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Report to Congressional Requesters

July 2015

U.S. SAVINGS BONDS

Future of Offering Paper Savings Bonds at Tax Time Is Uncertain, and Lower-Income Households Continue to Face Savings Challenges

Accessible Version

GAO-15-563

GAO Highlights

Highlights of GAO-15-563, a report to congressional requesters

July 2015

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Why GAO Did This Study

U.S. savings bonds provide Americans with an affordable way to save. In 2012, Treasury stopped selling paper savings bonds at banks as part of its broader electronic initiative. As a result, savings bonds generally must be purchased through TreasuryDirect®. The one exception is the Tax Time Savings Bond program, established in 2010 to enable taxpayers to use their tax refund to buy paper savings bonds. The program is one way for lower-income families to save.

You requested that GAO examine Treasury's savings bond program, including the accessibility of TreasuryDirect, and other savings programs. This report examines (1) the effect of Treasury's elimination of paper U.S. savings bonds on the program and bond purchases, (2) the extent to which the Tax Time Savings Bond program has promoted savings by lower-income households and Treasury's future plans for the program, and (3) the extent to which lower-income households are saving and programs developed by federal agencies and others. GAO reviewed agency rules and other documents; analyzed Treasury, Internal Revenue Service, and other data, in part using economic models; and interviewed federal, state, and nonprofit entities and experts involved in savings programs.

What GAO Recommends

GAO recommends that as Treasury implements the TRIM system, it consider the benefits and costs of the Tax Time program in future decisions on whether to extend the program. Treasury agreed with GAO's recommendation.

View GAO-15-563. For more information, contact Cindy Brown Barnes at (202) 512-8678 or brownbarnesc@gao.gov.

What GAO Found

The Department of the Treasury's (Treasury) elimination of paper savings bonds made buying bonds more difficult for some customers, but GAO's analyses generally indicated that the decline in bond purchases after the change was not statistically significant. Treasury eliminated paper savings bonds in January 2012, after a long-term decline in savings bond purchases. It estimated the change would save about $70 million in program costs from 2012 through 2016. Except for the Tax Time Savings Bond program, customers who want to buy savings bonds must use TreasuryDirect—an online system that requires users to have Internet access and a bank account. Customers without both, which likely includes lower-income households, face challenges accessing TreasuryDirect. Treasury is in the early stages of developing a new system, the Treasury Retail Investment Manager (TRIM), to make it easier to buy savings bonds, such as by using a mobile device, which often is the primary means of accessing the Internet for many lower-income households.

A little more than one-third of the users of Treasury's Tax Time Savings Bond program—the only way to purchase paper bonds—were lower-income tax filers (filers with an adjusted gross income of $25,000 or less), but the program's future is uncertain. Since 2010, tax filers have been able to use a tax form to buy paper savings bonds with their tax refund. For tax years 2010 through 2013, about 142,000 tax filers (less than 1 percent of tax filers receiving refunds) used at least part of their tax refund to buy nearly $72.5 million in savings bonds. Of these filers, about 55,000 had incomes of $25,000 or less and bought about $13.7 million in savings bonds, or about $250, on average, per filer each year. Treasury has been extending the program partly because the amount of bonds purchased and participation levels indicate that the program is providing benefits, but it generally has not considered the program's costs. In May 2015, Treasury officials told GAO that they plan to continue to extend the program until TRIM can provide a suitable electronic alternative. Because TRIM will require Internet access by computer or mobile device, Tax Time program users without such access may no longer be able to save by buying bonds with their refunds after TRIM is implemented. In prior work on agency stewardship of public funds, GAO reported that agencies, as a best practice, should consider both benefits and costs in considering alternatives related to program decisions. Without considering both, Treasury cannot make a fully informed decision on whether to discontinue the Tax Time program when an electronic alternative is available.

On the basis of GAO's analysis of data from the most recent Survey of Consumer Finances conducted in 2013, the median value of financial assets held by the bottom fifth of income earners (whose median annual income was $14,200) was $550. Given the limited savings of lower-income households and savings challenges faced by such households, a number of federal agencies have developed programs to promote savings. For example, Treasury's *my*RA®, which is in a soft-launch phase, promotes retirement savings for individuals without access to employer-sponsored retirement plans. State, local, and nonprofit agencies also have initiated programs that promote savings for retirement, child development, or emergencies and generally target lower-income households. Eligibility requirements and participation vary by program.

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Abbreviations

FDIC	Federal Deposit Insurance Corporation
FLEC	Financial Literacy and Education Commission
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
SCF	Survey of Consumer Finances
Treasury	Department of the Treasury
TRIM	Treasury Retail Investment Manager

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Congressional Requesters

In 2013, Treasury issued about $686 million in U.S. savings bonds, which historically have provided Americans with an affordable and safe way to save and invest. However, fewer than 5 percent of lower-income households owned savings bonds that same year. Additionally, savings bond purchases have declined significantly from 2001 to 2013. Savings bonds are low risk, backed by the full faith and credit of the U.S. government, and offered in minimum denominations as low as $25. Beginning in January 2012, the U.S. Department of the Treasury (Treasury) discontinued the over-the-counter sale of paper savings bonds at financial institutions as part of its agency-wide, all-electronic effort announced in 2010. As a result, savings bonds generally can be purchased only through Treasury's Internet-based system, called TreasuryDirect®. Treasury stated that its goal in discontinuing sales of paper savings bonds was to reduce costs and enhance customer service by increasing electronic transactions. At the same time, some members of Congress, nonprofit organizations, and others have raised concerns that the change has reduced access to an important savings product, particularly for lower-income households who may not have bank accounts, access to the Internet, or the knowledge or skills needed to use TreasuryDirect. In 2010, the Internal Revenue Service (IRS) provided tax filers with an alternative method for purchasing paper savings bonds by enabling them to use their income tax refund to buy them through a program commonly known as the Tax Time Savings Bond program. This program is intended, in part, to help lower-income households to save. In addition to this program, federal agencies, state agencies, and nonprofit organizations have developed an array of savings or asset-building programs, many of which target lower-income households.

You asked us to review issues related to Treasury's savings bond program and study other programs that promote savings by lower-income households. This report examines (1) the effect of Treasury's elimination of paper U.S. savings bonds, including on the savings bond program and bond purchases; (2) the extent to which Treasury's Tax Time Savings Bond program has promoted savings, particularly by lower-income households, and Treasury's plans for the program's future; and (3) the extent to which lower-income households are saving using financial products, and some of the government and nonprofit programs that have been developed to promote savings by lower-income households.

To examine the effect of Treasury's elimination of paper U.S. savings bonds, including on the savings bond program and bond purchases, we analyzed Treasury's data on savings bond purchases from 2001 through 2013. Specifically, to analyze long-term trends in savings bond purchases and more recent trends since the end of paper sales in January 2012, we estimated two econometric models. We also reviewed Treasury documentation, including estimates of cost savings from eliminating paper savings bonds, budgets and capital investment plans, and TreasuryDirect materials. We interviewed Treasury officials to discuss its savings bond program, including the benefits and costs of eliminating paper savings bonds, concerns that had been raised about TreasuryDirect, and plans for replacing TreasuryDirect.

To determine the extent to which Treasury's Tax Time Savings Bond program has promoted savings, we used aggregated data provided by IRS on income tax filers who used at least part of their tax refunds to buy paper savings bonds from 2010 through 2013. We used the data to determine the number of tax filers who bought paper savings bonds, including those with adjusted gross incomes of $25,000 or below, and the amount of savings bonds they purchased. We also reviewed IRS documentation, including IRS Form 8888, Allocation of Refund (Including Savings Bond Purchases. We interviewed Treasury and IRS officials about the Tax Time program's operations, benefits, and costs. In addition, we interviewed nonprofit organizations that had promoted savings bonds as a savings vehicle or collaborated with Treasury on efforts to improve access to financial products and services about the benefits of the program.

To examine the extent to which lower-income households are saving using financial products, we used data from the Survey of Consumer Finances (SCF) issued by the Board of Governors of the Federal Reserve System for survey years 2001, 2004, 2007, 2010, and 2013 to estimate, among other things, the percentage of U.S. households holding financial assets, including U.S. savings bonds, and the median value of such financial assets held by U.S. households.[1] We chose these survey years because they covered more than 10 years before the discontinuation of the sale of paper savings bonds at financial institutions but also one year after the change. To identify and describe the government and nonprofit programs developed to promote savings by lower-income households, we conducted research on and reviewed select federal, state, local, and nonprofit programs targeting either long-term (such as retirement or asset accumulation) or short-term savings goals for lower-income households. We also interviewed officials from six federal agencies involved in the Financial Literacy and Education Commission, state and local government agencies, and nonprofit organizations and academics focusing on savings and asset-building programs.[2]

We assessed the reliability of the data we used in each of the three objectives by reviewing documentation, such as Treasury's description of the data in the monthly statement of public debt, SCF codebooks, and Federal Reserve bulletins on the SCF. We also interviewed knowledgeable officials, and conducted testing on relevant data fields where applicable, such as the number of tax filers participating in the Tax Time program and amounts of savings bonds purchased. We found the data we reviewed to be sufficiently reliable for the purposes of our analyses.

We conducted this performance audit from August 2014 to July 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that

[1]The Federal Reserve Board's SCF is a triennial cross-sectional survey of families in the United States. The survey data include information on families' balance sheets, pensions, income, investments, and demographic characteristics. The most recent survey was conducted in 2013. For purposes of this report, we define lower-income households in the context of SCF data as those households whose income falls in the bottom 40 percent. The range of income for this category of households in the latest survey conducted in 2013 was from $0 to $36,523 and the average household income was about $21,000.

[2]The Financial Literacy and Education Commission was created in 2003 as a multiagency commission to coordinate among federal agencies and between federal agencies and state, local, nonprofit, and private entities related to financial literacy initiatives. Twenty-two federal entities are members of the commission, with the Treasury Secretary serving as the chair and Consumer Financial Protection Bureau Director serving as the vice chair.

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Treasury has issued savings bonds since 1935. Savings bonds offer investors the ability to purchase securities with lower minimum denominations than those for marketable Treasury securities.[3] When individuals purchase savings bonds, they loan the amount they paid for the bonds to the U.S. government. Over a period of time (up to 30 years), the savings bonds earn interest and, after 12 months of their original purchase, can be cashed in for their purchase price, plus the interest they have earned, subject to a 3-month interest penalty during the first 5 years. Over the years, Treasury has offered a number of savings bonds with different terms and interest rates. Currently, Treasury offers Series EE bonds, which have a fixed interest rate, and Series I bonds, which pay an interest rate that is tied to inflation.[4] Savings bonds do not represent a major source of funds for the Treasury.

The Bureau of the Fiscal Service, one of Treasury's 10 bureaus, helps to fund the federal government by selling Treasury securities, including savings bonds. Treasury Securities Services within the bureau operates Treasury's Retail Securities program, which allows retail investors to purchase savings bonds and marketable securities in electronic form directly from Treasury. The office's flagship system is TreasuryDirect, an online proprietary system created in 2002 that allows customers to buy and hold savings bonds and marketable securities, and to manage their accounts without assistance from a customer service representative. TreasuryDirect customers can purchase securities at any time, direct electronic payments to bank accounts, and convert paper savings bonds to electronic savings bonds in the same series and with the same issue date. TreasuryDirect customers also can set up payroll deductions and

[3]Most of the securities that Treasury issues to the public are marketable, meaning that once the government issues them they can be resold by whoever owns them. Marketable debt consists of bills, notes, and bonds. Currently, Treasury issues bills with maturities ranging from a few days to 52 weeks; notes with maturities of 2, 3, 5, 7, and 10 years; bonds that mature in 30 years; Treasury Inflation-Protected Securities with maturities of 5, 10, and 30 years; and Floating Rate Notes that mature in 2 years.

[4]For Series EE bonds, issued since May 2005, the interest rate is determined by taking the market yields of the 10-year Treasury Note and adjusting that by the value of components unique to savings bonds, including options that permit early redemption (redemption after the first 12 months) and tax deferral.

automatically recurring purchases. As of March 2015, TreasuryDirect had around 580,700 accounts that were funded and held nearly $27 billion.[5]

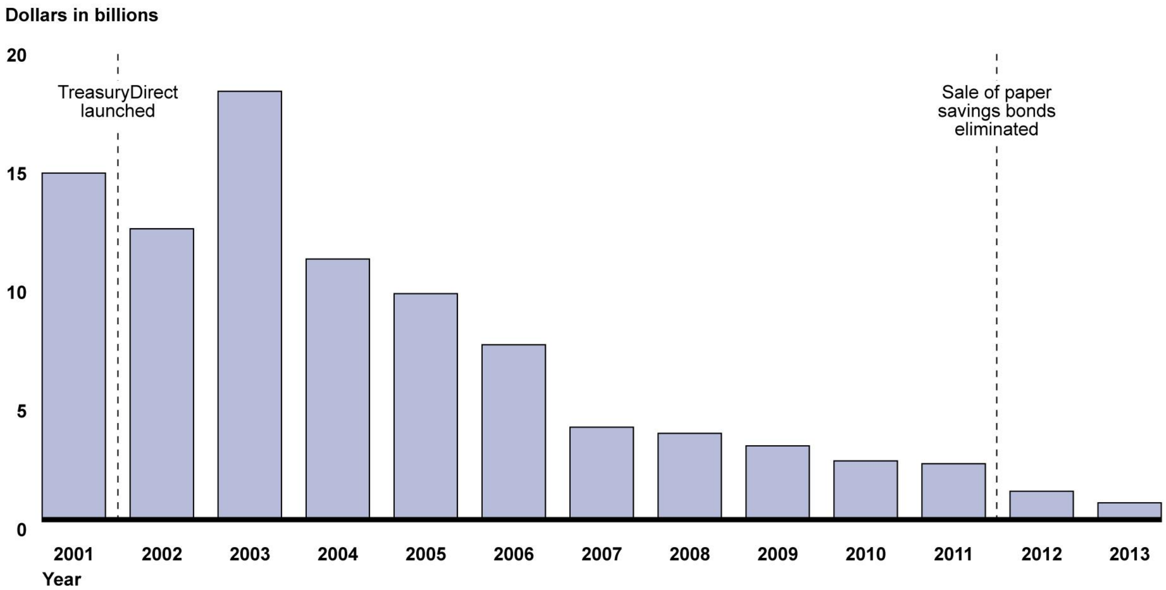
Treasury Eliminated Paper Savings Bonds to Reduce Costs but Created Challenges for Some Savings Bond Investors

The elimination of paper savings bonds reduced program costs but made purchasing bonds more difficult for some savers. However, our analysis of Treasury's bond data showed that the drop in bond purchases after the elimination of paper savings bonds was not statistically significant. As shown in figure 1, annual purchases of U.S. savings bonds declined significantly from 2001 through 2013, falling from around $14.6 billion to less than $1 billion, or by more than 90 percent.[6] Over this period, savings bond purchases declined every year, except from 2002 to 2003. Likewise, the role of savings bonds in helping to fund the federal debt also declined over the period, accounting for about 3.2 percent of the federal debt in 2001 and about 1.0 percent in 2013.

[5]The number of funded TreasuryDirect accounts is a snapshot of the number of accounts containing one or more savings bonds or marketable securities on a particular date.

[6]We adjusted the monthly savings bonds purchased for inflation using the consumer price index, with June 2014 as the base month, before aggregating purchases by year.

Figure 1: Purchases of U.S. Savings Bonds from 2001 through 2013 (in 2014 Dollars)



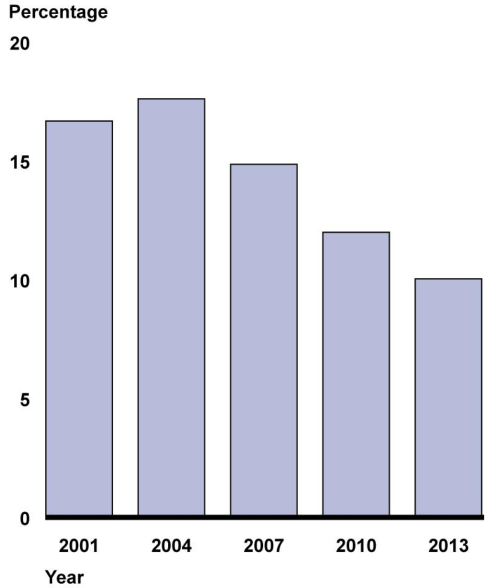
Source: GAO analysis of Treasury savings bond data. | GAO-15-563

Note: We adjusted the monthly savings bonds purchased for inflation using the consumer price index, with June 2014 as the base month, before aggregating purchases by year.

Consistent with the decline in savings bond purchases, the percentage of U.S. households holding savings bonds and the amount of savings bonds these households hold also have declined. On the basis of data from the Federal Reserve Board's SCF, we found that around 17 percent of households held savings bonds in 2001, with a median value of $1,300 for those who held them (fig. 2). In 2013, around 10 percent of households held savings bonds with a median value of $1,000 for those who held them.[7] Moreover, savings bonds as a percentage of total financial assets held by U.S. households declined from 0.7 percent to 0.3 percent over the same period.

[7]In 2001, the 95 percent confidence interval on median savings bonds held, conditional on holding any, was $1,226 to $1,401. In 2013, it was $817 to $1,183.

Figure 2: Percentage of U.S. Households Holding Savings Bonds from 2001 through 2013



Source: GAO analysis of 2001 through 2013 Survey of Consumer Finances data. | GAO-15-563

Treasury Eliminated Paper Savings Bonds to Reduce Program Costs and Provide Other Benefits

Following the long-term decline in savings bond purchases, Treasury stopped selling paper savings bonds through over-the-counter channels, including through financial institutions and mail-in orders, on January 1, 2012, as part of its agency-wide electronic initiative to reduce program costs and improve customer service. According to Treasury officials, the agency phased out the issuance of paper savings bonds through employer-sponsored payroll savings plans in 2010, and the ending of savings bond sales through over-the-counter channels was the last step of discontinuing paper savings bonds. Treasury estimated that the elimination of over-the-counter sales of paper savings bonds would save nearly $70 million in program costs from 2012 through 2016. Treasury calculated these savings by estimating how much it would save in costs associated with issuing new paper bonds and servicing and redeeming existing paper bonds, which include fees paid to banks, postage, and printing. For example, Treasury estimated that the change would eliminate around $14.5 million in fees paid to financial institutions for issuing and redeeming savings bonds and around $12.7 million in postage expenses for mailing paper bonds to customers over the 5-year period. Additionally, Treasury estimated that it would save in personnel costs because fewer employees would be needed to process customer service transactions. According to Treasury's estimates, the change would save around $4.9 million in compensation and benefit costs for Treasury staff and $28.5 million in Federal Reserve Bank personnel costs over the 5-year period. Finally, Treasury estimated $9 million in savings from reductions in paper stock, overhead, forms, and other costs.

In addition to the cost savings, Treasury expected the change to provide customer benefits, such as increased security and convenience. Although paper bonds allowed buyers to purchase savings bonds at financial institutions, Treasury's online system for purchasing savings bonds and other Treasury securities—TreasuryDirect—allows customers to buy, manage, and redeem savings bonds electronically at any time. Treasury officials told us that electronic bonds are safer and more secure, because paper bonds could be lost, stolen, altered, or fraudulently redeemed. Treasury officials also added that electronic bonds provide the agency with both operational advantages and enhanced customer experience, since Treasury can automatically track bond purchases, redemptions, and values for the customer.

Eliminating Paper Savings Bonds Has Created Challenges for Some Bond Buyers

When Treasury eliminated paper savings bonds, it created access challenges for bond buyers who do not have a bank account and Internet access. Customers now must use TreasuryDirect to purchase electronic savings bonds, although some can purchase paper savings bonds through the Tax Time program, which we discuss later in this report. To open a TreasuryDirect account, a customer generally must have both Internet access and a bank account. While TreasuryDirect can be accessed through cellular phones and other mobile devices, the website is not optimized for such use. According to representatives from a nonprofit organization that focuses on savings for lower-income households, mobile access is the primary means of Internet access for some lower-income consumers. According to 2011 Census Bureau data, around 50 percent of households with less than $25,000 in income did not have computer-based Internet access from some location.[8] Further, according to the 2013 Federal Deposit Insurance Corporation's (FDIC) National Survey of Unbanked and Underbanked Households, 7.7 percent of U.S. households, or nearly 9.6 million households, were unbanked—

[8]Households earning less than $25,000 were the lowest household income category for which Census data were reported on computer and Internet usage.

that is, they did not have a bank account at an insured institution.[9] As a result, such households or individuals may not be able to access TreasuryDirect or complete a transaction if they wanted to buy savings bonds.

Treasury officials recognized the access challenges related to TreasuryDirect that some potential users might face, but told us such challenges could be mitigated. Treasury officials said that they worked with organizations that provided Internet access to the public, such as libraries and community centers, and determined that such organizations provide the level of Internet access required for potential TreasuryDirect users. The officials also told us that in lieu of a bank account, individuals could use reloadable debit cards to purchase and redeem savings bonds through TreasuryDirect. While the use of such cards provides an avenue for those without a traditional bank account to purchase savings bonds, Treasury estimated that few savings bonds, approximately 1,426, had been purchased using prepaid debit cards from mid-April 2005 through mid-November 2014. Further, Treasury officials told us that unbanked individuals could use the Tax Time program to purchase paper savings bonds. Our analysis of IRS data on the Tax Time program indicates that around 91 percent of tax filers who used part of their tax refund to purchase paper savings bonds had part of their refund directly deposited into a bank account. Similarly, based on data from SCF surveys from 2001 through 2010, over 90 percent of households who owned savings bonds have bank accounts. Additionally, according to FDIC's survey, more than 90 percent of all households the agency surveyed had a bank account.

According to Treasury officials and representatives from several nonprofit organizations that we interviewed, TreasuryDirect also poses some usability challenges. For example, Treasury officials and nonprofit representatives told us that giving savings bonds as a gift through TreasuryDirect can be a cumbersome process. They explained that TreasuryDirect requires the individual buying the savings bond to have the Social Security number and TreasuryDirect account number of the recipient of the gift bond, information the individual may not know. The gifting process also requires the recipients or their parents or guardians to set up a TreasuryDirect account, if they do not have one. Treasury

[9] FDIC, 2013 FDIC National Survey of Unbanked and Underbanked Households (Washington, D.C.: October 2014).

officials told us that issues associated with the process of buying bonds as gifts were the source of the most common complaints from customers about savings bond transactions through TreasuryDirect. In addition, representatives from nonprofit organizations and an academic we interviewed told us that TreasuryDirect generally was not a user-friendly system, even for individuals who were comfortable using the Internet for their financial transactions. They told us that navigating the system was not easy and could pose challenges to potential customers who were not familiar with online financial transactions. Similarly, Treasury officials told us that customers anecdotally had expressed concerns about difficult navigation, lengthy application pages, organization of information, security features, complicated linked accounts processes, and difficulty locating tax reporting information. When Treasury eliminated paper savings bonds in January 2012, there were nearly 379,000 total funded TreasuryDirect accounts.[10] As of the end of March 2015, there were over 580,000 total funded TreasuryDirect accounts, but the extent to which the increase resulted from savings bond investors has not been determined.

Decline in Purchases after the Elimination of Paper Savings Bonds Is Consistent with Long-Term Trends, and Treasury Is Addressing Access and Usability Challenges

Our analyses of Treasury savings bond data indicated that the decline in savings bond purchases after Treasury discontinued the sale of paper savings bonds in January 2012 was consistent with the overall long-term decline in savings bond purchases. In addition, the decline since January 2012 generally was not statistically significant based on models we estimated. While there was a large decline in purchases in 2012 and 2013 when sales of paper savings bonds were discontinued, there are a number of factors that could account for this decline. For example, savings bond purchases declined in 9 out of 10 years from 2002 to 2011, and some declines were quite large, hence recent declines in purchases may be reflective of long-term trends. In addition, we found that savings bond purchases have been sensitive to interest rate changes, with savers typically purchasing more when interest rates are higher and purchasing less when they are lower. The low interest rates in recent years may account for some of the decline in savings bond purchases.

Although lower-income households that do not have bank accounts or Internet access could face challenges accessing or using TreasuryDirect,

[10] The number of funded TreasuryDirect accounts is a snapshot of the number of accounts containing one or more savings bonds or marketable securities on a particular date. The date for this snapshot is December 31, 2011, which was just before Treasury discontinued the sale of paper savings bonds in January 2012.

this challenge may only affect a small percentage of such households. Our analyses indicate that a small percentage of such households buy savings bonds in general, even when they were available in paper form. According to data from the 2013 SCF survey, 4.6 percent of lower-income households held savings bonds in 2013, and this percentage had declined from 7.7 percent in 2001.

In a July 2014 Federal Register release, and in support of its strategy to reach new customers, develop new product delivery streams, and increase the number of available product offerings, Treasury released its plans to introduce the Treasury Retail Investment Manager (TRIM), which will replace TreasuryDirect.[11] According to Treasury officials, TRIM will be more flexible and responsive to changing business and digital investing needs. Treasury officials told us that they plan to offer mobile phone access through TRIM, which could improve access for households that do not have computer-based Internet access at home. Treasury officials also told us that TRIM would attempt to address a number of TreasuryDirect's usability challenges. For example, Treasury officials told us that the TRIM system should be more user friendly for customers, because it will have an online interface that is similar to the online interfaces that banks and stock brokers offer and with which most customers are likely familiar. The system also is expected to streamline various steps for customers navigating the system—for example when they open or sign into accounts—to improve usability and potentially save Treasury money by reducing calls to customer service.

According to Treasury officials, they also are exploring ways for TRIM to simplify the process for buying savings bonds as gifts and to allow for multiple funding options. One option under consideration is for a customer to buy a savings bond gift certificate that can be given to another individual, who can go online to open a TRIM account and use the certificate to buy the savings bond directly. Treasury also is exploring multiple funding options for customer accounts to provide options to savers who do not have bank accounts.

As of May 2015, TRIM was under development, and Treasury officials told us that its release date had not been set. According to Treasury officials, TRIM is being developed in four phases—initiation, planning,

[11]Proposed Collection of Information: TreasuryDirect System, 79 Fed. Reg. 44,491 (July 31, 2014).

execution, and closing. Treasury officials told us that TRIM was in the planning phase and that the system's design was being developed. Specifically, Treasury officials are working on defining technical requirements for the system. Before TRIM can be implemented, Treasury will need to complete the execution and closing phases, which include technical design, system coding, various testing, consumer education, and system documentation. Treasury officials told us that they did not have a specific release date for TRIM, which will depend on the time needed to complete the next steps in the project plan. According to a Treasury estimate issued in 2013, TRIM was expected to cost around $18 million to develop and implement. Treasury officials told us that, as of May 2015, they did not have any changes to this estimate and that the costs they had incurred thus far had been consistent with the estimate. They also told us that Treasury had tentative plans to develop an implementation plan for TRIM by April 2016.

Tax Time Program Promotes Savings, but Treasury Has Not Considered Costs Along with Benefits in Its Annual Decisions to Extend the Program

Since 2010, U.S. tax filers have used the Tax Time program to save by using their tax refund to purchase paper savings bonds. For example, about 55,000 tax filers with adjusted gross incomes of $25,000 or less participated in the program for tax years 2010 through 2013 and bought about $13.7 million in savings bonds. Treasury has been extending the program annually in consideration of some of the program's benefits, but not in consideration of the program's costs.

Tax Time Savings Bond Program Promotes Savings through the Purchase of Paper Savings Bonds, Including by Lower-Income Households

Since 2010, U.S. tax filers have been able to use their tax refund to purchase paper savings bonds through the Tax Time Savings Bond program. In 2009, President Obama proposed a package of initiatives to spur increased savings that included a provision for purchasing savings bonds with tax returns. Under the Tax Time program, tax filers receiving a tax refund may use an IRS form to allocate their refund among several options, such as purchasing paper savings bonds or depositing their refund directly into their bank account.[12] As shown in table 1, in tax years 2010 through 2013 about 142,000 total tax filers used the Tax Time program to buy a total of about $72.5 million in paper savings bonds.[13] (According to data provided by Treasury, of the 142,000 total tax filers that used the Tax Time program, about 20 percent were repeat participants in the program). These filers purchased, on average, approximately $500 in paper savings bonds each year. Table 1 also shows that about 55,000 tax filers with an adjusted gross income of $25,000 or less collectively bought about $13.7 million in paper savings bonds. These filers purchased, on average, approximately $250 in paper savings bonds each year. At the same time, the number of tax filers participating in the Tax Time program and the amount of savings bonds purchased under the program were relatively small. The total number of tax filers receiving a refund for tax years 2010 through 2013 was more than 100 million in each year, and Tax Time participants made up less than 1 percent of this group. Similarly, the amount of savings bonds purchased through the program from 2010 through 2013 accounted for about 1 percent of the total amount of all savings bonds purchased during those years.

[12]IRS Tax Form 8888 *Allocation of Refund (Including Savings Bond Purchases)* allows tax filers to directly deposit their refund to either two or three accounts at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) in the United States, and to use at least part of the refund to purchase up to $5,000 in Series I paper savings bonds.

[13]We calculated the total number of tax filers using the Tax Time program by aggregating IRS data on the total number of tax returns filed for tax years 2010 through 2013, for a total of 142,119. Since about 20 percent of tax filers participated in the program in more than 1 year, the number of unique tax filers is less than this amount.

Table 1: Number of Tax Filers Purchasing Savings Bonds through the Tax Time Savings Bond Program and Amounts Purchased, Tax Years 2010-2013 [Note A]

Tax year	Total number of tax filers purchasing paper savings bonds [Note B]	Total amount of paper savings bonds purchased	Number of tax filers with an adjusted gross income of $25,000 or less purchasing paper savings bonds [Note B]	Amount of paper savings bonds purchased by tax filers with an adjusted gross income of $25,000 or less
2010 [Note C]	32,449	$11,524,200	13,724	$3,151,371
2011	39,417	21,565,850	15,280	3,715,089
2012	36,263	21,537,450	13,369	3,493,656
2013 [Note D]	33,990	17,845,500	12,655	3,297,552
Total	**142,119**	**$72,473,000**	**55,028**	**$13,657,668**

Source: GAO analysis of IRS data. I GAO-15-563

Note A: Since Tax Time program data for tax year 2014 would not be available until after the 2015 tax filing season, the latest tax year for which we obtained Tax Time program data was 2013.

Note B: We calculated the number of tax filers for these categories by aggregating IRS data on the total number of tax returns filed for tax years 2010 through 2013. Since some tax filers participated in the program in more than one year, the number of unique tax filers is less than the total provided in this table.

Note C: For tax year 2010, IRS had data only on the amount of paper savings bonds tax filers asked to purchase and not the actual purchase figures. IRS officials explained that in almost all cases, the requests went through and were processed for the exact amount requested.

Note D: For tax year 2013, IRS provided us with totals on tax returns filed through April 24, 2014. Data on tax returns with an adjusted gross income of $25,000 or less are based on tax returns filed through October 23, 2014.

About 30 percent of Tax Time program participants also were tax filers who received the Earned Income Tax Credit. Enacted by Congress in 1975, the Earned Income Tax Credit is one of the largest antipoverty programs.[14] Generally, income and family size determine a taxpayer's eligibility, and the credit is a refundable tax credit for low-to-moderate income working individuals and couples—particularly those with children. As shown in table 2, about 30 percent of tax filers participating in the program from 2010 through 2013 received the Earned Income Tax Credit.

[14]The Earned Income Tax Credit was first enacted by the Tax Reduction Act of 1975, Pub. L. No. 94-12, § 204(a), 89 Stat. 26, 30 (1975) (codified as amended at 26 U.S.C. § 32).

Table 2: Number and Percentage of Tax Filers Purchasing Paper Savings Bonds through the Tax Time Program and Receiving the Earned Income Tax Credit, Tax Years 2010-2013 [Note A]

Tax year	Total number of tax filers purchasing paper savings bonds [Note B]	Total number of tax filers purchasing paper savings bonds and receiving Earned Income Tax Credit [Note B]	Percentage of tax filers purchasing paper savings bonds receiving Earned Income Tax Credit (%)
2010	32,449	10,347	32
2011	39,417	11,463	29
2012	36,263	10,405	29
2013 [Note C]	33,990	10,092	30
Total	**142,119**	**42,307**	**30**

Source: GAO analysis of IRS data. I GAO-15-563

Note A: Since Tax Time program data for tax year 2014 would not be available until after the 2015 tax filing season, the latest tax year for which we obtained Tax Time program data was 2013.

Note B: We calculated the number of tax filers for these categories by aggregating IRS data on the total number of tax returns filed for tax years 2010 through 2013. Since some tax filers participated in the program in more than one year, the number of unique tax filers is less than the total provided in this table.

Note C: For tax year 2013, IRS provided us with totals on tax returns filed through April 24, 2014. Data on total tax returns that were filed after April 24, 2014, and included requests to purchase paper savings bonds are not included in the totals in this table.

According to representatives from three nonprofit organizations and two academics we interviewed, tax season provides an opportunity for tax filers receiving a refund to set aside an amount of money specifically for savings. They told us that tax season was often the one time during the year that tax filers—particularly those with low incomes—had a relatively large lump sum of money available to save. However, in some instances, tax filers receiving a refund may already know what they plan to use their refunds for, and that may not include any savings.

Treasury Plans to Extend the Tax Time Program in the Short-Term, but Has Not Considered Program Costs Along with the Benefits

Treasury has been extending the Tax Time program on an annual basis and plans to continue extending it in the short term. According to Treasury officials, the program was scheduled to expire after the 2015 tax season, in which case tax filers would no longer have had the option to use the IRS form to purchase paper savings bonds.[15] However, Treasury officials told us that the agency decided in December 2014 to extend the program through the 2016 tax season. The decision was made by the Fiscal Assistant Secretary of the Treasury based on an internal recommendation from the Commissioner of the Bureau of the Fiscal Service, which oversees the savings bond program. Treasury officials said that they intended to continue recommending the continuation of paper tax-time bonds until a suitable electronic alternative is implemented. However, Treasury officials did not provide us with any additional information on how an electronic alternative would replace the option of purchasing paper savings bonds. For participants who do not have Internet access or want to buy bonds electronically, it is not clear what a suitable electronic alternative would be.

Although Treasury has been extending the Tax Time program on an annual basis, it has not assessed the program's costs along with its benefits. In deciding to extend the program in the last 2 years, Treasury officials told us that they considered participation levels and the amount of savings bonds purchased through the program. Such data indicate some of the program's benefits, namely its ability to promote savings by lower-income and other households. While the amount of bonds purchased and program participation levels can be quantified, other benefits of the program, such as providing a savings opportunity for lower-income households that may not be able to access TreasuryDirect to purchase savings bonds online, are more difficult to quantify. Although Treasury officials considered some of the Tax Time program's benefits in deciding to extend it, they generally did not consider the program's costs in their decision-making process. According to Treasury and IRS officials, Treasury has not conducted an analysis on the current costs of the program or determined how much Treasury would save if the program were allowed to expire after the 2016 tax season. IRS officials told us that

[15]According to Treasury officials, if Treasury were to discontinue the Tax Time program, tax filers would still have the option of having their tax refund deposited into their TreasuryDirect account through which they could then purchase electronic savings bonds. Expiration of the program would only eliminate the availability of paper savings bonds, but not the ability to use a tax refund to purchase electronic savings bonds.

IRS's current costs to administer the program were minimal, because IRS largely processes the forms electronically. Treasury officials told us that its current cost of printing and mailing a paper savings bond was approximately 17 cents, but this estimate did not include the share of the overhead, system, and other costs attributable to paper savings bonds. Moreover, the 17 cent estimate also did not include any cost that IRS incurred for its role in implementing the program.

In prior work on agency stewardship of public funds, we reported that properly estimating program costs is necessary for several reasons and that comparing these costs to the program's benefits to evaluate alternatives related to program decisions is a best practice.[16] Producing cost estimates is important for evaluating resources and making decisions about programs at key decision points. Credible cost estimates also help support funding decisions for an agency's programs. Comparing these costs to the benefits in order to consider all alternatives for a program ensures linkage between the alternatives.

In deciding to extend the Tax Time program, Treasury has considered some of the program's benefits but generally not the program's costs, both of which are needed to evaluate program performance and alternatives. As discussed, Treasury has previously considered levels of program participation and amounts of savings bonds purchased by participants in its decisions, and most recently has extended the program until a suitable electronic alternative is available. Consideration of not only the Tax Time program's benefits but also the program's cost would provide Treasury with important information in evaluating not only the resource requirements when deciding whether to allow the program to expire but also the program's performance in relation to its benefits and costs. For example, if the program's operating costs are minimal, then the program's benefits may outweigh its costs, such as providing opportunities for lower-income households to save. Conversely, if program costs are significant, those costs might outweigh the program's benefits in light of the number of tax filers using the program and the availability of an electronic alternative. However, by not having full, reliable, estimates of the cost of the Tax Time program to compare to the benefits, Treasury's ability to make a fully informed decision is limited.

[16]GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, D.C.: March 2009).

Savings by Lower-Income Households Are Limited but Federal Agencies and Other Entities Have Created Savings Programs

GAO found that lower-income households save relatively small amounts and face a number of savings challenges that result, in part, from limited access to financial institutions and products. According to several academics and nonprofits we interviewed, savings and other asset-building programs are fundamental building blocks for helping lower income-households achieve economic mobility and security. Savings provide a buffer against unexpected events and a means to move up the economic ladder through investments, such as by buying a home, paying for college, starting a business, or saving for retirement. In addition to the Tax Time program, discussed above, federal, state, and local agencies as well as nonprofits have developed a number of programs aimed at assisting lower-income households to save and build assets. These programs include providing financial literacy and education services, and range from promoting short-term financial goals, such as emergency savings, to long-term financial goals, such as saving for retirement.[17]

Lower-income Households Have Limited Financial Assets and May Have Difficulty Saving

According to 2013 SCF data, lower-income households have limited savings in bank accounts and other financial assets.[18] U.S. households in the lowest income quintile (or bottom fifth) had a median income of around $14,200 in 2013, and households in the next income quintile had a median income of around $28,400.[19] As shown in table 3, 82 percent and 93 percent of the U.S. households in the bottom two income quintiles had financial assets, but the median value of these financial assets were $550 and $3,064, respectively. In other words, half of the households in the lowest income quintile held $550 or less in financial assets. In comparison, the median value for financial assets for all surveyed households in 2013 was $17,580. Bank accounts are the mostly widely held financial asset among lower-income households, according to 2013 SCF data. However, separate from bank accounts, a significant majority of lower-income households hold few or no other financial assets, such as stocks, bonds, or mutual funds. For example, 9 percent of U.S.

[17]Our report focuses primarily on programs that promote savings or asset-building through financial assets, such as bank accounts, savings bonds, mutual funds, and retirement funds. As a result, we generally excluded programs that promote savings or asset-building through home purchases or other nonfinancial assets.

[18]Financial assets in SCF include bank accounts, certificates of deposit, savings bonds, bonds, stocks, mutual funds, retirement accounts, and cash value life insurance.

[19]The 95 percent confidence interval on median income was $13,227 to $15,180 for the lowest quintile and $27,734 to $29,080 for the next quintile.

households in the bottom income quintile have retirement accounts, compared with around 28 percent of households in the next lowest income quintile.

Table 3: 2013 Survey of Consumer Finances Holdings of Financial Assets by Household Income

Household percentile of the US income distribution	Percent of households with any financial assets	Total household financial assets		Percent of households with any checking, savings, or other transaction account
		Median [Note A]	Mean [Note B]	
Less than 20	82%	$550	$25,951	79%
20-39.9	93%	$3,064	$39,751	91%
All households	**95%**	**$17,580**	**$253,190**	**93%**

Source: 2013 SCF data. I GAO-15-563

Note: Based on 2013 SCF data, we defined lower-income households as the lower two distributions (or quintiles) of households in the United States.

Note A: The 95 percent confidence interval on the median holdings of financial assets were $15,744 to $19,416 for the population as a whole, $454 to $646 for the households with income below the 20th percentile, and $2,310 to $3,818 for households with income between the 20th and 39th percentiles.

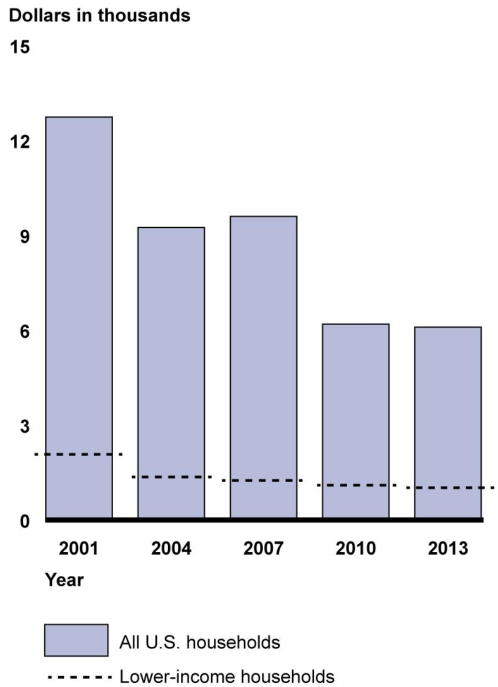
Note B: The 95 percent confidence interval on the mean financial assets in the population as a whole is $240,459 to $265,920. For households with income below the 20th percentile of the U.S. income distribution, the 95 percent confidence interval around the mean financial assets is $14,205 to $37,697. For households with income in at least the 20th percentiles and below the 40th percentile, the 95 percent confidence interval around the mean financial assets is $32,402 to $47,100.

As shown in figure 3, median household financial assets, excluding retirement accounts, dropped in the wake of the 2001 and 2008 recessions and have not recovered to pre-recession levels. Median holdings in 2013 were down by 40 percent or more in comparison to median holdings in 2001 for both the population as a whole and for lower-income households.[20] The median value of non-retirement financial

[20]The mean, inflation-adjusted non-retirement financial assets of the whole population were down between 2001 and 2013 because of a decline in the median and in the holdings of the 25th, 75th, 90th, and 95th percentiles of the population. The mean and the 75th, 90th, 95th, and 99th percentiles values of retirement savings for the population as a whole increased between 2001 and 2013, and this growth in retirement assets helped drive slight growth in mean total financial assets for the population as a whole.

assets for the two lowest income quintiles was $1,000 in 2013. This total reflects the relatively low level of short-term savings for these households.

Figure 3: 2001 to 2013 Survey of Consumer Finances Median Holdings of Financial Assets, Excluding Retirement Accounts



Source: GAO analysis of 2001 through 2013 Survey of Consumer Finances data. | GAO-15-563

Note: The 95 percent confidence interval on the median holdings of non-retirement financial assets for the population as a whole were: $11,288 to $14,130 in 2001, $7,736 to $10,589 in 2004, $8,651 to $10,432 in 2007, $5,651 to $6,742 in 2010, and $5,631 to $6,569 in 2013. The 95 percent confidence interval on the median holdings of non-retirement financial assets for the bottom two income quintiles were: $1,636 to $2,461 in 2001, $1,090 to $1,658 in 2004, $1,079 to $1,607 in 2007, $988 to $1,156 in 2010, and $936 to $1,064 in 2013.

Some lower-income households faced challenges obtaining financial or banking services although SCF data indicate that most lower-income households have a bank account. For example, the 2013 FDIC Survey reported that a majority of unbanked households reported not having enough money to maintain an account or meet a minimum balance. Such households may use alternative financial services providers, such as nonbank check cashers, payday lenders, or pawn shops. According to the 2013 FDIC Survey and the 2013 SCF, less than 10 percent of households are unbanked. In addition, one in five households (or 20 percent) were underbanked in 2013—underbanked households are those that have a bank account but have also used alternative financial services from nonbank providers in the last 12 months.[21] The highest unbanked rates continued to be found among non-Asian minorities, lower-income households, younger households, and unemployed households.

Federal Agencies Generally Focus on Promoting Financial Literacy, but Some Are Involved in Savings Programs

Since at least 2003, the federal government has played a broad role in promoting financial literacy, which encompasses financial education—the process by which individuals improve their knowledge and understanding of financial products, services, and concepts. Financial literacy plays an important role in helping to promote the financial health and stability of individuals and families. In prior work on financial literacy, we reported that federal agencies have made progress in recent years in coordinating their financial literacy activities and collaborating with nonfederal entities, in large part due to the efforts of the federal multiagency Financial Literacy and Education Commission (FLEC).[22]

In addition to their financial literacy efforts, some federal agencies have developed savings programs involving financial assets. These programs are aimed at helping households and individuals that may not have access to traditional savings vehicles, such as employer-sponsored retirement plans.

*my*RA®

According to a Treasury official, Treasury launched the *my*RA program, which is in a soft-launch phase, to promote retirement savings among individuals without access to employer-sponsored retirement plans.[23] According to Treasury, the program offers a retirement savings account that is a Roth IRA, so it follows the same rules that apply generally to

[21] In the 2013 survey, underbanked households are those that have a bank account and have used at least one of the following alternative financial services from non-bank providers in the last 12 months: money orders, check cashing, remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shops loans, or auto title loans.

[22] See GAO, *Financial Literacy: Overlap of Programs Suggest There May Be Opportunities for Consolidation,* GAO-12-588 (Washington, D.C.: July 23, 2012).

[23] States recognize that many of their residents currently lack access to retirement savings plans through their private sector employers and there are efforts in a number of states to study or create retirement savings plans for their residents. GAO is currently conducting a more detailed review of state efforts to increase private sector coverage in retirement savings programs and that report is forthcoming (GAO-15-556).

Roth IRAs and receives the same tax treatment.[24] A *my*RA has no fees, no minimum-amount requirement, a maximum balance of $15,000, and it can be funded through payroll direct deposit. The account houses a savings bond that will never go down in value (except from withdrawals) and the security in the account, like other Treasury securities, is backed by the U.S. Treasury. Participating employers make *my*RA information available to their employees. Employees are able to enroll in the program, and then elect to have a portion of each paycheck directly deposited into their *my*RA automatically.

Treasury officials stated that they worked to develop the framework for this program in 2014, including issuing a new Treasury security to serve as the investment option for these accounts, and designing easy-to-understand materials for savers. Treasury continued to build on the development process by making *my*RA available to a small group of employers, including federal agencies. Presently, Treasury is working closely with this small group of participants to get feedback and better ensure that the user experience is as simple and straightforward as possible–both for employers and employees–before *my*RA becomes more broadly available later this year. Treasury has indicated that it is too early to begin evaluating the impact of the *my*RA program. However, Treasury officials told us that they will continue to monitor the progress of the program as it moves through its soft-launch phase.

Money Smart and Model Safe Account Programs

Given the challenges low-and-moderate income households face in obtaining financial or banking services, FDIC has created a number of initiatives to help low and moderate-income individuals improve their financial skills and use financial institutions according to FDIC officials. For example, FDIC officials stated that, in 2001, FDIC developed the Money Smart program, which is a comprehensive financial education curriculum designed to help consumers, especially low- and- moderate income consumers and entrepreneurs, enhance their financial skills and help create positive banking relationships. Officials added that FDIC provides the curriculum free of charge in formats for consumers to

[24]A *my*RA is subject to Roth IRA annual income eligibility limits—which means that people who have an annual income of less than $129,000 for individuals and $191,000 for couples can participate. These limits are subject to annual cost-of-living adjustments. Each individual saver, not the employer, will be responsible for complying with these income limits.

complete on their own or through instructor-led classes.[25] According to FDIC, the program has reached over 2.75 million consumers since 2001. In April 2007, FDIC used a three-part survey to determine the effectiveness of its Money Smart financial education curriculum and found that the program positively influenced how course participants managed their finances and their financial confidence.[26] The study also found that these positive changes were sustained months after participants had completed Money Smart training. Specifically, the study found that participants were more likely to open deposit accounts, save money in a mainstream deposit product, use and adhere to a budget, and demonstrate increased confidence in their financial abilities when they were contacted 6 to 12 months after completing the Money Smart course compared to before beginning the course.

To further promote low and moderate income consumers' access to financial services, FDIC developed the Model Safe Accounts Pilot in January 2011. The pilot was designed to evaluate the feasibility of having financial institutions offer safe, low-cost transaction and savings accounts (Safe Accounts) that are responsive to the needs of underserved consumers- including those with low and moderate incomes. Nine financial institutions participated in the pilot by offering Safe Accounts, which are checkless, card-based electronic accounts that limit acquisition and maintenance costs. These accounts allow withdrawals only through automated teller machines, point-of-sale terminals, automated clearinghouse pre-authorizations, and other automated means. Overdraft and nonsufficient funds fees are prohibited with the transaction accounts. According to FDIC, the nine banks opened more than 3,500 Safe Accounts during the pilot. Retention of these accounts exceeded expectations—more than 80 percent of transaction accounts and 95 percent of savings accounts remained open at the end of the 1-year pilot period.[27] According to FDIC, Safe Accounts performed on par with or

[25]According to FDIC, FDIC, in collaboration with CFPB, offers a stand-alone instructor-led module targeting the needs of older adults (age 62 and older). FDIC in collaboration with the Small Business Administration offers an instructor-led curriculum focusing on the needs of new or existing entrepreneurs. FDIC also offers Money Smart for Young People which offers curriculums to promote financial understanding in preschool to high school aged children.

[26]FDIC, *A Longitudinal Evaluation of the Intermediate-term Impact of the Money Smart Financial Education Curriculum Upon Consumers' Behavior and Confidence* (April 2007).

[27]FDIC, *Model Safe Accounts Pilot: Final Report* (April 2012).

better than other transaction and savings accounts and several of the banks plan to continue to offer Safe Accounts—some banks are also considering the possibility of graduating pilot accountholders to traditional deposit accounts. Although the Safe Accounts program was only a 1-year pilot, FDIC officials told us that the agency provides interested FDIC insured institutions with a Safe Accounts template that includes guidelines for offering cost-effective transactional and savings accounts to underserved consumers. This template was based, in part, on lessons learned during the pilot phase.

Youth Savings Pilot Program

FDIC announced its Youth Savings Pilot Program on August 4, 2014. According to FDIC, this pilot program seeks to identify and highlight promising approaches to offering financial education tied to the opening of safe, low-cost savings accounts for school-aged children. The pilot has two phases. According to FDIC officials, Phase I includes FDIC insured institutions currently working with schools or nonprofit organizations that help students open savings accounts in conjunction with financial education programs during the 2014 to 2015 and 2015 to 2016 school years. Nine banks differing in size, location, and business models were selected for the first phase. The officials added that Phase II will include FDIC insured institutions beginning or expanding youth savings account programs during the 2015 to 2016 school year. FDIC is collecting summary information—including data on the number of accounts opened and financial education approaches used—from pilot participants. When the pilot is complete, FDIC intends to publish a report to provide financial institutions with promising approaches to working with schools and other organizations to combine financial education with access to a savings account.

Assets for Independence Program

The Office of Community Services at the Department of Health and Human Services' Administration for Children and Families administers the Assets for Independence program. Started in 1998, the Assets for Independence program awards grants to community-based entities, nonprofits and state, local, and tribal government agencies that partner with nonprofits to implement an asset-based approach for assisting low income families to become economically self-sufficient according to the Administration for Children and Families.[28] According to agency officials,

[28]The Assets for Independence Act was passed in 1998, but Administration for Children and Families began awarding grants in 1999. Pub. L. No. 105-285, Tit. IV, 112 Stat. 2702, 2759 (1998) (codified as amended at 42 U.S.C. § 604 note).

entities receiving these grants enroll participants in Assets for Independence projects to save earned income in special-purpose, matched savings accounts, also called individual development accounts. According to agency officials, every dollar that a participant deposits into an Assets for Independence individual development account is matched by the Assets for Independence project. Match rates can vary from $1 in match funds for every $1 the participant deposits in his or her individual development account, to as much as $8 in match funds for every $1 saved. Participants generally must use their individual development accounts and matching funds for a qualified expense: the purchase of a home; the capitalization or expansion of a business; or post-secondary educational expenses.[29] According to agency officials, under the program, grantees are required to assist participants in the demonstration project in obtaining the skills necessary to achieve economic self-sufficiency. Examples of such activities include providing financial education and credit counseling.

As illustrated in table 4, from 2010 through 2014, according to agency officials the Administration for Children and Families awarded 269 Assets for Independence grants and over $62 million to a number of organizations including nonprofits, state or local governments, tribal governments, and community development financial institutions, to name a few. Table 4 also shows that the program budget for the Administration for Children and Families since fiscal year 2010.

Table 4: Assets for Independence Grant Awards and Budget Authority for Fiscal Years 2010-2014

Year	Number of grants awarded	Total amount awarded (Dollars in thousands)	Budget authority (Dollars in thousands)
2010	53	$11,240	$23,907
2011	66	$15,480	$23,977
2012	61	$13,595	$19,869
2013	45	$12,699	$18,593
2014	44	$9,974	$18,950
Total	**269**	**$62,988**	**$105,296**

Source: Administration for Children and Families. | GAO-15-563

[29]Participants also are permitted to transfer their IDA savings to support the asset goal of an account-holding spouse or dependent.

According to Administration for Children and Families data through fiscal year 2010, more than 90 percent of Assets for Independence projects allowed participants to pursue homeownership as an asset goal, while more than 80 percent allowed participants to pursue postsecondary education or training and business capitalization as asset goals. Nearly one-third of projects allowed participants to transfer account savings to the individual development account of a spouse or dependent.

In 2011, Administration for Children and Families began a random assignment evaluation of the Assets for Independence program at two grantee sites. This evaluation will assess the impact of Assets for Independence program participation on savings, savings patterns, and asset purchase by lower-income individuals and families. It builds on the previous quasi-experimental evaluation and studies of other non-Assets for Independence funded individual development account projects. The 2008 evaluation used data from the early to mid-2000s and found that Assets for Independence program participants were 35 percent more likely to become homeowners, 84 percent more likely to become business owners, and nearly twice as likely to pursue post-secondary education or training compared with a corresponding national sample of nonparticipants eligible for the program. According to the Administration for Children and Families, the random assignment evaluation will further understanding of the program's overall impact on early participant outcomes. The evaluation team completed participant enrollment and baseline data collection in July 2014 and expects to release its final report in early 2016.

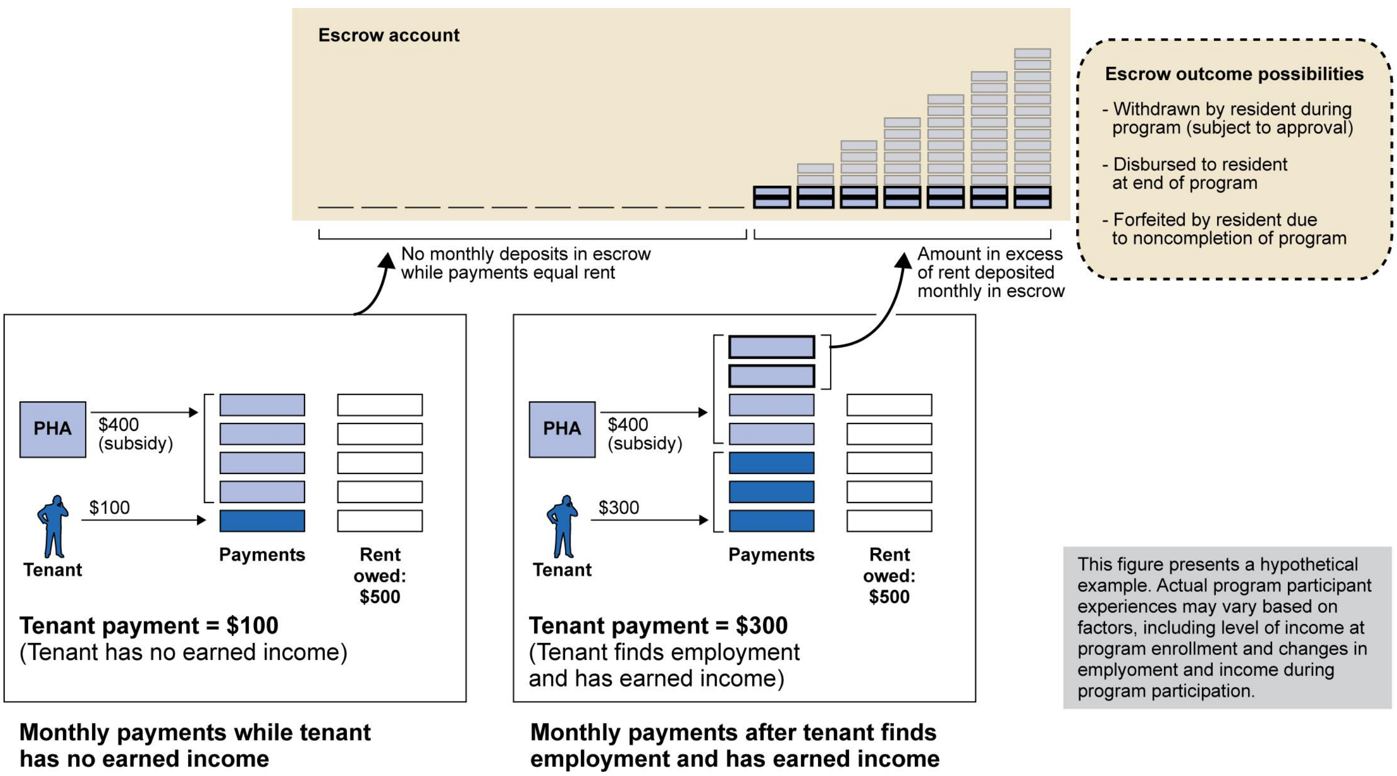
Family Self Sufficiency Program

The Department of Housing and Urban Development (HUD) awards competitive grants to public housing agencies for the administration of programs that encourage residents of public housing to attain self-sufficiency through programs such as the Family Self Sufficiency program.[30] The program funds coordinators who help participants achieve employment goals and accumulate assets. Through the coordination and linkage to local service providers, program participants receive training and counseling that enables them to increase their earned income and decrease or reduce their need for rental assistance. Under the Family Self Sufficiency program, escrow accounts are used as incentives to

[30]In fiscal year 2015, the program was made available to families participating in the Section 8 Project-Based Rental Assistance program.

increase work effort and earnings. Specifically, when participants have to pay a higher rent after their earned income increases, the public housing agency calculates an escrow credit that is deposited each month into an interest-bearing account (see fig. 4). Families that successfully complete their contract for the Family Self Sufficiency program receive their accrued escrow funds.

Figure 4: HUD Family Self Sufficiency Program Escrow Account Example



Source: GAO. | GAO-15-563

According to HUD officials, over 72,000 households participated in the program in fiscal year 2014, and 4,382 families successfully completed their Family Self Sufficiency contracts. The 2013, 2014 and 2015 appropriation amounts for the Family Self Sufficiency program was $75 million.[31] HUD is requesting $85 million in 2016.

In September 2004, HUD commissioned a 5-year prospective study of the Family Self Sufficiency program, focusing on programs serving Housing Choice Voucher recipients.[32]

The study provided a final assessment of the experiences of a representative sample of Family Self Sufficiency participants that enrolled in 2005 and 2006. The study also examined the relationship between participants' characteristics, Family Self Sufficiency programmatic features, and program outcomes. The study found that after 4 years in the Family Self Sufficiency program, 24 percent of the study participants completed program requirements and graduated. When the study ended, 37 percent had left the program without graduating and 39 percent were still enrolled in the Family Self Sufficiency program. Program graduates were more likely to be employed than participants who did not graduate or who still were enrolled in the program. Program graduates also had higher incomes, both when they enrolled in the Family Self Sufficiency program and when they completed the program, than participants with other outcomes. Staying employed and increasing their earned incomes helped graduates to accumulate substantial savings in the Family Self Sufficiency escrow account. The average escrow account balance was $5,294 for program graduates, representing about 27 percent of their average household income at the time of program enrollment.

[31]The activities in this account were previously funded as a set-aside in the Tenant-Based Rental Assistance Administrative Fee and as part of the Resident Opportunity and Self-Sufficiency set-aside in the Public Housing Capital Fund accounts; in fiscal year 2013, those programs were funded at $56.8 and $18 million, respectively.

[32]HUD, *Evaluation of the Family Self-Sufficiency Program: Prospective Study* (February 2011). In 2004, HUD contracted with Planmatics, Inc., and Abt Associates Inc. to design and implement the study. The team selected a representative sample of 100 public housing authorities in the first year and collected information from FSS coordinators in 2005.

State and Local Government Agencies and Nonprofits Have Also Developed an Array of Programs for Lower-Income Households to Promote Savings

Recognizing that financial literacy or education is only part of the solution to help lower-income households achieve financial security, state and local government agencies and nonprofits have developed a variety of programs targeting specific populations or serving a specific savings purpose. These include retirement savings programs, prize-linked savings programs, short-term emergency savings programs, and various asset building (or asset accumulation) programs that promote savings for specific goals (e.g., post-secondary education, home ownership, or business ownership).

Prize-Linked Savings

Several states have created prize-linked savings programs to offer a new way to help lower-income and other individuals to save. As of 2015, Michigan, Nebraska, North Carolina, and Washington have created Save to Win programs, in which participating credit unions offer their members the opportunity to open prized-linked savings accounts. A Save to Win account is designed as a 12-month share certificate that allows for unlimited deposits throughout the year. Savers are required to deposit only $25 to open an account and earn raffle tickets for every additional $25 deposited in the account, with a cap on the number of entries per month. The cap helps ensure that individuals who cannot save as much still have opportunities to win. Raffle tickets qualify participants for the chance to win monthly cash prizes and grand prizes at the end of the year. According to Doorways to Dreams Fund, since the launch of Save to Win in 2009, over 50,000 accounts have been opened with over $94 million in savings in Michigan. Moreover, the nonprofit reported that among surveyed Save to Win accountholders, between 62 percent 81 percent were financially vulnerable. Michigan passed a law in 2003 to allow for credit unions to offer "savings promotion raffles."[33] The other four states also have modified their laws to allow credit unions to offer prize-linked accounts, savings promotion raffles, or other promotional contests of chance. On the federal level, in 2014, Congress passed the American Savings Promotion Act to provide for the use of savings promotion raffle products by financial institutions to encourage savings.[34]

Short-Term Emergency Savings

According to some nonprofit officials and academics we interviewed, federal and state savings programs primarily promote and provide tax incentives for retirement savings, which tend to benefit higher-income

[33]2003 Mich. Pub. Acts 215, § 411 (codified at Mich. Comp. Laws § 490.411).

[34]American Savings Promotion Act, Pub. L. No. 113-251, 128 Stat. 2888 (2014).

households more than lower-income households. At the same time, they told us that short-term or emergency saving tends to be more important for lower-income households, because it helps households meet their immediate needs—for example, to cover unexpected car repairs, medical expenses, or temporary unemployment. Some government entities and nonprofit organizations have developed pilot and other programs to promote short-term emergency savings.

- According to program officials, the AutoSave Pilot was a joint initiative of two nonprofits—New America and MDRC. Program officials told us that the pilot tested the feasibility of establishing automatic savings programs that use direct deposit to divert a small amount of after-tax wages into savings accounts. Automatic savings programs would be especially valuable for individuals who have few liquid assets and limited access to low-cost credit products, because these savings can be used as a personal safety net in the event of unanticipated expenses or a sudden decrease in income, according to New America and MDRC. AutoSave investigated two different program designs. The first program design, implemented in fall 2009, was the "opt -in program," where employees signed up for the AutoSave savings program through their employer. Employees who did not have a savings account were able to open one through a bank or credit union that partnered with the workplace site. With this version of the program design, only the savings deposits were automatic.

  The opt-in AutoSave program design had been offered to employees at eight workplace sites, ranging in size between 13 and 25,000 employees. The pilot had a special focus on generating participation among low- to moderate-income workers, although all employees were eligible to sign up. Overall participation rates ranged between 2 percent and 62 percent of all employees at these targeted workplaces, with most sites ranging between 9 percent and 25 percent. In sites where wages were tracked, the majority of participants had wage levels within the lower three-fifths of the wage distribution in their workplace. These participation results were consistent with expectations for the opt-in program design. The second investigated program design was an "opt-out program," where all employees would have been automatically enrolled in the AutoSave savings program unless they elected not to be in the program. With this design, both enrollment and deposits would have been automatic. Opt-out enrollment was not actually piloted because MDRC's assessment of the legal and operational risks concluded that while this approach would presumably be legal in some states, a lack of regulations or case law addressing the model meant that employers would be taking undue risks to implement the opt-out model. In the absence of such guidance or precedence, MDRC has determined that it is not currently feasible to implement the opt-out enrollment program design (even by using a payroll card with an attached savings product).

- According to an official at the City of San Francisco, the EARN Starter Account program, developed by the California non-profit EARN, seeks to increase the supply of starter account products that allow unbanked lower-income households to begin saving. Program participants must make at or below 50 percent of their area median income. The EARN Starter Account is an online program that rewards participants for consistently saving at least $20 each month for six months, and participants earn a maximum of $55 in matched funds over the six month period according to the nonprofit. Participants link their existing savings accounts to the EARN Starter Account platform to facilitate savings. If participants make any withdrawals over the 6 months matched funds earned will be forfeited and the account may be closed. At the end of 6 months, participants can claim the funds. Participants can continue using the EARN website for another 6 months. Since 2002, 6,000 EARN clients have saved $6.8 million dollars, and 83 percent of participants have continued to save after their formal program ended, according to a qualitative study by the nonprofit.[35] The study found that consistent savers also demonstrated a shift toward future orientation. More specifically, these program participants were planning to acquire more assets (such as further education, the purchase of a home, or founding or developing a small business). EARN is partnering with the City and County of San Francisco to bring the Starter Account platform to low-income San Franciscans, beginning with a pilot program for public housing residents.

[35]EARN, *What Motivates Low Income Workers to Save Money* (January: 2010). According to the report, EARN identified a group of 218 alumni who have successfully completed its program and used their funds. A total of 126 alumni were contacted for interviews, with thirty of them agreeing to be interviewed by phone or in person. EARN developed an interview script and protocol used for both phone and in-person interviews that explored a wide range of topics about the participant’s asset accumulation patterns and perceptions before, during, and after the individual development account program. EARN expects to continue these interviews over time to build a large and growing sample.

Some government entities and nonprofit organizations have developed programs to encourage lower-income households to save part of their income tax refund.

- According to officials at the Center for Social Development at Washington University in St. Louis, Refund to Savings is a pilot program intended to help lower-income households build savings and increase financial security.[36] Launched in 2012, the pilot is a collaboration among Washington University in St. Louis, Duke University, and Intuit Inc. According to program officials, the program is implemented through a version of Intuit's tax preparation software that is available for free to lower-income taxpayers and reaches approximately 1.2 million households. The goal of the initiative is to design and test a low-cost scalable intervention that can lead tax filers to save part of their tax refund. Under the pilot, Intuit users are assigned randomly to a treatment or control group. The treatment group uses a version of the software in which they receive prompts to motivate them to save part of their tax refund as emergency savings. In 2013, the pilot tested automatic refund splitting in which the software automatically put part of the tax filer's refund in a savings account or savings bond. According to officials at the Center for Social Development, tax filers who did not want to split their refund had to select an "I don't need to save" button to opt out. In 2013, almost 900,000 low- and moderate-income tax filers participated in the pilot, depositing approximately $5.9 million more in savings accounts than they would have without the intervention, according to the Center for Social Development officials. Data generated by program use and refund allocation behavior will be evaluated to determine whether the prompts, saving opportunity, or both increased saving levels compared with the control group, according to the Center for Social Development at Washington University.

- According to officials at MDRC and New York City's Office of Financial Empowerment, the SaveUSA program (formerly $aveNYC) is administered by the Mayor's Fund to Advance New York City and the New York City Center for Economic Opportunity and offers lower-

[36]Center for Social Development, Washington University in St, Louis, *Refund to Savings (R2S): Insight from the Field*, *2012* (St. Louis, MO: 2013).

income households an incentive to save a portion of their tax refund.[37] According to program officials, SaveUSA was launched in 2011 in four cities (New York City, Tulsa, San Antonio, and Newark). Participants open a SaveUSA account when they file their taxes. They are required to save at least $200 of their refund for a year, and earn 50 cents for every dollar saved, with a maximum match of $500. According to an April 2014 study of the program by MDRC, nearly two-thirds of SaveUSA participants in 2011 (the program's first year) qualified for the savings match and received, on average, $191 in savings match dollars.[38] In the second program year, 39 percent of the 2011 SaveUSA sample participated again, and about 27 percent received a savings match according to the MDRC study. The MDRC study found that on average, SaveUSA group members received $96 in savings match dollars in the program's second year. According to the MDRC study, those who received a savings match in both years appear to have been in a better position to save—they tended to be older, were more likely to have more income, and were more likely to have pledged the maximum amount allowed of $1,000, compared with other SaveUSA group members. In contrast, SaveUSA group members who had especially low incomes or who pledged the minimum amount of $200 were the least likely to ever receive a savings match.

Asset-building

Asset building is based on strategies that help households build financial or tangible assets, such as savings, a home, or a business. A number of nonprofits, states, and municipalities have developed programs to help lower-income households build assets through the use of individual development accounts or child development accounts.

[37]According to a 2014 MDRC study, in January 2011, enrollment in the SaveUSA study began in select Volunteer Income Tax Assistance sites in New York City, Tulsa, Newark, and San Antonio. In addition to providing tax return preparation services to hundreds of clients per week, Volunteer Income Tax Assistance staff marketed the SaveUSA account, enrolled individuals in the study, and helped SaveUSA group members open their SaveUSA account. The program was voluntary, but anyone meeting the program's eligibility requirements and interested in opening a SaveUSA account had to agree to participate in the study to be eligible to open an account. The Volunteer Income Tax Assistance sites recruited about 2,500 individuals into the study between January and April 2011, the 2010 tax return preparation season.

[38]Gilda Azurdia, Stephen Freedman, Gaye Hamilton, and Caroline Schultz, *Encouraging Low- and Moderate-Income Tax Filers to Save: Implementation and Interim Impact Findings from the SaveUSA Evaluation* (New York, NY: April 2014).

As discussed, the Office of Community Services at the Administration for Children and Families administers the Assets for Independence program, which awards grants to community-based entities, nonprofits, and government agencies to implement special-purpose, matched savings accounts or individual development accounts. The length of the program, amount of matching dollars provided, allowable uses for savings, and other rules may be different from one program to the next.

An example of an individual development account is the Assets for All Alliance program. According to officials at the Opportunity Fund, this individual development account was launched in 1999 by the Opportunity Fund (formerly Lenders for Community Development) in collaboration with the Silicon Valley Community Foundation Center for Venture Philanthropy and several community partners, including a number of nonprofit social service agencies.[39] According to a study published by the Silicon Valley Community Foundation and Lenders for Community Development, the Assets for All Alliance individual development account program is intended to help lower-income families "learn financial management skills and build assets that would help them permanently improve their economic situation."[40] Savings by program participants are "matched by philanthropic and government dollars on a two-to-one basis" according to the study. According to the Opportunity Fund, this program has resulted in 1,028 individual development accounts and $2.77 million in total savings towards asset goals.

According to officials at the Center for Social Development at Washington University in St. Louis, child development accounts are savings or investment accounts opened as early as birth. The goal of child development accounts is to promote saving and asset building for lifelong development. Child development accounts assets may be used for postsecondary education, homeownership, or enterprise development. In many cases, public and private entities deposit funds into these accounts to supplement savings for the child. Although the goal of child development accounts is long-term savings accumulation, programs differ in design and features. According to the Center for Social Development,

[39]Silicon Valley Community Foundation and Lenders for Community Development, *Families Saving and Building Hope: 2007 Report on Graduates of the Assets for All Alliances* (Mountain View, CA).

[40]Silicon Valley Community Foundation and Lenders for Community Development, 2007 Report, 3.

enrollment in some states, including Maine and Nevada, is automatic unless parents opt out (opt-out programs). Some other child development accounts are voluntary or opt-in, meaning that parents must enroll their children, often by opening a 529 or bank savings account. For example, the Nevada College Kick Start program automatically deposits $50 into a 529 account for every public school kindergartner in the state according to officials at the Center for Social Development. In 2014, 70,000 students had been enrolled in Kick Start. Officials told us that Maine's College Challenge is the only statewide universal child development account program in the nation, benefiting all children born in Maine (more than 40,000 children in 2014). The program automatically deposits $500 into a 529 account on the child's behalf. Both Nevada and Maine's 529 plans offer savings matches to state residents according to officials at the Center for Social Development. Other examples of child development accounts include those developed by national nonprofits including the Corporation for Enterprise Development and New America. According to New America, some municipalities also have launched their own child development account programs. For example, as New America reports, in San Francisco the Kindergarten to College program was launched in 2011 and opens accounts for every kindergartner in the city's public schools.

Conclusion

Lower income households face a variety of challenges to saving. U.S. savings bonds continue to provide Americans, including those with lower-incomes, with an affordable, safe, and convenient way to save and invest. However, when Treasury ended the over-the-counter sale of paper savings bonds through financial institutions in January 2012, it created challenges for some bond buyers who had to rely on accessing TreasuryDirect to purchase savings bonds online. Treasury has taken steps to develop a more flexible and responsive Internet-based system than TreasuryDirect, but the TRIM system is in the early stages of development. Treasury intends for these changes to address some of the existing access and other challenges associated with TreasuryDirect. Currently, the Tax Time Savings Bond program provides the only means by which individuals can purchase paper savings bonds, but the program's future is uncertain, because Treasury may discontinue the program when TRIM is implemented. However, the TRIM system still will require Internet access by computer or mobile device, and Tax Time program users who lack Internet access may not be able to save by buying savings bonds at tax time if the program is discontinued. How the benefits and costs of the Tax Time program would compare when Treasury implements TRIM is not known—in part because Treasury generally has considered the program's benefits but not the program's costs. Without considering both, Treasury cannot make a fully informed decision on whether to discontinue the Tax Time program when an electronic alternative is available.

Recommendation for Executive Action

To help ensure that Treasury can make a fully informed decision on whether to discontinue the Tax Time Savings Bond program as it implements the TRIM system, GAO recommends that the Secretary of the Treasury consider the benefits and costs of the Tax Time program in future decisions on whether to extend the program.

Agency Comments

We provided a draft of this report to Treasury and IRS for review and comment. In their comment letter, which is reprinted in appendix II, Treasury agreed with GAO's recommendation and stated that it would conduct a cost-benefit analysis of the Tax Time Savings Bonds program. Treasury also provided technical comments, which we incorporated, as appropriate. We also provided draft excerpts for technical comment to federal and other agencies—including the Departments of Health and Human Services and Housing and Urban Development, FDIC, New York City's Office of Financial Empowerment, and San Francisco Office of Financial Empowerment—and nonprofit organizations, including the Center for Social Development at Washington University, Doorways to Dreams Fund, MDRC, and Opportunity Fund. These third parties provided technical comments, which we have incorporated, as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to Treasury, IRS, FDIC, HUD, and the Department of Health and Human Services, interested congressional committees, members, and others. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staffs have any questions about this report, please contact Cindy Brown Barnes at (202) 512-8678 or brownbarnesc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

Cindy S. Barnes

Cindy Brown Barnes
Director
Education, Workforce, and Income Security

List of Congressional Requesters

The Honorable Matt Cartwright
House of Representatives

The Honorable Dan Benishek
House of Representatives

The Honorable Sean Duffy
House of Representatives

The Honorable Keith Ellison
House of Representatives

The Honorable Ruben Hinojosa
House of Representatives

The Honorable Richard Neal
House of Representatives

The Honorable Charles B. Rangel
House of Representatives

The Honorable Niki Tsongas
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Our review examines (1) the effect of Treasury's elimination of paper U.S. savings bonds, including on the savings bond program and bond purchases; (2) the extent to which Treasury's Tax Time Savings Bond program has promoted savings, particularly by lower-income households, and Treasury's plans for the program's future; and (3) the extent to which lower-income households are saving using financial products, and some of the government and nonprofit programs developed to promote savings by lower-income households.

For all three objectives, we analyzed various data. First, we used data issued by the Department of the Treasury (Treasury) on the amount of U.S. savings bonds purchased from 2001 through 2013 to analyze trends in savings bond purchases over this period, including the effect of the Treasury's elimination of paper savings bonds on savings bond purchases. Second, we used data from the triennial Survey of Consumer Finances (SCF) issued by the Board of Governors of the Federal Reserve System for survey years 2001, 2004, 2007, 2010, and 2013 to estimate the percentage of U.S. households holding financial assets, including U.S. savings bonds; the median value of such financial assets held by U.S. households, and the median income of households. The survey data include information on families' balance sheets, pensions, income, investments, and demographic characteristics. We analyzed the U.S. population data as a whole and also considered the bottom two income quintiles separately. We chose these survey years because they provide a period of about 10 years prior to and 1 year after the discontinuation of the sale of paper savings bonds at financial institutions. We analyzed the U.S. population data as a whole and also considered the bottom two income quintiles separately. SCF data are based on probability samples and estimates are formed using the appropriate estimation weights provided with the survey's data. Because each of these samples follows a probability procedure based on random selections, they represent only one of a large number of samples that could have been drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval (i.e., plus or minus 2.5 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. Unless otherwise noted, all percentage estimates have 95 percent confidence intervals that are within 5 percentage points of the estimate itself, and all numerical estimates other than percentages have 95 percent confidence intervals that are within 5 percent of the estimate itself. We also reviewed documentation on the SCF, such as codebooks and Federal Reserve bulletins. Third, we used aggregated data provided by the Internal Revenue Service (IRS) on income tax filers who used at least part of their tax refunds to buy paper savings bonds from 2010 through 2013 to analyze the number of tax filers who bought paper savings bonds, including those with adjusted gross incomes of $25,000 or below—the lowest income category reported in the data—and the amount of savings bonds they purchased.[1] We also used the aggregated data to analyze refund options used by the tax filers (such as paper check and paper savings bond, direct deposit and paper savings bond, or paper savings bond only) and demographic information about the filers, such as their age. We assessed the reliability of the data we used by interviewing knowledgeable officials, and conducting manual testing on relevant data fields, such as the number of tax filers who participated in the program and amounts of savings bonds purchased. We found the data we reviewed to be sufficiently reliable for the purposes of our analyses.

To examine the effect of Treasury's elimination of paper U.S. savings bond, including on the savings bond program and bond purchases, we reviewed data on savings bonds purchases from 2001 through 2013, and analyzed trends in purchases for this time period, including before and after paper savings bonds were discontinued in January 2012. Specifically, to analyze long- term trends in savings bond purchases and more recent trends since the end of paper sales, we estimated two econometric models. The first model was based on a portfolio choice model, and modeled purchases as a function of interest rates, inflation, and economy-wide risk (using the Chicago Board Options Exchange's Volatility Index). In other words, consumers may make savings bond purchase decisions the same way they make other decisions about financial portfolio allocation, based on risk and return considerations. The second model was based on linear and quadratic time trends to capture the long-term reduction in purchases. We included monthly seasonal effects in both models. The drop in savings bond purchases after the end of paper sales was consistent with long-term trends and generally not statistically significant. The drop in purchases after the end of paper sales also was consistent with the reduction in interest rates at the time (the coefficient on interest rates was highly statistically significant). As with any econometric model, our approach is imperfect and is unlikely to

[1]For tax year 2010, IRS only had data on the amount of paper savings bonds tax filers asked to be purchase and not the actual purchase figures. IRS officials explained that in almost all cases, the requests go through and are processed for the exact amount requested.

include all factors that influence savings bond purchases. Additional data over time might provide different or more definitive estimates of the change in purchases associated with the end of paper sales. We reviewed Federal Register releases on TreasuryDirect and its replacement system, the Treasury Retail Investment Manager; Treasury documentation, including a description of data in the monthly statement of public debt, estimates of cost savings from eliminating paper savings bonds, press releases, Bureau of the Fiscal Service's President's budgets and capital investment plans; and TreasuryDirect materials. To assess the reliability of Treasury's cost estimates, we interviewed Treasury officials on how the estimates were determined and reported. We also interviewed Treasury officials to discuss a range of issues related to its savings bond program, including the benefits and costs of eliminating paper savings bonds, concerns raised about TreasuryDirect, and plans for replacing TreasuryDirect.

To determine the extent to which Treasury's Tax Time Savings Bond program has promoted savings, we analyzed IRS data on the use of the program by tax filers for tax years 2010 through 2013 (as discussed in detail above). We also reviewed IRS documentation on the program, such as descriptions on how the program operates and answers to common questions about the program, and studies on the Tax Time program published by academics and nonprofit organizations focusing on social or economic policy. We interviewed Treasury and IRS officials about the Tax Time program's operations, benefits, costs, and future in terms of its expiration. To better understand the extent to which this program can help lower-income households to save, we interviewed nonprofit organizations focusing on social or economic policy, including Doorways to Dreams Fund, New America, Corporation for Enterprise Development, and MDRC.

To examine the extent to which lower-income households are saving using financial products, we examined SCF data for survey years 2001, 2004, 2007, 2010, and 2013 (as described in greater detail above). Based on these data, we defined lower-income households as the lower two distributions (or quintiles) of households in the United States.[2] To describe some of the government and nonprofit programs developed to

[2]For a given characteristic, a percentile can be used to define a family's rank relative to other families—when a distribution is divided at every 20th percentile, as in the SCF data, the groups are known as quintiles.

promote savings by lower-income households, we conducted Internet and literature searches for research, initiatives, testimonies, and studies on savings programs targeting lower-income households and reviewed materials on such programs. We specifically reviewed select federal, state, local, and nonprofit programs targeting either long-term (such as retirement or asset accumulation) or short-term savings goals for lower-income households. For the purposes of this report, we focused on programs designed to promote savings using financial assets, such as bank accounts, bonds, mutual funds, and retirement accounts. We generally excluded programs designed to promote savings through home ownership or other nonfinancial assets. For federal programs, we focused our review on federal agencies involved in promoting financial literacy that are members of the multiagency Financial Literacy and Education Commission (FLEC). We interviewed six FLEC member agencies—the Departments of the Treasury, Housing and Urban Development, Health and Human Services, and Education; the Federal Deposit Insurance Corporation; and the Bureau of Consumer Financial Protection, also known as the Consumer Financial Protection Bureau—about their savings programs and reviewed related documentation.

We also reviewed select state, local, and nonprofit programs targeting lower-income households. We selected these programs based on our research of savings programs for lower-income households and interviews with FLEC members and other stakeholders. For the programs we selected, we interviewed relevant program officials and reviewed documentation on the programs, including information on participation in the programs where available. Finally, we interviewed other relevant stakeholders, including Doorways to Dreams Fund, New America, Corporation for Enterprise Development, MDRC, Consumers for Paper Options, and academics.

We conducted this performance audit from August 2014 to July 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of the Treasury

COMMISSIONER

DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

July 2, 2015

Ms. Cindy Brown Barnes
Director, Education, Workforce, and Income Security
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Barnes:

This letter responds to the Government Accountability Office report on Treasury's savings bond program, which is managed by the Bureau of the Fiscal Service. We agree with the recommendation as stated in the report and will conduct a full cost-benefit analysis of the Tax Time Savings Bond program.

The savings bond program has gone through significant changes in recent years. Thank you for the opportunity to respond to the report. Additionally, we wish to thank you and your staff for the thorough and professional review of our program.

Sincerely,

Sheryl R. Morrow
Commissioner

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Cindy Brown Barnes, 202-512-8678 or brownbarnesc@gao.gov

Staff Acknowledgments

In addition to the contact named above, Richard Tsuhara (Assistant Director), Tarek Mahmassani (Analyst-in-Charge), Emily R. Chalmers, Michael Gitner, Michael Hoffman, Wati Kadzai, Robert Letzler, Marc Molino, Patricia Moye, and Andrew Stavisky made significant contributions to this report.

Appendix IV: Accessible Data

Accessible Text and Data Tables

Data Table for Figure 1: Purchases of U.S. Savings Bonds from 2001 through 2013 (in 2014 Dollars)

Year	Sales in 2014 dollars
2001	$14,599,620,721
2002	$12,251,454,483
2003	$18,042,263,785
2004	$10,977,622,673
2005	$9,519,312,441
2006	$7,365,935,463
2007	$3,889,514,145
2008	$3,630,608,852
2009	$3,103,173,033
2010	$2,470,820,108
2011	$2,353,445,348
2012	$1,190,594,904
2013	$705,326,925

Source: GAO analysis of Treasury savings bond data. | GAO-15-563

Notes: We adjusted the monthly savings bonds purchased for inflation using the consumer price index, with June 2014 as the base month, before aggregating purchases by year.

Between 2001 and 2002 = TreasuryDirect launched;

Between 2011 and 2012 = Sale of paper savings bonds eliminated

Data Table for Figure 2: Percentage of U.S. Households Holding Savings Bonds from 2001 through 2013

Year	Percentage of U.S. households holding savings bonds
2001	16.68%
2004	17.61%
2007	14.86%
2010	12.00%
2013	10.04%

Source: GAO analysis of 2001 through 2013 Survey of Consumer Finances data. | GAO-15-563

Data Table for Figure 3: 2001 to 2013 Survey of Consumer Finances Median Holdings of Financial Assets, Excluding Retirement Accounts

Date	All U.S. households	Low to moderate income households
6/1/2001	$12,738.1971	$2,061.749427
6/1/2004	$9,248.56528	$1,356.456241
6/1/2007	$9,599.902025	$1,347.35467

Date	All U.S. households	Low to moderate income households
6/1/2010	$6,194.401496	$1,071.695761
6/1/2013	$6,100	$1,000

Source: GAO analysis of 2001 through 2013 Survey of Consumer Finances data. | GAO-15-563

Note: The 95 percent confidence interval on the median holdings of non-retirement financial assets for the population as a whole were: $11,288 to $14,130 in 2001, $7,736 to $10,589 in 2004, $8,651 to $10,432 in 2007, $5,651 to $6,742 in 2010, and $5,631 to $6,569 in 2013. The 95 percent confidence interval on the median holdings of non-retirement financial assets for the bottom two income quintiles were: $1,636 to $2,461 in 2001, $1,090 to $1,658 in 2004, $1,079 to $1,607 in 2007, $988 to $1,156 in 2010, and $936 to $1,064 in 2013.

Accessible Text for Figure 4: HUD Family Self Sufficiency Program Escrow Account Example

A. Monthly payments while tenant has no earned income:

Payments:
PHA: $400 (subsidy);
Tenant: $100;

Rent owed: $500;

Tenant payment = $100 (Tenant has no earned income).

B. Monthly payments after tenant finds employment and has earned income:

Payments:
PHA: $400 (subsidy);
Tenant: $300;

Rent owed: $500;

Tenant payment = $300 (Tenant finds employment and has earned income).

Escrow account:

Monthly payments while tenant has no earned income (A) = No monthly deposits in escrow while payments equal rent.

Monthly payments after tenant finds employment and has earned income (B) = Amount in excess of rent deposited in monthly escrow.

Escrow outcome possibilities:

- Withdrawn by resident during program (subject to approval);
- Disbursed to resident at end of program;
- Forfeited by resident due to noncompletion of program.

(This figure presents a hypothetical example. Actual program participant experiences may vary based on factors, including level of income at program enrollment and changes in employment and income during program participation.)

Source: GAO. | GAO-15-563

Agency Comments

Department of the Treasury

Accessible Text for Appendix II: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE
WASHINGTON, DC 20227

COMMISSIONER

July 2, 2015

Ms. Cindy Brown Barnes
Director, Education, Workforce, and Income Security
Government Accountability Office
441 G Street, NW
Washington, DC 20548

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Sincerely,

Signed by
Sheryl R. Morrow
Commissioner

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