



President Announces Americans Can Now Buy U.S. Savings Bonds on Tax Form

What's the deal?

- It's about saving – come this January, taxpayers will be able to buy U. S. Savings Bonds easily and conveniently on their federal tax returns, with all or part of their tax refunds
- President Obama announced the new option in his weekly address on Sept. 5 as part of a package of policies to encourage saving
- Making it easy to buy bonds in this way supports the President's Saving and Investment initiative, especially for modest-income Americans who may not have good saving options

Why does saving matter?

- Household savings are essential to help families weather emergencies, make strategic investments (like a home), and have an alternative to costly credit
- For lower-income Americans, saving is particularly challenging for many reasons, including lack of access to quality savings products and tight budgets

Why link saving to tax time?

- Saving is easier at tax time because tax refunds often provide the single largest lump sum of income all year; this is especially true for families with lower incomes, who may receive as much as 20% of their annual income at tax time
- The federal government issues over \$250 billion dollars a year in tax refunds, more than \$100 billion to families with incomes under \$40,000
- Now Americans can invest in a recognized, safe, credible, high-value savings product for as little \$50 at a time each year when they are already thinking about their finances

How is saving this way new or different?

- Before now, saving part of one's tax refund required obtaining a saving product, remembering to bring details to a tax appointment, and (often) a minimum investment of \$300 or more
- Buying bonds required a trip to a bank or credit union, hard to find in some communities and inconvenient for many working people; many people didn't know where to buy bonds at all
- Now, the right product is available at the right time

How did this all come about?

- A non-profit, the Doorways to Dreams Fund (D2D), convened the Savings Bond Working Group (SBWG) to test the appeal of savings bonds to lower-income tax filers
- With special waivers from the Department of Treasury and support from H&R Block Bank, D2D organized a three-year pilot, testing whether people would buy bonds at tax time
- The SBWG presented its strong pilot results to the Administration, along with a proposal to include a bond purchase option in tax forms. The proposal was adopted in September 2009.

What is the likely impact on individual and national saving?

- Each year, over 100 million Americans receive refunds averaging \$2,400 per household; if 5% of these tax filers save 10% of their refunds, over \$1.3 billion would be saved every year
- Over time, this would encourage a return to saving as a cultural value and establish tax season as an annual saving event
- Families, communities and the country would benefit-- savings are a natural support in times of economic disruption and crisis.