Assessing Retirement Needs and Interest in myRA: Findings from the Refund To Savings Initiative

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By Stephen P. Roll, Jane E. Oliphant, Dana C. Perantie, Michal Grinstein-Weiss, & Genevieve Davison

Contents

Illustrations ......................................................................................................................... ii
Executive Summary .............................................................................................................. iii

The Refund to Savings Initiative .................................................................................. 3
Examining Retirement Savings as Part of the R2S Initiative ........................................ 3
Data Collection, Sample, and Method ........................................................................ 3
Sample .............................................................................................................................. 3
Data Sources ..................................................................................................................... 4
Method .............................................................................................................................. 5
Results ............................................................................................................................... 5
Sample Characteristics .................................................................................................... 5
Retirement Account Ownership and Assets ....................................................................... 5
Retirement Expectations .................................................................................................... 7
Interest in Retirement Account Features ......................................................................... 9
Interest in myRA Features ............................................................................................... 11
myRA Messaging Experiment: Vignettes Versus Informational Messages ..................... 11
Conclusion ....................................................................................................................... 12
References ......................................................................................................................... 14
Suggested Citation .......................................................................................................... 14

Appendix A The Retirement Module of the Household Financial Survey ......................... 15
Appendix B myRA Messaging Experiment User Experience ........................................... 21
ILLUSTRATIONS

Figures

1. Data sources and timeline for the 2015 Refund to Savings Initiative .................................................. 4
2. Types of retirement accounts held, for those with accounts (n = 4,650) ................................................. 6
3. Reasons for not owning a retirement account (n = 9,250 with no retirement account) .......................... 6
4. Reasons for withdrawing from retirement account for those who withdrew, by account ownership (n = 919 who still have account; n = 1,694 who had no account after withdrawal) ............... 7
5. Frequency distribution of the expected retirement age (n = 8,536 who plan to retire or who “did not know” whether they plan to retire) ........................................................................................................ 7
6. Percentage of respondents who ever tried to estimate retirement needs and who feel on track to retire comfortably, by age of respondent (n = 2,081 under 62 years of age) ................................................................. 7
7. Expected sources of support in retirement (n = 13,069 who planned to retire or who “did not know” whether they planned to retire) ........................................................................................................................................ 8
8. Agreement with the statements “I am confident in my ability to make wise decisions about saving and investing money for my retirement” and “I am confident that I can meet my long-term goals for being financially secure in my retirement” (n = 14,229) .............................................................................................................. 8
9. Expected reliance on Social Security or individual accounts in retirement, by risk tolerance (n = 13,024 who planned to retire or who “did not know” whether they planned to retire) ........................................ 9
10. Rated importance of different retirement savings account components (n = 2,316) .................................. 10
11. Likelihood of opening a retirement account based on different withdrawal penalty structures (n = 12,002) ... 10
12. Likelihood of opening a myRA-type account, by employer account access (n = 14,185) ....................... 11
13. Likelihood of using myRA-type account for nonretirement purposes, by type of expense (n = 13,845) .... 11
14. myRA name retention, by treatment group (n = 3,223) ......................................................................... 11
15. Interest in myRA, by treatment group (n = 3,223) .................................................................................... 12
16. Reasons for lack of interest in myRA (n = 1,021 not interested in myRA) .............................................. 12

Tables

2. Retirement Account Ownership and Asset Levels, by Age (n = 13,925). .................................................. 5
3. Interest in specific retirement products ........................................................................................................ 9
Assessing Retirement Needs and Interest in myRA: Findings from the Refund to Savings Initiative

OVERVIEW

Assessing Retirement Needs and Interest in myRA features results from the Refund to Savings: Applications for myRA project. Underwritten by the U.S. Department of the Treasury’s Financial Empowerment Innovation Fund, the project developed messages encouraging tax filers to learn about, open, and fund myRA accounts at tax time. The project piloted those mechanisms in emails to individuals who filed their taxes using TurboTax Freedom Edition software and through interventions embedded in the software itself. This report examines results from the first year of the project, covering the 2015 tax season.

The project is motivated by a need to address the challenges low- and moderate-income (LMI) households face in saving for retirement. Retirement saving can be acutely difficult for LMI households, as they often report difficulty in saving for any purpose and, when they can save, they prioritize saving for short-term needs over long-term concerns like retirement (Board of Governors of the Federal Reserve System, 2016; Grinstein-Weiss et al., 2015). Beyond the difficulties that income and expense constraints present in building long-term savings, a substantial number of American households also lack access to employer-sponsored 401(k) plans and other long-term savings options; this is particularly true for part-time workers (Pew Charitable Trusts, 2016).

The myRA program provides a simple, safe, and affordable starter retirement account for many people, including those whose employers do not offer retirement savings options. The report shows that several features in myRA accounts may appeal to LMI savers: (a) They are free to open and have no associated fees, (b) they earn interest at a stable rate each year (around 3%), and (c) they permit account holders to withdraw funds at any time. To assess the retirement needs of the LMI households that may benefit from myRA and explore the best ways of promoting myRA to these households, this report explores administrative tax data on LMI tax filers and several surveys of these households.

EXECUTIVE SUMMARY

accounts was the need to address an emergency, and the median level of assets among those with accounts was $5,000.

Thirty percent of those surveyed said they did not plan to retire, and over half of those planning to retire did not plan to do so until after they reached the full retirement age of 67. Regardless of age, very few (10% to 15%) respondents felt on track to retire comfortably. Although 66% of those planning to retire cited retirement accounts as a source of support, 51% of those who intended to rely on such accounts did not yet own one. This may be evidence that such households will be interested in opening retirement accounts in the future.

INTEREST IN RETIREMENT ACCOUNT FEATURES AND myRA

When asked about their interest in new retirement savings products, 78% of respondents expressed interest in an employer-sponsored retirement account with low deposit requirements, protection against losses, and consistent (but low) interest rates; 71% were interested in a new savings account offering automatic contributions and withdrawals without penalties; and 50% were interested in a retirement account that could be opened and funded at tax time. Large majorities affirmed the importance of features enabling them to easily change the amount of monthly deposits, to roll over funds into new accounts, and to make automatic deposits. The guaranteed 2.24% interest rate was also important to a majority of respondents. While respondents were most likely to open accounts that impose no withdrawal penalties, limiting penalty-free withdrawals to one per year did not have a large impact on the likelihood of opening an account.

In terms of their interest in myRA accounts, respondents reported higher interest in accounts that could be opened through employers, and over half of respondents reported they would be likely to use a myRA-type account for emergency expenses. When the opportunity to open myRA accounts was embedded near the end of the tax filing process, relatively few tax filers indicated interest in opening these accounts. Meanwhile, experimental tests of tax-time myRA messaging approaches indicated that a simple, direct, informational approach may be better than using personalized messaging at driving interest in and awareness of myRA.

CONCLUSION

This report demonstrates a substantial need for retirement savings products among LMI households. It suggests that expanding access to retirement accounts at the workplace and in other venues may appeal to a considerable proportion of this population. Additionally, this report suggests that retirement savings products aimed at LMI households should emphasize...
the flexibility and stability of those products. Because the financial situations in many LMI households are volatile, the products most likely to appeal to those households will be ones that allow them to withdraw funds in emergencies, have a stable rate of return, and make it easy to change deposit amounts.

Although relatively few tax filers indicated interest in opening a retirement account at the end of the tax filing process, future initiatives embedding retirement-savings products in tax filing software should work to enhance the salience of the retirement savings option and experiment with approaches that encourage account opening. Volunteer income tax assistance (VITA) sites may also present an opportunity to promote myRA to tax filers. The report shows that simple messages promoting myRA may be more effective for LMI households than approaches with personal or testimonial messaging. Many respondents reported a lack of familiarity with retirement products and a lack of confidence in their retirement decisions; communicating the benefits of myRA as simply as possible may help overcome these barriers. Doing so may also enhance interest in and awareness of the product.

Higher income households have long benefited from access to retirement accounts through employers and access to assistance from financial advisors; LMI households would likely benefit similarly from more robust access to retirement savings vehicles. However, LMI households often face financial constraints that other households do not, including volatile incomes and difficulty building emergency savings funds. myRA accounts have the potential to appeal to households facing these constraints, as they provide both flexibility and security but are not tied to an employer. However, much messaging and outreach work remains if this product is to reach its full potential among the LMI population. Further refining the message of myRA and continuing to explore different avenues for its promotion may help drive take-up among these households.
Assessing Retirement Needs and Interest in myRA: Findings from the Refund to Savings Initiative

By Stephen P. Roll, Jane E. Oliphant, Dana C. Perantie, Michal Grinstein-Weiss, & Genevieve Davison

It has always been a challenge for households in the United States to save enough during their working years to finance a comfortable retirement. An entire array of public programs, from Social Security to tax-advantaged individual retirement accounts like 401ks, have emerged in response to this challenge. Despite these interventions, many households still do not save enough to adequately maintain their consumption levels in retirement (Banks, Blundell, & Tanner, 1998). Providing a sense of the issue’s magnitude, a U.S. Government Accountability Office study (2015) of 2013 data found that around half of households 55 years of age or older did not have any savings in individual retirement accounts, and that almost 30% did not have any retirement savings and could not draw benefits from any sort of pension plan. In these older households with no retirement savings or pension plan, the median value of financial assets was only $1,000. Other research has found that, when factoring in the entirety of a household’s net worth, two thirds of working households failed to meet a conservative retirement savings target (Rhee & Boivie, 2015).1

While households in general often struggle to save for retirement, the problem is particularly acute for low-income households. The 2015 Survey of Household Economics and Decisionmaking found that 44% of households with less than $40,000 in annual income had retirement savings, compared with 69% of the general population (Board of Governors of the Federal Reserve System, 2016).

The low levels of retirement savings have been attributed to many causes. Obvious factors include income constraints and a general difficulty among U.S. households to save for any purpose. An analysis of 2010 Survey of Consumer Finances data showed that only half of U.S. households had an adequate level of emergency savings (defined as 75% of one month’s income), and fewer than 40% of households below the poverty line met this threshold (Key, 2014). Other research has shown that almost half of U.S. households could not easily handle an emergency expense of just $400 (Board of Governors of the Federal Reserve System, 2016). Given the anemic level of emergency savings in the United States, it is unsurprising that households find it difficult to save for retirement; short-term concerns to accumulate emergency savings likely surpasses long-term concerns to build retirement assets. An illustration of this prioritization comes from a survey of low-income tax filers in 2013: 76% of these filers reported saving their tax refund for emergencies, while only 18% reported saving their refund for retirement or other long-term concerns (Grinstein-Weiss et al., 2015).

Another barrier to building retirement savings is access to retirement accounts. American workers often provide for their retirement through programs offered by their employers. These plans can be broadly characterized as either defined benefit plans (e.g., traditional pensions), in which employers pay out a specific monthly amount to retired employees based on factors like their earnings and tenure, or defined contribution plans (e.g., 401(k) plans), in which the amount of retirement income is determined by the assets an employee accumulates over the working life. While the majority of Americans have access to employer-sponsored retirement programs (though they may not participate in them), a large swath of workers do not have access to any retirement plan through their employer; in 2016, 36% of American workers were not offered either a defined-benefit or a defined-contribution plan. For part-time employees, the coverage was substantially lower: 56% of these workers lacked access to an employer-sponsored retirement plan (Pew Charitable Trusts, 2016).

In theory, the lack of access to employer-sponsored accounts should not present an insurmountable barrier to saving for retirement. Individuals can build long-term savings in bank accounts or by opening and funding their own investment accounts. However, while bank accounts may offer a simple and secure option to save money, they do not provide the type of investment returns that allow savings to grow over long time horizons (or even to keep pace with inflation). And while investment accounts can provide substantial asset growth over time, assets invested in these accounts may fluctuate substantially in the short run. This volatility may render retirement savings options undesirable to households that

1 The conservative target in this analysis was enough savings to fund 85% of the income level earned during working years.
cannot risk tying limited resources to market fluctuations. Further, households may avoid saving for retirement due to the fees often involved in managing these accounts or to the complexity involved in starting an investment fund. These details are important, and they are particularly relevant for low income households. Researchers argue that low income households would like to save but lack access to secure, simple savings products that carry the sort of incentives offered by employer-based retirement plans (Beverly & Sherraden, 1999; Sherraden & McBride, 2010). Providing these households with a retirement savings product that promises a return on investment, security for their assets, and to facilitate saving (e.g., by enabling automatic savings contributions) may encourage these households to save.

The myRA retirement savings product, established in 2014 and fully implemented in 2015, provides an option for people whose employers do not offer retirement savings programs or who want to save in an account not attached to their employer. The program is sponsored by the U.S. Department of Treasury. These accounts, which have a Roth IRA structure, possess several key features:

1. They are free to open and have no associated fees.
2. They earn interest at the same rate as the Government Securities Fund, which is variable but was around 3% per year over the 10-year period ending in 2015.
3. They allow automatic contributions.
4. Funds can be withdrawn any time and are not attached to any employer.
5. Individuals can contribute up to $5,500 per year, to a maximum of $15,000.

Key Findings

- Only 32% of surveyed low- and moderate-income households reported owning a retirement account.
  - Over two thirds of those without accounts cited a lack of money as a reason for not having an account; lack of an employer-based option and unfamiliarity with retirement options were also cited as major impediments to account ownership.
  - Those with retirement accounts had substantially higher incomes and education levels.
  - The most commonly reported reason for withdrawals from retirement accounts was to address an emergency.
  - For those with accounts, the median level of assets was only $5,000. Retirement assets remained concerning low even for those respondents closest to retirement.

- Thirty percent of respondents said that they either did not plan to retire or did not know whether they plan to retire. Over half of those planning to retire did not plan to do so until after they reach the full retirement age of 67.

- Regardless of age group, very few respondents (10% to 15%) felt on track to retire comfortably.

- Respondents reported on their interest in new retirement-savings products:
  - Seventy-eight percent were interested in an employer-sponsored retirement account with low deposit requirements, protection against losses, and consistent (but low) interest rates.

- Seventy-one percent were interested in a new savings account offering automatic contributions and withdrawals without penalties.
- Fifty percent were interested in a retirement account that could be opened and funded at tax time.
- Large majorities stated that having the ability to easily change the amount of monthly deposits, having a guaranteed interest rate of 2.24%, rolling over funds into new accounts, and making automatic deposits were very important features.
- Although respondents were most likely to open accounts that charged no withdrawal penalties, their likelihood of opening an account did not change substantially if the account limited them to one penalty-free withdrawal per year.

- Respondents also reported on their interest in myRAs:
  - A high percentage of respondents were interested in accounts that could be opened through employers.
  - Over half of respondents reported they would be likely to use a myRA-type account for emergency expenses.

- Experimental tests of myRA messaging approaches at tax time indicated that a simple, direct, informational approach may be more effective than personalized messaging.

This report is part of the project Refund to Savings: Applications for myRA, a multiyear effort to develop and pilot email and in-product messages encouraging tax filers to learn about, open, and fund myRAs at tax time. The project is funded through the Treasury Department’s Financial Empowerment Innovation Fund. This report presents the results of the first
year of the project, primarily covering the 2015 tax season (tax year 2014). Using experimental and survey data from a sample of low- and moderate-income (LMI) tax filers, this report provides important insights into these households’ needs and interests around saving for retirement, their interest in various features of myRA, and the relative appeal of different promotional approaches to myRA.

THE REFUND TO SAVINGS INITIATIVE

The Refund to Savings (R2S) Initiative is an ongoing collaboration among researchers at Washington University, Duke University, and Intuit, Inc. The initiative seeks to encourage LMI households to make positive financial decisions at tax time. Since 2012, the R2S collaborators have used randomized controlled trial designs to test behavioral economics techniques inside TurboTax Freedom Edition (TTFE), with the goals of increasing the number of households saving a portion of their federal tax refund and the amount of the refund they save. A free self-prepared tax product accessed online, TTFE was developed by Intuit, Inc., as a part of the Internal Revenue Service’s Free File Program. The TTFE product is intended for LMI and military households. Over a half a million households prepare their taxes and receive a federal tax refund each year using the product.

The R2S Initiative is motivated by innovations and learnings in the fields of asset building, behavioral economics, and financial decision making. For many LMI households, the annual tax refund may be the only opportunity to set aside savings. Moreover, the refund may be the only sizable cash windfall for households that otherwise have very little financial “slack” (Barr 2012), which can be thought of as a buffer against unexpected expenses. Amid discussions about encouraging LMI households to save at tax time, new evidence has shown that individuals’ behavior can be significantly altered by small changes to the ways in which options are presented. While individuals often make choices that decrease their overall financial health, research has found that small a “nudge,” such as altering the presentation of choices, can encourage people to make better financial decisions (Ariely, 2008; Thaler & Sunstein, 2008). In 2012, these findings motivated the collaboration between university and tax-industry partners to devise the R2S Initiative, which tests behavioral mechanisms in large, low-cost, scalable interventions intended to increase positive financial decision making at tax time.

EXAMINING RETIREMENT SAVINGS AS PART OF THE R2S INITIATIVE

One enduring goal of the R2S Initiative is to test LMI consumers’ interest in opening new accounts at tax time. In the 2013 experiment, a high percentage of respondents in the R2S Household Financial Survey (HFS) reported interest in opening new accounts at tax time, and 11% expressed interest in opening a new retirement savings account (Grinstein-Weiss et al., 2015). As this report details, data from the 2014 HFS also showed that a majority of the respondents were interested in retirement account features similar to those proposed for the new myRA product.

In light of this interest, the R2S collaborators partnered with the Department of Treasury to pilot and test tax-time applications for the myRA product. The effort has the following goals:

1. The project will examine the financial lives of LMI filers, and particularly their retirement savings behavior, to identify the retirement needs of this population.
2. It will identify effective ways of communicating the benefits of myRA to LMI households.
3. It will use behaviorally informed tax-time interventions to encourage and enable consumers to open and fund myRAs when they file tax returns.

This report focuses on the project’s first two goals, and future research will more fully explore ways to encourage opening and funding retirement savings accounts at tax time. In the rest of this report, we present a detailed description of the R2S sample, the data, and the methods used in these analyses. We then present results from analyses of the retirement needs and retirement savings behaviors of LMI households. Subsequently, we present the results of an experiment testing the efficacy of various messaging approaches for the myRA program at tax time. Finally, we discuss the findings and their implications for retirement savings products targeting LMI households.

DATA COLLECTION, SAMPLE, AND METHOD

Sample

The data for these analyses were collected in 2014 and 2015 tax seasons for the R2S Initiative. The tax filers in the R2S Initiative are users of TTFE. The qualifying criteria for using TTFE varies from year to year. In the 2014 tax season (tax year 2013), tax filers qualified for TTFE if they had an adjusted gross household income below $30,000, qualified for the Earned Income Tax Credit, or lived in a household that included an active-duty service member and had an income below $58,000. In the 2015 tax season (tax year 2014), the TTFE income-eligibility thresholds were $31,000 for the general public and $60,000 for households with members of the military; EITC households were also eligible. In each year of these analyses, the large majority of participants qualified because they were below the income threshold.

After preparing their taxes through TTFE, tax filers are invited to participate in the online, longitudinal HFS. Tax filers who complete the first wave of the survey (HFS1) are invited via email to complete the 6-month follow-up survey (HFS2). The bulk of the information presented in this report comes from data collected in the two waves of the HFS administered in the years 2014 and 2015. Having data from two waves enables us to test the impact of R2S interventions over time and to collect a wide array of information regarding the financial lives of LMI tax filers.

The two major samples are referenced in this report. One consisted of respondents to the 2014 HFS, and the other consisted of respondents who participated in the retirement module of the 2015 HFS. All 2014 TTFE users were invited to take the HFS. No incentive was provided for completion. The first wave of the 2014 survey had 10,416 respondents, and...
the second wave had 2,681 respondents. In the 2015 study, just under half of TTFE users (372,746 out of 852,238) were randomly offered the chance to take the 2015 HFS1 in return for a $3 Amazon gift card. The first wave of the 2015 HFS had 23,925 respondents and the second wave had 8,836. Both waves of the 2015 HFS included a module with 32 questions dedicated to issues around planning and saving for retirement. Appendix A presents the full text of the questions and response options in this module. In the first wave, the retirement module was shown to 9,547 individuals who filed their taxes on or after March 18, 2015 (or, late filers); in the second wave, the retirement module was shown to 4,864 individuals who filed their taxes before March 18, 2015 (or, early filers). Therefore, no 2015 HFS respondent was asked the retirement module questions twice, and the responses from the two survey waves were combined to maximize the number of responses available for this study. In total, 14,411 respondents saw the retirement module in either the first or second wave of the survey. An experiment was also embedded in the module of retirement questions shown to early filers in the second wave of the 2015 HFS. The myRA messaging experiment’s purpose was to assess the potential for different messaging approaches to drive interest in myRA. In total, 3,223 HFS respondents participated in this experiment.

Figure 1 summarizes the relationships among the participants in the 2015 R2S Initiative, the 2015 HFS waves, the retirement module in both 2015 survey waves, and the myRA messaging experiment embedded in the 2015 retirement module shown to early filers.

### Data Sources

**The Household Financial Survey**

Data from the HFS enable a detailed examination of the financial lives of LMI tax filers. The data include information on the planned use of the tax refund, household assets and liabilities, experiences of material hardship and financial emergencies, use of alternative financial services and other financial products, and, as described in further detail below, retirement planning and retirement savings.

Both HFS1 and HFS2 took approximately 20 minutes to complete. Participants could skip questions, though relatively few did so or did not complete a survey. Survey data were collected online via Qualtrics, and we obtained explicit consent from survey participants. The survey was administered in 2014 and 2015; in each year, the two survey waves captured different aspects of retirement issues in these households. This section outlines the retirement-oriented indicators assessed in each year of the study.

In the first wave of the 2014 HFS respondents were asked about their interest in different types of potential retirement and savings accounts. The second wave of the 2014 survey assessed views on the importance of a wide variety of account features and asked about their retirement planning behaviors.

As noted above, later tax filers in the 2014 HFS1 and early tax filers in HFS2 were shown a module of questions centering on retirement. These questions inquired about respondents’ retirement account features, the sources respondents planned to use to support themselves in retirement, the history of withdrawals from retirement accounts, retirement expectations and behaviors, and interest in different types of retirement accounts.

**The myRA Messaging Experiment**

The second wave of the 2015 HFS included an experiment to test the appeal of different myRA messages. The key outcomes were the interest level in myRA and respondents’ ability to remember the name myRA. Respondents in the messaging experiment were randomly assigned to one of eight treatment groups shown information on myRA. Treatment in this case pertains to the presentation of messages and themes in those messages; treatment groups were distinguished by the type of presentation (vignette or informational message) and by theme (safety, simplicity, affordability, and combination of themes). That is, four of the eight treatment groups were shown vignette messages, and four were shown informational messages. Among the four vignette groups, one group was shown a message that stressed the safety of the myRA, a second was shown a message that highlighted the simplicity of myRA, a third was shown a message emphasizing the affordability of the myRA, and a fourth was shown a message that conveyed all three themes (myRA’s safety, simplicity, and affordability). The four informational messages shown to respondents followed a similar outline—emphasizing the safety, simplicity, or affordability of myRA, or a combination of these three themes—but did not have the personalized messaging of the vignettes. See Appendix B for illustrations of the messages.

The vignette-type messages presented quotations about myRA next to the picture of a fictional myRA participant named
Danny. These quotations provided background on Danny and explained why he found myRA useful. The vignette messages provided basic information about myRA. Social learning theory informed the design of the vignettes: Using a model (in this case, Danny) similar to the viewer is a recognized method for increasing the viewer’s self-efficacy to perform a behavior (Bandura, 1977). Danny was a model with whom respondents could relate, intended to demonstrate positive regard for myRA, and to illustrate the ease and benefits of opening an account. By contrast, the informational messages outlined the same account features as the vignette messages but only presented facts without the associated story. Although we hypothesized that more personalization in the vignette messaging would drive more interest in myRA, we were also interested in assessing the impacts of a messaging treatment that relied on a simpler and more informational approach.

Method

In this analysis, we (a) explore the demographic characteristics of respondents with retirement accounts and those without; (b) describe the details of respondents’ retirement accounts and how they use them, (c) assess respondents’ expectations about their retirement, (d) summarize respondents’ perceptions concerning the desirability of a variety of retirement account features, and (e) present the results of an experiment testing different types of messages for myRA. While much of the analysis is descriptive in nature, basic statistical tests are employed for analysis of experimental data on different types of messages. As HFS respondents were randomly assigned to see different messages, simple comparisons of means and proportions are adequate to capture the overall treatment effect of a given message.

| Table 2. Retirement Account Ownership and Asset Levels, by Age (n = 13,925). |
|---------------------------------|--------|-------|-------|-------|--------|
| Characteristic                  | Total  | 18–35 | 36–45 | 46–55 | 56–62  |
| Owns retire. account (%)        | 32     | 27    | 42    | 40    | 46     |
| Median retire. assets ($) a     | 5,000  | 3,000 | 8,000 | 14,500| 29,000 |

*Only includes respondents with retirement accounts.

RESULTS

Sample Characteristics

Table 1 presents information on the income and demographics of 2015 HFS participants who owned retirement accounts and of those who did not own such accounts. Thirty-two percent of the sample reported owning a retirement account. Compared with respondents who did not own an account, account owners were older. Respondents who owned accounts were less likely to be unemployed, to receive any Earned Income Tax Credit dollars, and to belong to a racial or ethnic minority group. They were more likely to be female, to be either married or divorced, to have a college degree, and to report postgraduate education. Equal proportions of owners and nonowners reported having children. The most striking difference is that retirement-account owners had about $7,500 more in annual adjusted gross income. This suggests that income and account ownership are related even for this income-constrained sample.

Overall, HFS respondents with retirement accounts appeared to be in a stronger socioeconomic position. Higher incomes, employment levels, and educational attainment distinguished households with retirement accounts from those without such accounts.

Retirement Account Ownership and Assets

This section describes HFS respondents’ retirement accounts and their use of retirement funds. As Table 2 shows, 32% of 2015 HFS respondents reported owning a retirement account, and the median level of assets in those accounts was $5,000. Table 2 also presents results on the relationship between the age of respondents and retirement account ownership. Less than a third of respondents in the youngest cohort (18–35 years of age) reported owning a retirement account, and the median savings in those accounts was only $3,000. Both retirement account ownership and asset levels increased with the age of respondents, but even those aged 56 to 62 (age 62 is the earliest retirement age) reported fairly low levels of account ownership and assets: Less than half of this group

6 The characteristics of participants in the 2015 HFS do not differ substantially from those of HFS participants in other years.

7 This is roughly consistent with retirement account ownership from prior survey years.
driven in part by the difference in mean age (then account. Although the discrepancy in asset levels is likely respondents aged 55 to 64 reported owning a retirement et al., 2014). In the Survey of Consumer Finances, 70% of respondents aged 45 to 54 and $165,900 for those aged 55 to 64 (Bricker et al., 2014). The median level of retirement assets was $14,000 for HFS respondents aged 46 to 55 and $29,000 for HFS respondents aged 56 to 62 (Table 2), but the median was $105,300 for Survey of Consumer Finances respondents aged 45 to 54 and $165,900 for those aged 55 to 64 (Bricker et al., 2014). In the Survey of Consumer Finances, 70% of respondents aged 55 to 64 reported owning a retirement account. Although the discrepancy in asset levels is likely driven in part by the difference in mean age (the mean age of HFS respondents was younger than that of the U.S. population), the low income of HFS participants is also a likely driver of their low retirement savings.

The 2015 HFS retirement module also asked about the types of retirement accounts held, as shown in Figure 2. Respondents could select more than one type of account and generally indicated that they held their retirement funds in defined-contribution retirement savings vehicles such as 401(k)s, 403(b)s, and traditional or Roth IRAs. Only 11% of respondents reported participating in a pension plan. A total of 11% of respondents indicated that they saved at least some of their retirement funds in a savings or checking account, 3% reported holding retirement funds in savings bonds, and 7% identified some other vehicle for storing retirement savings.

Of the 2015 retirement module respondents with retirement accounts, 57% held accounts through their current employer and 40% opened their accounts under a former employer. Among those with accounts provided by current or former employers, 75% reported that an employer offered contributions to their retirement account.

In Figure 3, we turn to those who did not have a retirement account, summarizing the reasons respondents gave for not owning one. Overwhelmingly, respondents identified not having enough money as a reason for not having a retirement account: Approximately two thirds cited this as a reason. Across survey years, HFS respondents have commonly reported difficulty saving even for short-term concerns. Fewer than half of 2014 HFS respondents reported being able to come up with $2,000 in an emergency (including money available through borrowing from friends or family and selling possessions), for example, and the median amount respondents could come up with in an emergency was only $1,000. Saving for retirement and other long-term concerns is likely even more difficult. As Figure 3 shows, beyond a lack of income, the two most commonly cited reasons for not owning a retirement account were that retirement accounts were not offered through their employers (27%) and that respondents were unfamiliar with how retirement accounts work or where they could open one (25%). These results may suggest that there is demand for simple, easily opened, and easily accessible retirement accounts offered outside of the workplace. Alternatively, they may suggest the potential for expanding retirement account access within the workplace. Comparatively few respondents cited a lack of trust in investors (fund managers, e.g.), concerns about risk, and fees as reasons they did not have retirement accounts. Other was the category chosen by 16% of respondents, and the majority of these respondents were students who had not yet started their careers.

Finally, 2015 HFS respondents were asked whether they had ever withdrawn funds from their retirement accounts. The survey posed this question to respondents who had retirement accounts and to those who did not. In total, 19% of respondents reported that they had withdrawn retirement funds at some prior point, and 18% of those who had no retirement account reported that they previously owned one but had withdrawn all of the funds. Among those who reported owning retirement accounts, 20% acknowledged that they had made preretirement withdrawals, and 70% of these respondents incurred some penalty in the form of taxes or fees. Figure 4 summarizes the reported motivations for withdrawing retirement funds.
Regardless of whether respondents owned accounts at the time of survey, the most commonly reported motivation for withdrawing funds from a retirement account was an “emergency or short-term need”; over 60% of respondents identified this as a motivation. Investments were identified as a reason for withdrawals by similar percentages of respondents in the two groups. So too, similar percentages reported withdrawing funds for other purchases. However, 20% of those who still had an account had withdrawn retirement funds for a “major purchase, such as a car or home,” but the same was true for only 9% of those who had completely depleted a prior account. This may imply that respondents were willing to withdraw only some retirement money when needed for large purchases but that they typically are willing to exhaust retirement funds completely in the case of an emergency.

Among the 20% to 30% who selected “other” as a reason for withdrawing retirement savings, commonly reported motivations included the need to cover expenses after a job loss and the need to close the fund when the respondent voluntarily left a job. Although many respondents may have used this category to explain withdrawals associated with job losses, losing a job likely represents an emergency for many households; thus, the overall percentage of HFS respondents withdrawing from retirement funds for emergencies is likely even higher than Figure 4 indicates.

Retirement Expectations

A strong majority (70%) of 2015 HFS respondents reported that they plan to retire someday, but 23% did not know whether they plan to retire and 7% did not plan on retiring at all. Figure 5 illustrates the age distribution of respondents’ planned retirement age, excluding those who did not plan on retiring and those who did not know when they plan on retiring. Unsurprisingly, the modal response was 65 years of age, the “traditional” age of retirement. However, many respondents said that they expected to retire after age 65 or even after age 67, the Social Security Administration’s “full retirement age” for anyone born in or after 1960. Indeed, 52% of respondents reported that they did not plan to retire until after age 67, and 35% of respondents reported that they did not plan to retire until age 70. Notably, 40% of respondents reported that they did not know when would retire.

Our analyses show that retirement expectations vary by age cohort: 73% of respondents in the youngest cohort (18 to 35 years) reported that they plan to retire someday, while only 51% of those aged 46 to 55 and 56% of those aged 56 to 62 reported planning to retire. The lower percentages among older respondents may reflect growing uncertainty about their ability to retire as they approach retirement age.

Uncertainty about the ability to retire is closely linked to the resources available for meeting consumption needs after retirement, and the 2014 HFS2 explored this with two questions posed to respondents under the age of 62: (a) whether they ever tried to estimate the amount of money they would need in retirement and (b) whether they felt that they were on track to retire comfortably by the time they reached the full retirement age of 67. Only 35% of those respondents reported that they

Figure 4 Reasons for withdrawing from retirement account for those who withdrew, by account ownership (n = 919 who still have account; n = 1,694 who had no account after withdrawal). Data come from the retirement module of the 2015 Household Financial Survey, first and second waves.

Figure 5 Frequency distribution of the expected retirement age (n = 8,536 who plan to retire or who did not know whether they plan to retire). Excludes 5,722 respondents who did not know when they planned to retire. Data come from the retirement module of the 2015 Household Financial Survey, first and second waves.

Figure 6 Percentage of respondents who ever tried to estimate retirement needs and who feel on track to retire comfortably, by age of respondent (n = 2,081 under 62 years of age). Data come from the 2014 Household Financial Survey, second wave.
had tried to estimate their retirement needs, and only 13% said
that they were on track to retire comfortably (25% reported
that they did not know whether they were on track). The available
data do not permit us to track how expectations shift over
respondents’ working lives, but Figure 6 presents an effort to
approximate these shifts by illustrating expectations for the
four age cohorts. The proportion of respondents who felt on
track to retire is consistently and concerningly low, around 10%,
for all but the youngest age cohort. However, the proportion
of respondents who reported that they tried to estimate the
amount of funds needed for retirement increased with the age
of the respondents, from 31% of those aged 18 to 35 to 51% of
those aged 56 to 61. It is striking that 85% to 90% of respondents
reported they were not on track to comfortably retire, but
their assessment may be correct. Other research has found that
the majority of Americans close to retirement age have not
accumulated enough wealth to retire comfortably (Mitchell
& Moore, 1998). The gap between the wealth needed in
retirement and the wealth accumulated is likely even greater
for the LMI households that participated in this study than for
Americans in general.

A different way of looking at these numbers is that LMI
households’ awareness of the gap between their retirement
needs and their retirement assets increases as they get older.
Given the importance of contributing to retirement funds early
in life, these results imply that there may be substantial benefits
to encouraging younger households to calculate their financial
needs for retirement. One such benefit may be that awareness
of those retirement needs will motivate them to begin saving
earlier in life. The results may also suggest that simply
providing those households with information on their financial
needs in retirement could help drive their interest in opening
retirement accounts. Such an approach may be particularly
effective if paired with efforts to increase access to retirement
accounts both inside and outside of the workplace.

Figure 7 shows the expected sources of retirement support
identified by 2015 HFS retirement-module respondents who
said that they plan to retire or that they did not know whether
they plan to retire. Social Security was the most commonly
mentioned option, with 68% of respondents identifying it as
a source of support. Retirement accounts were referenced
by a similar proportion (66%), but 51% of those who said they
intend to rely on retirement accounts did not own a retirement
account. That finding is troubling, but it may suggest that these
households will be interested in opening retirement accounts
in the future. Respondents also identified other sources
of retirement support: 29% reported expecting to rely on
investments, 25% planned to move to a more affordable town,
6% planned on selling their home, 3% planned on pursuing a
reverse mortgage or home-equity line of credit, and 11% planned
to rely on friends and family. Further, 22% of respondents
planned to support themselves by working in retirement.

Respondents also provided data on their confidence in the ability
to make wise decisions about saving and investing for retirement
as well as in their ability to meet long-term financial goals for
retirement. The results are presented in Figure 8. Respondents
were not overwhelmingly confident on either point: A bare
majority of respondents reported confidence in their ability
to invest wisely for retirement (52% agreed or strongly agreed
with the statement), and less than half reported being confident
in their ability to meet their long-term retirement goals (42%
agreed or strongly agreed). These findings and others presented
above (see Figure 8) suggest that a fairly sizable percentage of
respondents did not start retirement accounts because they
lacked familiarity with the process. That observation again points
to the potential for simple and accessible retirement savings
products. Additionally, a lack of confidence in the ability to save
and invest wisely was closely related to a lack of confidence in
meeting long-term retirement goals; 92% of those who disagreed
or strongly disagreed that they were confident in their ability to
make wise decisions about investing also disagreed or strongly
disagreed that they are confident in their ability to meet their
long-term financial goals for retirement.

In addition to measures of confidence in their retirement
investments, the 2015 HFS retirement module asked
respondents about their tolerance for investment risk.
that risk tolerance and retirement expectations were connected among the 28% of respondents who indicated that they have no tolerance for risk. The rate at which these respondents reported expecting to rely on their own retirement accounts was almost half the rate at which they reported expecting to rely on Social Security (42% vs. 70%). In this case, extreme risk aversion may be welfare reducing, as investing for retirement can be an extremely low-risk process (particularly if assets are invested in relatively stable funds) that can provide an essential source of retirement support beyond Social Security. The prevalence of aversion to investment risk suggests potential demand for a myRA-type account that pays interest without subjecting the account holder to the risk of investment losses.

### Interest in Retirement Account Features

To assess interest in potential retirement savings products, the 2014 HFSI inquired about three products with different features. The survey questions describing the products are outlined in Table 3. The product that drew the interest of the largest proportion of respondents was the first of the three described in the table: a new employer-sponsored retirement account with low contribution requirements, protection against losses, and a consistent 2.24% interest rate. Among the 2014 HFSI participants who provided responses, 78% expressed interest in this product. A similar proportion of respondents (71%) expressed interest in the second option: a new, employer-sponsored savings account offering automatic contributions and withdrawals without penalty. The attributes offering stability and the absence of a penalty for withdrawal may have been especially appealing, as HFS respondents in other years have acknowledged that they are often vulnerable to financial shocks: The 2015 HFSI, for example, asked respondents whether they had undergone shocks like a job loss, the need to make repair to a house or car, unexpected medical expenses, or income reductions, and 55% of those respondents reported that they had experienced some form of shock in the prior 6 months. Given the volatility of LMI households’ financial lives, a stable retirement savings vehicle with low penalties may have substantial benefits.

Approximately half of the 2014 HFSI respondents expressed interest in the third option represented in Table 3: an employer-sponsored retirement account that could be opened at tax filing and funded with the tax refund. A full 50% of respondents expressed interest in it. This indicates that there may be substantial potential for such a product to be successful. Moreover, the tax time savings elements offered by this product can work in tandem with the more popular products; a loss-protected savings vehicle (the most popular option) can incorporate tax time savings elements within it.

Table 3 also presents results on the product interests of respondents over 45 years of age. Interestingly, the proportion of older respondents who expressed interest in these products differs relatively uniformly from the proportion of all respondents expressing such interest. This is potentially due to the fact that older households are more likely to already have a retirement account and therefore less likely to be interested in opening a new one (see Table 2 above).

To better understand what features of myRA and other potential savings products are most interesting or desirable to LMI households, the HFS asked about a variety of account features
and ways to participate in retirement savings products. Figure 10 presents results from the 2014 HFS2 for a series of questions about the importance attributed to specific retirement-account features. The figure shows the percentages of respondents who rated the features “important” or “very important.” In general, the largest shares of respondents were responsive to elements that enhance the ease of changing monthly deposits, guarantee an interest rate, or limit the costs of use. The ability to easily change the amount of monthly deposit and the guarantee of a 2.24% interest rate were deemed important by over 80% of these respondents. Strong majorities said the same about the ability to easily roll funds over into another account (76%) and the ability to make regular, automatic deposits (70%). Stable returns, low withdrawal fees, and flexibility in deposit amounts are all likely appealing to LMI households on similar grounds: These features help households manage financial volatility. Other potential features of the product were less appealing. The smallest percentages of respondents attributed importance to the ability to open one through one’s place of work, the ability to open an account with a minimum of $25, the ability to directly deposit the tax refund into the retirement account, and the ability to open an account online.

Although the results presented above come from analyses of respondents’ interest in combining the tax refund with retirement savings products, the 2015 retirement module asked respondents who owned retirement accounts whether they had ever deposited a tax refund into a retirement account, and only 12.5% of the respondents reported that they had ever done so. Tax time is nominally ideal for directly depositing a large sum into retirement savings accounts, but many LMI households are cognizant of the potential for financial emergencies and of the need to use savings as a buffer against shocks. Indeed, 72% of 2015 HFS2 respondents reported saving at least some of their refund for emergencies, and 23% reported saving some of the refund for retirement. The preference to save for emergencies over retirement is not surprising: Though households may value constraints on their ability to consume savings (preferring to save for a rainy day rather than consume now), LMI households may not wish to save in a way that incurs a penalty for emergency withdrawals. Retirement accounts that allow penalty-free (or low-penalty) withdrawals may therefore appeal to more LMI households both at tax time and in general.

To assess whether interest in retirement savings products is contingent on household debt, the 2015 HFS retirement module examined respondents’ level of interest in converting their mortgage or student loan payment into a retirement fund payment after the debt was repaid. Among those with student loans, 87% indicated they would be interested in this type of payment conversion, and 81% of those with mortgages expressed interest in such an arrangement. These results demonstrate the potential interest in a retirement product that

Figure 10. Rated importance of different retirement savings account components (n = 2,316). Data come from the 2014 Household Financial Survey, second wave.

Figure 11. Likelihood of opening a retirement account based on different withdrawal penalty structures (n = 12,002). Data come from the retirement module of the 2015 Household Financial Survey, first and second waves.
allows for such payment conversions, but student loans and mortgages sometimes take several years to pay off; it is difficult to accurately assess what households would actually do after those debts are repaid.

Finally, the 2015 HFS retirement module assessed respondents’ sensitivity to different account restrictions, asking about the likelihood of opening and contributing to three types of accounts: an account that allows penalty-free withdrawals, an account that permits one such withdrawal a year, and an account that imposes penalties for any withdrawal. The results in Figure 11 suggest that the option to make one penalty-free withdrawal per year does not affect the likelihood of opening an account but could beneficially affect balances by preserving savings in the account. A penalty structure of this type could potentially strike a balance between encouraging participants to refrain from withdrawing retirement funds for nonessential purchases and offering the flexibility to use assets for unforeseen necessities.

interest in myRA Features

This section presents findings from efforts to assess interest in the specific features of myRA. One question in the 2015 HFS retirement module asked respondents to imagine a retirement account with the following features: a 2% to 3% interest rate, a federal guarantee that the account would not lose money, a low minimum monthly contribution requirement, a maximum yearly contribution of $5,500, the ability to make penalty-free withdrawals, a $15,000 maximum balance, the ability to roll the account balance over into a different retirement account at any time, and a maximum account lifespan of 30 years; features that closely parallel those of myRA. Respondents were then asked about the likelihood that they would open such an account if it were offered through an employer and if it were available without an employer offering it. Figure 12 summarizes the responses. These respondents were generally disposed toward opening an account of this type. Over half stated that they would be likely or very likely to open this type of account regardless of whether it was offered through an employer. The percentage of respondents who were likely or very likely to open this type of account if it were offered through an employer was higher than the percentage of counterparts who were likely to open one if it were available through some other source.

The 2015 retirement module also tested respondent interest in the use of such accounts for nonretirement purposes, asking whether they would be more likely to “save for short-term needs, rather than only to save for retirement” or for “emergency expenses, such as for medical bills and car repairs.” As Figure 13 illustrates, respondents said that they would be more likely to use such an account for emergency expenses than for short-term needs: Over half of respondents stated they would be likely or very likely to use this account for emergencies. As lack of money is one of the largest barriers to accumulating retirement savings, it is not surprising to find interest in an account allowing people to use their limited savings for a variety of purposes other than retirement.

To understand how respondents would use an account with myRA-like features, we asked them to break down the monthly deposit, specifying the percentages that would be allocated for retirement, short-term needs, and emergency expenses. Respondents indicated that 50% of the funds in the account with myRA-type features would be dedicated to retirement savings, 23% would be allocated for short-term needs, and 27% would be earmarked for emergencies. This suggests that, even in considering a retirement account with minimal costs for early withdrawals, respondents were still willing to reserve at least half of their savings for retirement.

myRA Messaging Experiment: Vignettes Versus Informational Messages

As we indicated above, a randomized experiment was built into the 2015 HFS retirement module, and the experiment was intended to test the relative effectiveness of two types of messaging at raising awareness of and driving interest in myRA. Specifically, the use of a personalized story (the vignette-style messaging) was tested against a more straightforward presentation of myRA features (informational messaging). The report’s Appendix shows the messages shown to filers.

Figure 12. Likelihood of opening a myRA-type account, by employer account access (n = 14,185). Data come from the retirement module of the 2015 Household Financial Survey, first and second waves.

Figure 13. Likelihood of using myRA-type account for nonretirement purposes, by type of expense (n = 13,845). Data come from the retirement module of the 2015 Household Financial Survey, first and second wave.
Figure 14. myRA name retention, by treatment group (n = 3,223). Data come from the retirement module of the 2015 Household Financial Survey, second wave, late filers.

<table>
<thead>
<tr>
<th>Treatment</th>
<th>% who remembered myRA name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vignette simple</td>
<td>60%</td>
</tr>
<tr>
<td>Informational simple</td>
<td>55%</td>
</tr>
<tr>
<td>Vignette safe</td>
<td>58%</td>
</tr>
<tr>
<td>Informational safe</td>
<td>53%</td>
</tr>
<tr>
<td>Vignette affordable</td>
<td>56%</td>
</tr>
<tr>
<td>Informational affordable</td>
<td>51%</td>
</tr>
<tr>
<td>Vignette all three</td>
<td>62%</td>
</tr>
<tr>
<td>Informational all three</td>
<td>57%</td>
</tr>
</tbody>
</table>

Figure 15. Interest in myRA, by treatment group (n = 3,223). Interest is measured by scores assigned to responses on a 4-point scale ranging from not at all interested (0) to very interested (4). Data come from the retirement module of the 2015 Household Financial Survey, second wave, late filers.

- **Already have retirement account**: 20%
- **Cannot afford it**: 18%
- **Need more information**: 15%
- **Too complicated**: 14%
- **Other**: 23%

Figure 16. Reasons for lack of interest in myRA (n = 1,021 not interested in myRA). This figure shows responses from the 32% of HFS respondents who said that they were not interested in myRA. Data come from the retirement module of the 2015 Household Financial Survey, second wave, late filers.

The retirement module assessed the relative success of the two types of messaging by showing respondents a message, asking about their interest in myRA, and testing their ability to remember the name of the program. Figure 14 shows that name retention was somewhat better among respondents shown the informational messaging: 59% of respondents shown one of the informational messages remembered the name myRA, but 52% of those shown a vignette remembered it ($\chi^2 = 17.2; p < .001$). Each of the informational messaging variants (e.g., simple, safe, affordable, and a combination of all three) appeared to drive similar levels of name retention among respondents, and the informational message was consistently better than the corresponding vignette-type message at driving name retention.

Figure 15 illustrates the distribution of scores from a scale that assessed respondents’ levels of interest in myRA by the messages shown to them (higher scores indicate greater interest). Scores on the interest scale range from 0 (not at all interested) to 4 points (very interested). These results parallel others from Figure 14 in indicating that informational messaging was more effective than the vignette-style messaging. The mean interest scores were 2.25 for respondents shown the informational messaging and 1.96 for counterparts shown a vignette ($t = -6.5; p < .001$). Of the different informational messages, the safe variant drew the least interest, though the difference from the interest drawn by other informational variants was not large.

In general, interest in myRA was higher among younger respondents than among their older counterparts. Interest was somewhat higher among respondents aged 45 and younger than those closer to retirement. Moreover, interest in myRA was higher among non-Hispanic Blacks and Asians than among Whites and Hispanics (results not shown).

A minority (32%) of late-filing respondents who participated in the 2015 HFS retirement module indicated that they were not interested in myRA. The survey module queried them about their reasons for this. As Figure 16 illustrates, the most commonly cited reason was ownership of another retirement account: 36% of those who expressed no interest in a myRA reported that they already owned a retirement account. The second most commonly given reason was affordability: 30% said that they could not afford to participate in myRA. It is noteworthy that few of these respondents attribute their lack of interest in myRAs to program ambiguity or to the program’s excessive complexity. Less than 10% reported either of these as a reason for their lack of interest. Among the 19% indicating that “other” considerations drove their lack of interest, the most commonly cited explanation (given by 17%) was that respondents considered themselves too young to have a retirement account. Only 15% of respondents who chose the Other category explained that they did not like the myRA or did not need a myRA.

It is clear that the informational messaging treatment was stronger than the vignette treatment in driving name recognition and interest in myRA. Although one might expect a personalized message like those in the vignettes to be more successful than an informational one, the vignette approach might be less effective for a product that is unfamiliar to the respondent. The myRA product was new to HFS respondents, and the personal nature of the vignette messaging may have obscured its benefits. In contrast, the simpler nature of the informational messages may have better conveyed the myRA’s advantages. Indeed, a substantial number of HFS respondents cited a lack of familiarity with retirement accounts as the reason they had not opened one (see Figure 3). It is plausible that very simple presentations of retirement product details are especially appealing to this population. However, it is also possible that the design of this specific vignette approach did not resonate with respondents and that other, more personal approaches may still yield benefits.

**CONCLUSION**

The R2S Initiative tests interventions that use behavioral techniques to build financial stability among LMI households by making it easier and more automatic for filers to save their tax refund. Although many LMI households can benefit from...
using their tax refund to pursue short-term financial goals, such as developing savings for an emergency, tax time also represents an opportunity to encourage saving for retirement. This report leverages data from several sources to summarize the retirement profiles of LMI households represented in the HFS, assess the potential need for retirement products within these households, identify the most appealing features of potential retirement-savings accounts, and evaluate several messaging approaches for these products.

This research has shown that LMI households are often highly unprepared for retirement. Relatively few HFS respondents had retirement accounts, and their asset holdings were much lower than those of the general population in the United States. The low levels of account ownership and meager retirement assets were reflected in respondent uncertainty about retirement. A substantial proportion of respondents (30%) reported that they did not plan to retire or did not know whether they planned to retire, and very few (13%) indicated that they were on track to retire comfortably.

Despite these findings, there is evidence of substantial interest in retirement savings products within the LMI households studied in this report. Two thirds of HFS respondents identified a lack of money as a reason for not having saved in a retirement account. Additionally, a substantial proportion of respondents cited unfamiliarity with retirement-account options and the fact that their employer did not sponsor accounts as reasons for not having a retirement account. In general, a lack of income is a substantial barrier to accumulating retirement savings, but providing consumers with access to retirement accounts that are simple to use may encourage saving for retirement even among income-constrained households. Additionally, two thirds of 2015 retirement-module respondents reported that they expect to use an individual retirement account as a source of support in retirement, but over half of these households did not own a retirement account. This suggests that a substantial proportion of LMI households will seek out retirement accounts as the members get older, but the low rate of account ownership suggests that these households are waiting to open accounts until very late in their working lives or face barriers to saving for retirement.

This research also sheds light on the retirement-savings product features that these households find most appealing. In general, respondents were very interested in an account with low contribution requirements, a stable (but low) interest rate, and protection against losses—almost four fifths of HFS respondents reported interest in this type of product. A similar proportion also reported interest in an employer-sponsored account that allowed penalty-free withdrawals. Drilling down into the specific product components that were most appealing to HFS respondents, we find that respondents were most interested in easy-to-use products (e.g., products that allow them to easily roll over balances into other accounts) and in products offering reasonable returns with low costs (e.g., products with no fees and limited or no penalties).

It is not surprising that a no-fee account with no penalties for withdrawals and a guaranteed rate of return would prove popular, but it is noteworthy that these features are not just theoretical; they are all components of the myRA product.

Key Implications

- There is evidence of substantial interest in retirement-savings products in LMI populations:
  - Expanding access to retirement accounts both inside and outside of the workplace may appeal to a considerable proportion of this population.
  - Raising awareness in younger LMI households about future retirement needs may motivate these households to open retirement accounts earlier in their working lives.
- The financial situations of many LMI households are relatively volatile, and retirement-savings products targeting LMI households should emphasize flexibility and stability.
- Retirement products that allow withdrawals in emergencies, are loss protected, and make it easy to change contribution amounts will likely appeal to this population.
- Simpler messages may be more effective at first than personal or testimonial messages.
- Many respondents reported a lack of familiarity with retirement products and a lack of confidence in their retirement decisions. Communicating the benefits of myRA as simply as possible may help overcome these barriers, enhance interest, and increase awareness of the product.

When HFS respondents were presented with a hypothetical product that resembled myRAs, a majority indicated that they would be likely or very likely to open this sort of account, regardless of whether it was offered through an employer. One of the major appeals of myRA appears to be the flexibility it offers: Income-constrained households likely want to save for retirement but instead prioritize saving for emergencies. The desire for flexibility is demonstrated in HFS respondents’ planned uses for the myRA-type account: Over half of respondents reported that they would be likely or very likely to use the account for emergency expenses.

This report presents findings demonstrating that there is a need for retirement savings products among LMI households. The findings also demonstrate interest in retirement products, like myRA, that are simple, flexible, and stable. The results show that myRA can be successful in this population, but that enrollment efforts may face some obstacles. Some of these obstacles, such as the general difficulty LMI households have in saving their money, might be difficult to overcome. However, in targeting and promoting myRA enrollment, there are many potential opportunities to encourage take-up in a population that can benefit from the program.

Future work will explore the question of how to effectively promote myRA. One aspect of this work involves an experimental exploration of ways to encourage LMI tax filers using TurboTax Freedom Edition to open and fund myRAs with their tax refund. Other work is focused on working with...
Volunteer Income Tax Assistance sites to better understand how to leverage those sites as venues to promote myRA and facilitate enrollment. Saving for retirement will very likely continue to be a substantial challenge for American households and for LMI households in particular, but ensuring that myRA enrollment efforts target the right venues in the right ways will help drive participation in the program and improve the long-term financial security for a population that needs it.

REFERENCES


Appendix A

The Retirement Module of the Household Financial Survey

This appendix presents the retirement-focused questions posed to respondents of the Household Financial Survey in 2015.

Q1 Do YOU personally have a retirement account (money set aside that you intend to use when you retire)?
   - Yes
   - No
   - I don't know

Q2 In what kind(s) of accounts do you save for retirement? Select all that apply.
   - Defined contribution plan, such as 401(k) or 403(b) plan
   - Defined benefit pension
   - IRA, either traditional IRA or Roth IRA
   - Saving for retirement in your savings or checking account
   - Savings bonds
   - Other (please specify): ____________________
   - I don't know

Q3 You indicated that you do not currently have a retirement account. Have you EVER had a retirement account, but no longer have one because you withdrew the funds?
   - Yes
   - No

Q4 For what reason(s) did you withdraw funds from your retirement account? Select all that apply:
   - To cover emergency or short-term needs
   - To make a major purchase, such as car or home
   - To invest the money elsewhere
   - Other (please specify): ____________________

Q5 You indicated that you do not currently have a retirement account. Which of the following are your reasons for not saving in a retirement account? Select all that apply:
   - Too much risk involved
   - I am unfamiliar with how they work or where to enroll
   - My employer does not offer one
   - I don't trust investors
   - The fees are too high
   - I don't have enough money to set aside any for retirement
   - Bad experience with retirement account I used to have
   - I expect to rely on Social Security
   - Other (please specify): ____________________

Q6 Was one or more of the retirement savings accounts you told us about offered to you through a former employer?
   - Yes
   - No

Q7 Is one or more of the retirement savings accounts you told us about offered to you through a current employer?
   - Yes
   - No

Q8 In your current job, do you qualify for a retirement savings plan offered by your employer, such as 401(k) or 403(b)?
   - Yes
   - No
   - I don't know

Q9 Does your employer offer any contributions to your retirement account(s)?
   - Yes
   - No
   - I don't know

Q10 Do you currently make deposits to your retirement account(s) through your paycheck (i.e., using automatic deductions)?
   - Yes
   - No

Q11 Other than from your paycheck, how often would you say you make deposits to your retirement account(s)?
   - Once a month or more often
   - A few times per year
   - Once per year
   - Less than once per year
   - Never

Q12 Have you ever used part of your tax refund to make a deposit to your retirement account?
   - Yes
   - No

Q13 Have you ever directly deposited a portion of your tax refund into your retirement account? In other words, did you enter your retirement account routing number on the tax form at the time of filing to have the refund sent directly there?
   - Yes
   - No

Q14 Have you ever withdrawn funds from your retirement account(s) for something other than retirement?
   - Yes
   - No
Q15 When you withdrew funds from your retirement account(s), were you ever penalized (for example, taxes or fees)?
- Yes
- No
- I don't know

Q16 When you withdrew funds from your retirement account(s), what did you use the funds for? Select all that apply:
- To make a major purchase, such as a car or home
- To cover an emergency or short-term need
- To invest the money elsewhere
- Other (please specify): ____________________

Q17 Do you plan to retire some day?
- Yes
- No
- I don’t know

Q18 How much do you agree with the following statements?

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am confident in my ability to make wise decisions about saving and investing money for my retirement.</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>I am confident that I can meet my long-term goals for being financially secure in my retirement.</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

Q19 At what age do you expect to retire?
Click and drag the slider to the age you estimate you will retire.

Q20 How do you plan to support yourself financially when you retire? Select all that apply:
- Withdraw from account(s) I saved in (such as savings account, IRA, or 401(k))
- Cash out stocks, mutual funds, or similar investments
- Sell my home
- Financial support from family or friends
- Social Security
- Reverse mortgage / home equity line of credit (HELOC)
- Open a business / become self-employed
- Move to a more affordable town
- Other (please specify): ____________________
Q21 Which of the following statements comes closest to the amount of financial risk that you are willing to take when you save or make investments?

- Take substantial financial risks expecting to earn substantial returns
- Take above average financial risks expecting to earn above average returns
- Take average financial risks expecting to earn average returns
- Not willing to take any financial risks

Q22 For the next series of questions, please imagine that a new kind of retirement savings account is made available for you with these features:

- 2% to 3% interest rate
- Guaranteed by the government to have no risk of losses
- Low minimum monthly contribution ($5)
- Contribute up to $5,500 per year
- Can withdraw funds without penalty at any time
- Can deposit up to $15,000 total
- Can keep the account open for up to 30 years
- Can convert the account into another form of retirement account at any time

<table>
<thead>
<tr>
<th>How likely would you be to open and make deposits to this type of savings account if your employer offered it?</th>
<th>Very Likely</th>
<th>Likely</th>
<th>Undecided</th>
<th>Unlikely</th>
<th>Very Unlikely</th>
</tr>
</thead>
<tbody>
<tr>
<td>How likely would you be to open and make deposits to this savings account if you could do so without your employer?</td>
<td>Very Likely</td>
<td>Likely</td>
<td>Undecided</td>
<td>Unlikely</td>
<td>Very Unlikely</td>
</tr>
</tbody>
</table>
Q23 Some people prefer accounts with flexibility to withdraw at any time. Other people prefer accounts with rules that make the money harder to spend, which helps ensure that the money will be there later.

Imagine there are three types of retirement accounts that are the same in every way except in the illustration below.

Using the slide bars, how likely would you be to open and contribute to such a retirement account?

<table>
<thead>
<tr>
<th>Very Unlikely</th>
<th>0</th>
<th>10</th>
<th>20</th>
<th>30</th>
<th>40</th>
<th>50</th>
<th>60</th>
<th>70</th>
<th>80</th>
<th>90</th>
<th>Very Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account with penalties for any withdrawal prior to retirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account with no penalty for withdrawing a single time per year, but penalties for additional withdrawals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account with no penalty for withdrawing as many times as necessary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q24 Imagine you are offered a retirement account with these features:

- 2% to 3% interest rate
- Guaranteed by the government to have no risk of losses
- Low minimum monthly contribution ($5)
- Contribute up to $5,500 per year
- Can withdraw funds without penalty at any time
- Can deposit up to $15,000 total
- Can keep the account open for up to 30 years
- Can convert the account into another form of retirement account at any time

Q24.1 If you were able to open this type of account, about how much money do you think you would deposit every month, counting money deposited directly from your paycheck and other deposits you would make?

Q24.2 If you opened this new kind of account, how likely is it that you would do the following?

<table>
<thead>
<tr>
<th>Use the account to save for short-term needs, rather than only to save for retirement.</th>
<th>Very Likely</th>
<th>Likely</th>
<th>Undecided</th>
<th>Unlikely</th>
<th>Very Unlikely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use the account to save for emergency expenses, such as for medical bills or a car repair.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Use the account to save for short-term needs, rather than only to save for retirement.

Use the account to save for emergency expenses, such as for medical bills or a car repair.
Q24.3 What percentage of monthly deposits would be directed to the following saving goals? Responses must add to 100%.
If you do not envision using deposits for one or more of the possible saving goals, mark 0 in the associated answer box.

- ______ Retirement
- ______ Shorter-term needs, such as a home down payment or new appliance
- ______ Emergency expenses, such as medical bills or car repairs

Q25 Once you've repaid your student loans in full, would you be interested in saving more for retirement by regularly contributing what once was a student loan payment to a retirement account instead?
- Yes
- No

Q26 Once you've repaid your mortgage in full, would you be interested in saving more for retirement by regularly contributing what once was a mortgage payment to a retirement account instead?
- Yes
- No
Appendix B

myRA Messaging Experiment User Experience

Household Financial Survey participants were randomly assigned to see one of the following myRA messages. The messages either used a testimonial (or “vignette”) or an informational approach to messaging, and each of these approaches had three variants emphasizing either the simple, safe, or affordable elements of myRA, as well as one variant mentioning all three of these elements.

VIGNETTE: SIMPLE

Is myRA right for me?

myRA is a new retirement savings program that helps you take control over your future

You should set up a myRA if …

✓ You want to start saving for retirement.
✓ You’re employed with no access to a retirement plan at work.
✓ You earn less than $129,000 per year (less than $191,000 per year for married couples).

“I love how simple myRA is.”

“I just went to the myRA website, typed my information, and in just a few minutes, my account was opened. Then I went to my bank’s website to transfer funds to the myRA account – I even arranged for automatic transfers.

With myRA, I know money is growing without me having to think about it. And I don’t have to worry about any fees for withdrawing my savings if something happens and I need it right away.”

—Danny (Columbia, MO)

VIGNETTE: SAFE

Is myRA right for me?

myRA is a new retirement savings program that helps you take control over your future

You should set up a myRA if …

✓ You want to start saving for retirement.
✓ You’re employed with no access to a retirement plan at work.
✓ You earn less than $129,000 per year (less than $191,000 per year for married couples).

“I need to know that my savings are going to be there.”

“I’m not someone who likes to take big risks.

I like how this program is backed by the U.S. Treasury and guaranteed not to lose dollar value.

I also like that the account is secure. You can never be too safe these days.”

—Danny (Columbia, MO)
VIGNETTE: AFFORDABLE

Is myRA right for me?

myRA is a new retirement savings program that helps you take control over your future

You should set up a myRA if …
✓ You want to start saving for retirement.
✓ You’re employed with no access to a retirement plan at work.
✓ You earn less than $129,000 per year (less than $191,000 per year for married couples).

“Now I can actually afford to start saving for retirement.”

“I’m still paying off my student loans, so I really didn’t think I could save, even though I knew that was important.

There was no cost to start an account, and there are no monthly fees.

I set it up so only 25% a month comes out of my paychecks. That little bit adds up to a lot.”

—Danny (Columbia, MO)

VIGNETTE: ALL THREE

Is myRA right for me?

myRA is a new retirement savings program that helps you take control over your future

You should set up a myRA if …
✓ You want to start saving for retirement.
✓ You’re employed with no access to a retirement plan at work.
✓ You earn less than $129,000 per year (less than $191,000 per year for married couples).

“I love how simple myRA is.”

“I just went to the myRA website, typed my information, and in just a few minutes, my account was opened. Then I went to my bank’s website to transfer funds to the myRA account — I even arranged for automatic transfers.

With myRA, I know money is growing without me having to think about it. And I don’t have to worry about any fees for withdrawing my savings if something happens and I need it right away.”

—Danny (Columbia, MO)

“I need to know that my savings are going to be there.”

“I’m not someone who likes to take big risks.

I like how this program is backed by the U.S. Treasury and guaranteed not to lose dollar value.

I also like that the account is secure. You can never be too safe these days.”

“Now I can actually afford to start saving for retirement.”

“I’m still paying off my student loans, so I really didn’t think I could save, even though I knew that was important.

There was no cost to start an account, and there are no monthly fees.

I set it up so only $25 a month comes out of my paychecks. That little bit adds up a lot.”
INFORMATIONAL: SIMPLE

myRA is a new retirement savings program that helps you take control over your future

Is myRA right for me?
You should set up a myRA if ...
✓ You want to start saving for retirement.
✓ You’re employed with no access to a retirement plan at work.
✓ You earn less than $129,000 per year (less than $191,000 per year for married couples).

Simple
• Contribute automatically every payday
• If you change jobs, the account stays with you
• Withdraw the money you put into your account at any time without paying tax and penalty
• Withdraw interest you earn without paying tax and penalty under certain conditions

INFORMATIONAL: SAFE

myRA is a new retirement savings program that helps you take control over your future

Is myRA right for me?
You should set up a myRA if ...
✓ You want to start saving for retirement.
✓ You’re employed with no access to a retirement plan at work.
✓ You earn less than $129,000 per year (less than $191,000 per year for married couples).

Safe
• myRA will not go down in dollar value
• The investment is backed by the United States Treasury
• Your information is private and secure

INFORMATIONAL: AFFORDABLE

myRA is a new retirement savings program that helps you take control over your future

Is myRA right for me?
You should set up a myRA if ...
✓ You want to start saving for retirement.
✓ You’re employed with no access to a retirement plan at work.
✓ You earn less than $129,000 per year (less than $191,000 per year for married couples).

Safe
• It costs you nothing to open an account
• You pay no fees for maintenance of the account
• You contribute as much as you choose every payday ($7, $25, $50, $100 – whatever fits your budget!)
• Your information is private and secure
INFORMATIONAL: ALL THREE

myRA is a new retirement savings program that helps you take control over your future

Is myRA right for me?
You should set up a myRA if …
✓ You want to start saving for retirement.
✓ You’re employed with no access to a retirement plan at work.
✓ You earn less than $129,000 per year (less than $191,000 per year for married couples).

Simple
• Contribute automatically every payday
• If you change jobs, the account stays with you
• Withdraw the money you put into your account at any time without paying tax and penalty
• Withdraw interest you earn without paying tax and penalty under certain conditions

Safe
• myRA will not go down in dollar value
• The investment is backed by the United States Treasury
• Your information is private and secure

Affordable
• It costs you nothing to open an account
• You pay no fees for maintenance of the account
• You contribute as much as you choose every payday ($7, $25, $50, $100 – whatever fits your budget!)
• Enjoy the tax advantages this type of investment brings