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Surfing the Tax Time Wave: How Refunds Impacted Saving and Spending

June 2018

In the 2017 book *The Financial Diaries*, Jonathan Morduch and Rachel Schneider observed that families often saved for “soon.” They would regularly put money into a savings account, but also regularly deplete those accounts, a practice known as “high-frequency saving.”

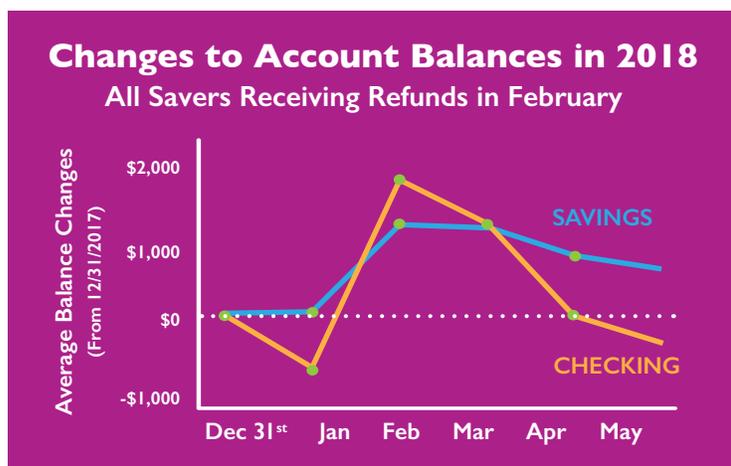
EARN noticed a similar phenomenon happening in the bank accounts of SaverLife™ Savers post-tax season. Sixty-three percent of Savers received their tax refunds in February 2018, and among this group, EARN observed the following pattern:

- **Pre-refund:** after relative consistency, checking balances plummeted in January.
- **February 2018:** Savers experience huge spikes in both checking and savings accounts.
- **Post-refund:** checking account balances fell back to pre-tax-season levels while savings account balances fell about 50% from their February highs, but were still \$600 higher on average versus pre-tax time levels.

Many of EARN’s Savers, like the families in *The Financial Diaries* research, report that they are saving for “soon,” which accounts for much of the post-tax dip in savings and checking account balances. EARN is still researching to understand the complete tax-savings and spending picture.

One Saver, Mercedes, said that she would “save for my return to undergraduate school, for my children’s music and swimming lessons, for their education, for the family vacation, and the discovery and exploration of museums and Mother Nature.” While she may not be saving for major life purchases such as retirement or buying a home, she is saving nonetheless.

Stay tuned for the next Big Data on Small Savings, when EARN will reveal insights from transactional data about how spending habits changed around tax time.



EARN analyzed transaction details and savings rates across 48,000 checking and savings accounts used by 20,000+ Savers and survey data from 1,500+ Savers

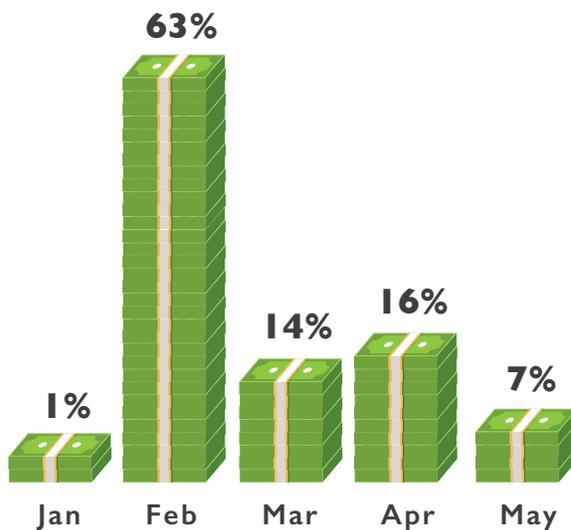


\$3,464

Average amount of refunds received

Most Refunds Were Received in February

(State and federal refunds in \$)



"I wanted to save my tax refund, but I had to have some car repairs done, so most of my tax refund went toward that."

– Cortney



"I put my tax refund partially toward bills, and partially toward spending money for my son."

– Cynthia



"My tax refund is a blessing because I can tell my son that I am able to pay his school classes and education."

– Rocio

EARN's tax time initiative, Savers Win, was generously supported by the Intuit Financial Freedom Foundation



EARN's online SaverLife community empowers low-income households to take control of their financial lives by offering digital financial coaching, online resources, and monetary incentives and prizes for saving. SaverLife members hail from all 50 states and are representative of the broad swath of Americans who struggle to save and are working to develop lasting financial security.

Big Data on Small Savings research, supported by MetLife Foundation, explores the collective experience of thousands of SaverLife members to unearth rich insights and provide data-driven perspectives on what works in helping individuals develop financial security.

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