienced a range of financial stressors that create financial insecurity:

- **26% lost a job;**
- **17% experienced a pay cut while still employed;**
- **14% had excessive medical bills;**
- **4% were evicted;**
- **3% filed for bankruptcy;**
- **46% applied for or received food support;**
- **21% applied for or received rental support; and**
- **50% of all respondents applied for or received Medicaid.**

Source: MoneyUP: A Field Study

GOAL-SETTING IS INTEGRAL TO ACHIEVING FINANCIAL SECURITY

The findings from *MoneyUP: A Field Study* also support the Clinic's theory that goal setting is an integral component of achieving financial security. The Clinic views a healthy goal as one that is action-driven. Having a healthy action-driven goal is important, because it provides customers with the motivation needed to achieve financial security over time.

Overall, more than half of survey respondents (63%) report having at least one financial goal. Of these respondents, 27 percent report having a savings-related goal; 29 percent report having a debt-related goal; and 18 percent reported having a purchase-oriented goal. Coached customers (83%) are more likely to report having an action-driven goal than non-coached customers (61%).

Of the majority of respondents who report having a goal, more than half are "somewhat" or "very confident" that they will achieve that goal, compared to only 12 percent reporting no confidence in being able to reach their stated goal. Coached respondents report higher confidence in their ability to achieve their financial goals.

The Clinic defines action driven goals as being:

- **Passionately held;**
- **Forward-thinking; and**
- **Asset-oriented.**

USE OF FRINGE SERVICES AND CALLS FROM DEBT COLLECTORS

Financially insecure customers rely on fringe financial services—check cashers, payday lenders, and pawnshops—to access funds and credit for everyday needs. Over four-in-ten (42%) reported having used a check casher in the two months preceding the survey. Of these respondents, nearly a third used the check casher four or more times.

Forty-two percent of respondents reported having received calls from debt collectors or creditors in the two months preceding the survey.