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What Did EARN's Savers Do with Their Tax Refunds? A Little Bit of Everything

July 2018

February may only have 28 days, but Savers took advantage of every single one this year. Sixty-three percent of refunds received by Savers were received in February, and the subsequent flurry of banking activity provides clues into what Savers did with that money.

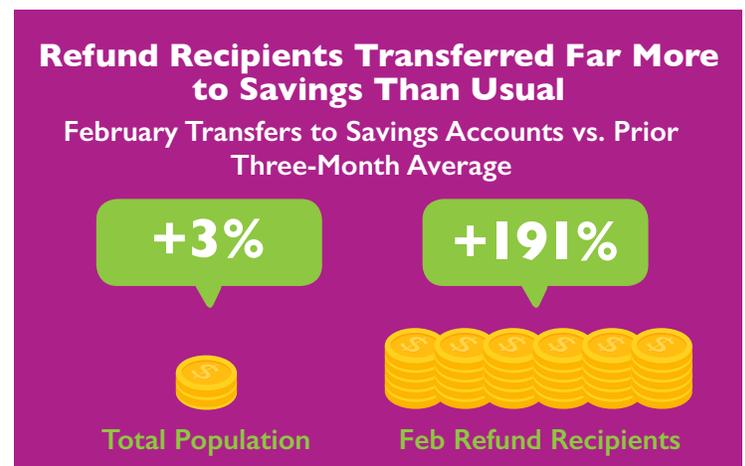
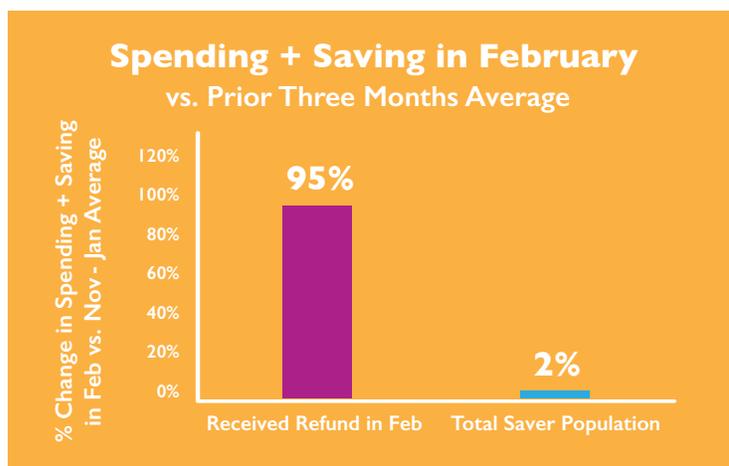
For Savers receiving refunds in February, the combined amount of saving and spending was up 95% versus only two percent for the entire EARN Saver population. In fact, transfers to savings accounts were up 191% during the month, which averages out to \$1,296 per Saver, or 48% of refunds received, and is consistent with the increased savings account balances noted in the June Big Data on Small Savings.

February refund recipients also used the influx of funds to “catch up.” In looking at February spending versus the average of the prior three months, the data shows a 53% increase in utility payments, a 61% increase in credit card payments, and a 43% increase in telecommunications payments. Payments to municipal government departments, such as the DMV or city revenue departments, increased by 87%. And while spending on automobile maintenance only increased by 10%, this is significantly different from the overall population, where spending in the same category fell by 20%.

EARN also found a 98% increase in healthcare and healthcare-related spending, which is consistent with the findings of a recent *JP Morgan Chase Foundation report* showing that healthcare spending spikes after the receipt of tax refunds.

Savers also allocated money to discretionary categories: spending on arts and entertainment increased 153%, while spending on gyms, health clubs, and fitness increased 48%. Spending in these categories is small as a percentage of overall spending (the recreation category typically accounts for about 1% of spending), but the increases show that while Savers boosted their savings and put their financial houses in order, they also allocated some funds to things they enjoy and that provide meaning.

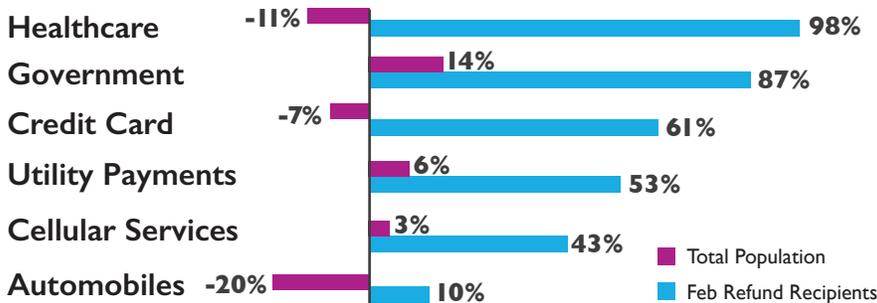
Erica from Georgia, is one of many Savers who has big plans for her refund. She said that “most of our money is going towards medical expenses for our oldest son, and the rest will be for my education - I am in my last semester of school. Being so young we want to show our children anything is possible no matter what.”



EARN analyzed transaction details and savings rates across 48,000 checking and savings accounts used by 25,000+ Savers and survey data from 1,500+ Savers

Refunds Are Used to Play Catch Up

February Spending vs. Prior Three-Month Average



Spending Increased in Discretionary Categories

February vs. Prior Three-Month Average

+153%



Arts & Entertainment

+48%



Health Clubs and Gyms

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



"I saved my tax refund for our dream house. We live in a two bedroom apartment in a crowded city and we wish to buy a house with a big yard where our daughters can run around and play. Saving our refund can make this dream come true one day!" – Ines



"The Tax Refund helped me clear a major chunk of my credit card debt" – Sanjay



"I saved some of my refund to take a vacation with my children. My Papaw passed away this past Thanksgiving and he always made sure my kids and I went on vacation so we could reconnect and enjoy each other. Since he is no longer with us I wanted to make sure I could take myself and my 5 children on at least one vacation (even if it is our last) in honor of my Papaw." – Nina



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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