

White Paper

Understanding the Asset-Building Needs of Tax Clients

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The views expressed in this white paper are those of the authors, not the Assets Alliance. For clarification or additional information, please contact the authors.

Introduction

Free tax preparation programs that focus on reaching Earned Income Tax Credit (EITC)-eligible individuals and families have provided community-based organizations with unprecedented access to households with low income. Within the last two years, tax sites have been increasingly involved in finding ways to move clients from only receiving EITC to using the tax refund for other asset-building opportunities.

Most often, organizations have approached establishing this asset-building linkage for tax clients through distribution of information about other programs or services available within their respective agency or the community or through referrals to these programs. Some organizations include financial institution representatives at tax sites to enable clients to set up checking or savings accounts. Some have even instituted multi-benefits screening to ensure clients are receiving some or all of the private and public benefits for which they are eligible either during the tax preparation process or in the months following the filing of the return.

While all of these innovations have truly resulted in increased access to asset building for people with low income, many sites have struggled with maximizing the opportunity for asset formation intervention that the moment of tax preparation presents.

The purpose of this paper is to provide another approach to establishing or increasing the linkage between filing tax returns for EITC-eligible individuals and families and other asset-building opportunities. The approach is threefold:

1. Approach the creation or strengthening of this linkage as a new product or service, which starts with information gathering.
2. Gather and analyze information about the intended uses of the refund and the financial and asset-building situation and needs of clients.
3. Institute linkages to actual services based on objective interpretation of this information.

This paper will focus on providing the rationale for this approach. It also provides a survey instrument to be used with tax preparation clients to help community-based practitioners understand the goals of their clients so they can design or provide targeted links to products

and programs that meet people where they are and move them toward other asset-building opportunities.

Practitioner Challenge

Despite the focused efforts of many tax preparation sites to encourage clients to use their tax refunds to build assets, many sites have found it difficult to interest tax clients in financial education courses, Individual Development Accounts, homeownership programs, and even in opening accounts at financial institutions. In most cases, the asset building opportunities presented to tax clients are those already housed within the agency sponsoring the tax site or at a close community partner.

Part of this issue may be a slight mismatch between the asset building opportunities and the goals or motivations of clients. When instituting new products or services, it is important to take a step back to ensure that new offerings align with clients' realities and needs. Taking time to gather this information will help practitioners:

1. Understand how clients are using their money now and how they intend to use their refund
2. Understand empirically the wants and needs of the clients
3. Develop programs that address those needs and wants

As practitioners, it is easy to skip this critical step because staff often feels completely connected with the people they serve and, therefore, fully apprised of their situations and needs. Furthermore, it can be challenging at best to find both staff time and financial resources to engage in new product and service research, especially since most funding sources require results within a short time frame. This pressure to perform quickly keeps many programs from gathering the information that can be critical to successful program outcomes.

Additionally, since asset building for this target audience is a relatively new approach, practitioners are still learning the most effective and efficient ways to help clients achieve economic security. Asset building as a viable option for clients with low income has only recently become feasible due to changes in some policies that allow families to accumulate assets without losing critical private and public benefits. Therefore, learning about the financial lives from a data-driven perspective that goes behind household income information is essential to designing asset-building strategies that connect with clients and help them realize their own dreams and goals.

Solution to the Challenge

Tax time presents a unique opportunity for reaching low-income families. During the time they are getting their tax returns prepared, they are focused on their finances and thinking about how they are going to use their return. It is a moment that provides a critical opportunity for practitioners. In addition to giving individuals and families information about asset-building opportunities that may be available to them, this time can be used to expand or deepen the organization's understanding of the financial lives of clients. This understanding can lead to asset building opportunities that are responsive to the needs of clients and will help them achieve their goals.

Following this narrative is a survey tool based on the excellent work of two groups: the Forsyth County (North Carolina) EITC and Asset Building Program and Foundation Communities in Austin, Texas. Both groups run community-based tax sites that focus on linking clients' refunds with asset-building programs. Both organizations have started using surveys to better understand the ways in which clients plan to use their EITC refund, and in the case of Foundation Communities, other information about their financial lives. The tool at the end of the paper borrows from both surveys.

This tool can be used to gather information so organizations can design linkages to asset building that are meaningful and matter to the tax preparation clients.

In the case of Forsyth County, additional resources have been invested to pay Asset Building Counselors to collect data, but more importantly to establish a personal connection with clients with the aim of engaging them in any one of the many asset-building opportunities available within the county (see sidebar).

Using the Survey Tool

The survey tool is meant to be used for a discrete period of time during tax filing season. It is not meant to be used with every client. It can be used for a 24-hour period, over 2 days, throughout a week or during a month.

Choosing how long to use the tool is contingent on:

- Capacity to administer the survey, compile the data and analyze the results.
- Time needed to get an adequate number of responses that are representational of the sites' clients

Sidebar--Innovation in Tax Preparation Services: Asset Building Counselors

Recognizing that "personal selling" is often the most effective and ultimately efficient way to promote new concepts and services to a defined target audience, Forsyth County (North Carolina) EITC and Asset Building Program used counselors to work on-site at four of its sites this tax season.

The goal for using Asset Building Counselors is to provide a one-stop shop model of services that includes free tax preparation and a "toolbox" of asset-building initiatives.

Asset Building Counselors are paid under contract to outreach to clients at the tax sites in collaboration with site greeters and volunteer tax preparers. They are expected to have in-depth knowledge about asset-building programs available in Forsyth County, both through the network of community-based programs and the community as a whole.

Clients that show interest in the idea of asset building are given the opportunity to sit and talk with the counselor to share information about their financial situation and develop plans for using their refund to meet their goals, including asset building.

Asset Building Counselors also have lap top computers with information about asset-building programs in Forsyth County, including narrative descriptions and application forms, which can be filled out on site.

Forsyth County EITC and Asset Building Program expects counselors to not only meet the demand for asset-building information expressed by clients, but also to generate interest and demand by working with site volunteers and meeting informally with clients as they wait to have their returns prepared or while they work on their return.

The tool can be administered at any time during the tax preparation process. The tool is designed to be a written response survey; however, it can be administered orally. In the case of the latter, questions with more than four possible responses may need to be condensed as keeping track of more than four possible responses can be difficult and confusing for the client.

Finally, the tool is meant to be tailored to meet the needs of each and every site. Sites can use the survey in its entirety, cut questions or sections from the tool or add questions or sections. For an electronic copy of the survey tool, send a request to either author listed at the end of this paper.

Conclusion

Linking tax preparation with some of the many asset-building opportunities for people with low income and low wealth not only maximizes the opportunity presented by tax preparation, but also truly serves the multidimensional and complex economic needs of clients. Rather than just providing information about existing asset-building programs available in an organization or community, take time to systematically gain a deeper understanding of the needs, wants and goals of the clients. With this information, asset-building programs can then be designed or promoted to meet the tax preparation clients where they are, with programs and services that meet their expressed needs and achieve their goals. The end result is increased economic security for themselves and their families.

Sources for the Paper

Foundation Communities

3036 1st Street, Suite 200

Austin, TX 78704

www.foundationcommunities.org

Foundation Communities is a nonprofit organization dedicated to creating high quality affordable housing and empowering individuals and families with low income through programs that educate, support and improve their financial standing.

Forsyth County EITC and Asset Building Program

This is a collaborative program consisting of a wide range of partners that serve Forsyth County, North Carolina. The Experiment in Self Reliance is one of the lead organizations.

Experiment in Self Reliance (ESR)

PO Box 134

Winston-Salem, NC 27102-0135

www.eisr.org

Experiment In Self-Reliance, Inc. is a non-profit Community Action Agency with the mission of eliminating poverty and homelessness in the Winston-Salem/Forsyth County area of North Carolina.

Tools for Practice

Tax Client Survey Tool

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Survey Number: Date Completed: Staff:
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Tax Client Survey

Tax Filing and EITC History

1. Have you ever filed taxes? (circle one)

Yes	No	Don't know	Don't wish to answer
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2. Did you file taxes last year? (circle one)

Yes	No	Don't know	Don't wish to answer
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3. Did you get help in completing and filing your taxes last year? (circle one)

Yes	No	Don't wish to answer
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4. If yes, where did you get help filing your taxes?

Community tax center (VITA)	Tax Aide (AARP)	H & R Block or Jackson Hewitt	Friend or family member
I paid another person or company	Other:	Don't wish to answer	

5. If you did NOT file taxes last year, why not?

Forgot to file	Had no income	Did not think I had to file	Afraid I would owe money
Did not want to send information to IRS or government	No social security number or individual tax identification number	Other reason:	Don't wish to answer

6. If you did NOT file last year, why did you file this year?

Heard about free tax preparation services	Learned about EITC	Heard I could get money back	I earned income
Someone told me I had to file	Other reason:	Don't wish to answer	

7. Did you receive EITC last year?

Yes	No	Don't know
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8. If you received EITC last year, how much was your refund?

\$0 - \$500	\$501 - \$1500	\$1501 - \$2500	More than \$2501
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Plans for Refund¹

1. How are you going to use your tax refund?

Goals and Plans for You and Your Family

1. What are your dreams or goals for you and your family?

2. Do you have clear plans to reach any of these goals?

Yes **No** **Don't know**

3. What do you think would help you reach these dreams and goals?

Financial Information

¹ This is intentionally structured as an open-ended question to elicit clients' actual responses as opposed to leading them to choose what they think the community organization would want them to report. This makes analysis harder, but hopefully the information more useful.

1. Where do you cash your checks?

Convenient or grocery store	Bank or credit union	Check cashing store	Use direct deposit
I get paid in cash	Other:		

2. Where do you get extra money during the month if you run out?

Friends and family	Pay day lender	Credit card	Pawn shop
Bank or credit union	Small loan or finance company	Other:	

3. Do you have an account at a bank or credit union?

Yes	No	Don't know
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4. What kind of accounts do you have?

Savings	Checking	Other:
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5. If you don't have an account now, have you ever?

Yes	No	Don't know
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6. What kind of accounts DID you have?

Savings	Checking	Other:
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7. If you don't have an account, do you want one?

Yes	No	Don't know
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8. If you want one, why haven't you gotten one before?

No bank or credit union near me	I think it will cost too much	Afraid I wouldn't qualify	I think I don't have all of the paperwork needed
I don't understand or want to deal with all of the forms	I don't like or trust banks or credit unions	Had a hard time managing my savings/checking account	Other:

Other Services

What services or products would you be interested in learning more about?

1. Check any that apply.
 - Opening a Savings or Checking Account**
 - Adding to existing Savings Account**
 - Adding to existing Checking Account**
 - Opening/Adding to other bank account (CD, etc)**
 - Paying down debt**
 - Paying ahead on bills/expenses**
 - Buying a home**
 - Repairing or remodeling a home**
 - Paying more on existing mortgage**

- _____ **Buying a computer for home/ business/education**
- _____ **Buying/repairing a vehicle**
- _____ **Getting more education or training for a higher paying job**
- _____ **Starting/expanding a small business**
- _____ **Adding to retirement plan**
- _____ **Getting health insurance**
- _____ **Getting life insurance**
- _____ **Investing:**
- _____ **Other:**