



**What Works Cities
Economic Mobility Initiative
ROCHESTER**

Rochester: Incentivizing savings to boost financial stability

The City of Rochester wants to ensure that its residents can achieve and maintain financial stability. To achieve this objective, the City has collaborated with local partners to deliver programs to support their residents in building their savings - an essential component of financial wellbeing. As part of the What Works Cities (WWC) Economic Mobility Initiative, the Behavioral Insights Team (BIT) supported and evaluated Rochester's work. This memo encompasses our high-level findings along with recommended next steps.

Issue Motivation

Rochester is one of the poorest cities in America, with roughly one in three citizens living in poverty. 58% of households are classified as living in liquid asset poverty, meaning they do not have sufficient savings to live at the poverty level for three months without income. Without adequate savings, many Rochester families face difficulties weathering financial shocks. Temporary losses in income and unplanned expenses such as car repairs can cause families to choose between keeping their only reliable form of transportation and paying their rent – possibly resulting in a job loss or an eviction.



"This program has been great at teaching us how to adapt and quickly incorporate participant experience and preferences into the program design."

— Kate May, Chief Performance Officer

Our Approach

The City of Rochester partnered with Creating Assets, Savings and Hope (CASH), a local non-profit, to launch ROCyourRefund: a new savings program for residents that are eligible for the Earned Income Tax Credit (EITC). ROCyourRefund provided participants with a quarterly match if they saved a portion of their tax refund from the EITC, as well as wraparound services like free, professional, individualized financial counseling; in-person and on-demand online financial education courses and workshops; and peer group support. For many low-income City residents with children, the EITC is one of the largest cash infusions for the household each year. Other programs, such as \$aveNYC and SaveUSA, have found promising evidence that financial incentives encouraging EITC recipients to save a portion of their refund can increase their overall savings after one year.

ROCyourRefund participants prepared their taxes through CASH's free service and completed an intake survey on their demographics and financial wellbeing. Participants then deposited a portion of their EITC refund in free savings accounts administered by a local credit union (Genesee Co-Op) that specializes in providing financial services to lower-income city residents. One quarter of the refund savings were automatically distributed to participants' checking accounts every three months, alongside a match that served as a reward for having saved and an incentive to avoid early withdrawals. The program randomly allocated participants to receive a savings match of 0%, 25%, or 50%. We based this quarterly installment model on research that gradual disbursement of the EITC refund may lead to lower reported levels of financial stress and greater ability to smooth income and expenses.

In addition, the City also partnered with the Rochester Financial Empowerment Center (FEC) to launch the Seeds for Savings program. Participants received a \$250 seed fund deposit after attending a financial counseling session at the FEC. If participants could save this deposit for 30 days, they would receive an additional \$250 match award deposited into their accounts.

COVID-19 Modifications

COVID-19 pandemic-related lockdowns in March 2020 caused CASH to pause their regular in-person tax assistance services and stop the recruitment and enrollment efforts for ROCyourRefund after only one month. The partners had recruited 135 residents – considerably short of the original goal of 800 participants for a robust randomized controlled trial. CASH also had to withdraw the wraparound services that were to be available to participants: free, professional, individualized financial counseling; in-person and on-demand online financial education courses and workshops; and peer group support.

The COVID-19 pandemic also interrupted plans for ROCyourRefund participants to return for an appointment with CASH the following tax season and complete the exit survey. There was a low response rate with no in-person appointments, with only 15 participants completing the survey.

A relaunch of the program was planned for 2021, pivoting to using one-year savings bonds to remove the administrative complexity of setting up new Genesee Co-Op accounts for participants and running quarterly disbursements. However, participation with CASH's virtual tax preparation assistance was low, and the number of residents qualifying for EITC refunds was far below historical levels due to reduced employment and increased unemployment benefits during the COVID-19 pandemic.

The partners pivoted a second time to implement the Seeds for Savings program over the summer and early fall of 2021. This program did not require any in-person visits and eligibility was tied to the advance Child Tax Credit payments, which had no minimum income requirements.

⊗ Evaluation Methodology: ROCyourRefund

BIT and the ROCyourRefund partners conducted a randomized controlled trial to evaluate the impact of the three match rate conditions (0%, 25%, 50%) on participants' financial wellbeing. We used data from Genesee Co-op on initial saving deposit amounts and quarterly account balances.

We also explored data from the survey collected during the recruitment phase (February and March 2020) that included information on participants' demographics and financial wellbeing.

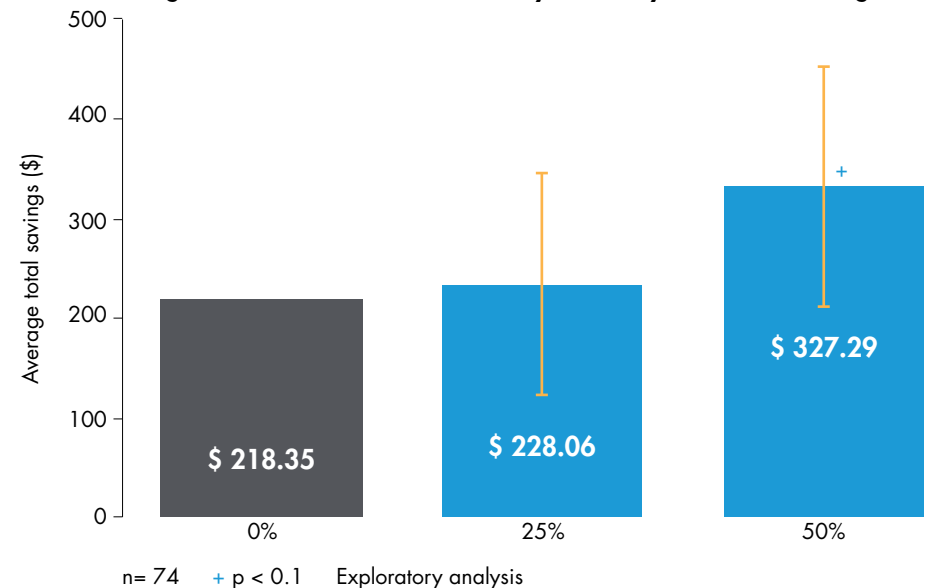


🔍 Findings: ROCyourRefund

While the sample is small, early data suggests that the 50% match rate was an effective incentive but the 25% match was no more impactful than the 0% match. Those in the 50% match rate group were more likely to:

- * **Enroll in the savings component of the program.** More participants in the 0% and 25% match groups dropped out of the program before submitting their savings deposit — 32 of 64 participants in the 0% group dropped out and 23 of 48 in the 25% group, but only 7 of 23 in the 50% match group.
- * **Continue saving through the year.** More participants in the 0% and 25% match groups prematurely withdrew their savings after the first quarter — 7 of 33 participants in the 0% group prematurely withdrew their savings and 6 of 25 in the 25% group, but only 1 of 16 in the 50% match group.
- * **Achieve greater savings over the year.** The 50% match rate group successfully saved an average of \$327.29 during the program, 10% more than the 0% match group's average of \$218.35 (See Figure 1).

Figure 1. Total Amount Successfully Saved by Match Rate Assignment



The **savings match was a significant draw** for the program, with 54% of participants reporting it as a reason for joining. The survey results show this was a population interested in saving but potentially needing support: half of the participants had a savings goal, but two-thirds failed to set aside any money for savings in the last three months.

⊗ Evaluation Methodology: Seeds for Savings

BIT conducted a formative evaluation of Seeds for Savings to answer two main research questions:

1 Did the Seeds for Savings program reach residents that were different from the regular FEC client base?

We used data from the FEC's Financial Health Assessment from all of the clients served by the Center since its opening in January 2020. This allowed us to compare the Seeds for Savings participants with the regular FEC client base across demographics and baseline financial wellbeing.

2 Did the Seeds for Savings program encourage residents to save?

We used responses from the program exit survey to understand the program's impact on participants' motivation and ability to save both during the course of the program and in the future.



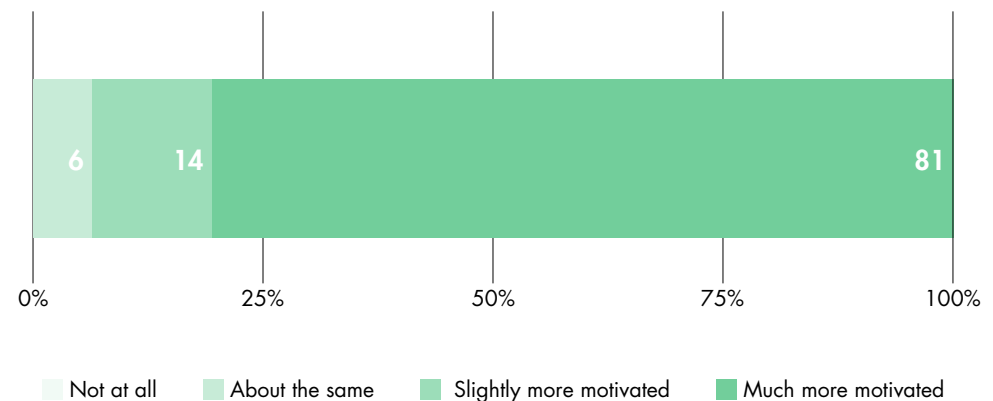
🗨 Findings: Seeds for Saving

Seeds for Savings participants differed from the regular FEC client base in gender, age, and race. Program participants were **predominantly female, Black, and were 25 to 44 years old** (prime early parenthood years). It reached residents with a range of debt levels: similar proportions of people reported having no debt (19%) as having more than \$50,000 of debt (20%). The \$250 seed fund was a significant sum of money to most participants, as 56% reported having less than that in savings at the program's start.

We used exit survey data to understand the program's impact on participants' motivation and ability to save both during the program and in the future. 60% successfully saved the seed funding for 30 days, and 54% completed the exit survey. Participants who completed the program had very positive reactions to the saving incentive and the FEC sessions. 80% of survey respondents credited the program with **helping them save more than usual**, and 95% said participating made them **more motivated to save in the future** (see Figure 2). 81% intended to **continue meeting with their FEC counselor**, and just over half had set goals with their counselor to keep saving.

Figure 2. Motivation to Save in the Future

Has participating made you feel more motivated to save in the future?



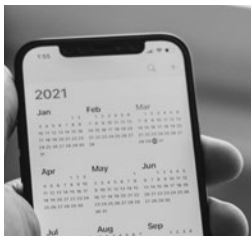
Scaling Opportunities & Recommendations

The findings from the formative evaluations of both ROCyourRefund and Seeds for Savings indicate a demand for more significant assistance with savings among Rochester families. The programs reached residents who were interested in saving but had not been able to realize their goals. Early results indicate that these programs can be successful in supporting residents to build up their savings. Based on insights from this project, below are a set of recommendations intended to support the City of Rochester and their partners as they continue to support financial stability through promoting savings.



For future matching programs, use a simple 50% match

The ROCyourRefund sample was small, but the findings indicated that offering a 25% match may be no more effective than a 0% match in encouraging participation and increasing savings. If feasible, consider evaluating the 50% match with a fully powered sample to understand whether the promising results replicate.



Follow participants over a more extended period

Our theory of change is that giving people early success with building a savings habit will help them build on that in the future, and continue to bolster their funds. We could not sufficiently test that theory during our project due to the low response rate for ROCyourRefund follow-up surveys and the short 30-day duration of Seeds for Savings. We recommend that the partners survey ROCyourRefund to assess their current financial wellness and observe Seeds for Saving participants' savings behavior and goals at six months and beyond.



Simplify program implementation and administration to be feasible at scale

Both program structures had promise but would require changes to serve greater numbers of residents successfully. A key obstacle with ROCyourRefund was participants' preferences to use their current bank rather than opening up new accounts with Genesee Co-op. We recommend exploring alternative strategies for monitoring savings and delivering disbursements that do not require the extra step of opening up new accounts, such as savings bonds or working with existing banks. Future programs should ensure adequate data sharing between partners to address the administrative burdens that were an issue for Seeds for Savings. Data sharing would give participants a smoother experience when transferring between different service providers. We also recommend assessing how much resource is required to meet resident demand: FEC counselors found it challenging to manage the volume of participants within the limited duration of the program.



Explore a sustainable funding source to support ongoing savings match programs

Both pilot programs showed interest and engagement from Rochester residents, demonstrating that there is an opportunity to provide additional structure and support as they work towards their financial goals. The Seeds for Savings program showed that even relatively small amounts would make a meaningful difference in increasing participants' overall savings. However, the City and its community partners will need access to new funding to scale a matched savings program and serve residents on a continual basis.

About this Initiative

The [What Works Cities Economic Mobility Initiative](#) is a program that aims to help nine participating cities identify, pilot, and measure the success of local strategies designed to accelerate economic mobility for their residents. Through the expertise of the What Works Cities' network of [local government leaders](#) and the support of Bloomberg Philanthropies, the Bill & Melinda Gates Foundation, and Ballmer Group, this initiative puts data and evidence at the center of local government decision-making. The Initiative launched in April 2019, with an 18-month timeline, but was extended to 30 months as a result of COVID-19. In each city, a project was selected in collaboration with the city leaders that met the following five criteria: evidence base, mayoral priority, scalability, feasibility, and stewarding taxpayer resources.

Launched in 2015, [What Works Cities](#) helps local governments use data and evidence to tackle their most pressing challenges and improve residents' lives. Learn more at [whatworkscities.org](#).

City Partners

Four key partners supported this project: CASH (Creating Assets, Savings & Hope), the Rochester Financial Empowerment Center (FEC), the University of Notre Dame's Lab for Economic Opportunities (LEO), and Genesee Co-Op Federal Credit Union (Genesee Co-Op).

