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SAVING INCENTIVES FOR LOW- AND MIDDLE-INCOME FAMILIES: EVIDENCE FROM A FIELD EXPERIMENT WITH H&R BLOCK*

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We analyze a randomized experiment in which 14,000 tax filers in H&R Block offices in St. Louis received matches of zero, 20 percent, or 50 percent of IRA contributions. Take-up rates were 3 percent, 8 percent, and 14 percent, respectively. Among contributors, contributions, excluding the match, averaged $765 in the control group and $1100 in the match groups. Taxpayer responses to similar incentives in the Saver's Credit are much smaller. Taxpayers did not game the experiment by receiving a match and strategically withdrawing funds. Tax professionals significantly influenced contribution choices. These results suggest that both incentives and information affect behavior.

I. INTRODUCTION

Many low- and middle-income American families save little for retirement or for other purposes. Families with income below $40,000 are unlikely to participate in employer-provided pensions or Individual Retirement Arrangements (IRAs) and in 2001 had just $2,200 in median net financial wealth outside of retirement accounts.[1] Researchers and policy-makers have long considered ways to raise saving among these families. The conventional

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