



## **Tax Time Savings Bonds Site Coordinator Toolkit – 2013**

### **Background**

Thank you for participating in the Tax Time Savings Bonds Campaign for the 2013 tax season! Since 2009, the IRS has been offering the ability to save a portion of their refunds using inflation-protected Series I U.S. Savings Bonds directly from their refund forms. As the policy enters its fourth year, this call to action has become an opportunity to stimulate savings and economic opportunity for millions of Americans by making it easy and convenient to save at a time when they have funds available to do so.

The Tax Time Savings Bonds Campaign is a national campaign – supported by non-profits, public and private partners – that has the goal of increasing the savings of low-income taxpayers. All taxpayers with a refund of \$50 or more are eligible to purchase Series I Savings Bonds using IRS Form 8888.

### **Overview**

This Toolkit provides you with the basic materials needed to train volunteers on how to explain bonds and how to process IRS Form 8888. The Toolkit consists of the following materials:

1. PowerPoint and Speaker's Guide: a short presentation for volunteers, including a guide for main points to emphasize
2. Form 8888 Script and Guide: a short document for volunteers to keep with them to explain the savings bonds policy and process Form 8888
3. Series I Savings Bonds FAQ: to arm volunteers (and coordinators) with the answers to frequently asked questions about Series I Savings Bonds
4. Client Refund Summary: for clients to fill out and take home with them, reviewing them how they split their refund and how much they purchased in savings bonds
5. Role play script for volunteer training: provides training exercises.

### **To use the Toolkit, we ask that you:**

- Incorporate the PowerPoint into your volunteer training
- Distribute to your volunteers a) the Form 8888 Script and Guide, and b) the Series I Savings Bonds FAQ
- Request that all volunteers explain the savings bond policy to any client with a refund of \$50 or more, and to ask those clients if they would like to purchase a US Series I Savings Bond with a portion of their refund
- Provide the Client Refund Summary document to all clients that choose to complete IRS Form 8888

**To order promotional materials (Brochures, Posters, Flyers, Table Tents, etc.) to place in your tax site, please visit <http://bondsmakeiteasy.org/taxpreparers/materials>.**

*For questions, please contact Preeti Mehta at [PMehta@D2Dfund.org](mailto:PMehta@D2Dfund.org).*

## **Tax Time Savings Bonds and IRS Form 8888 Volunteer Training PowerPoint Speaker Guide**

### **Slide 1**

- All taxpayers with a refund of \$50 or more are eligible to purchase Series I Savings Bonds using IRS Form 8888.
- The purpose of this presentation is to train you to explain this policy to clients and to process bond orders using IRS Form 8888

### **Slide 2**

- Saving is hard for low-income consumers for several reasons

### **Slide 3**

- Bonds make saving easy because of these 3 critical ingredients.
- Emphasize #2 - Assistance from Volunteers

### **Slide 4**

- Review the purpose of the presentation

### **Slide 5**

- Just walk through the main points of the policy

### **Slide 6**

- This is how many people had bonds purchased in their name in each year.
- Main point: the program is growing each year, and our goal is 100k in 2012

### **Slides 7 & 8 - Pop Quiz 1**

### **Slide 9 & 10 - Pop Quiz 2**

### **Slide 11**

- These are the parts of the bond
- If they are bought as a gift or if there is a co-owner, those names will appear as well.
- Paper bonds will be sent in 3-5 weeks
- The Client Refund Summary, which clients take home with them, tells them what to do if a bond is lost, stolen, or damaged. Your FAQ also has that info.



## Slide 12

- \$50 – Helen Keller – advocate for people with disabilities
- \$75 - **Dr. Hector P. Garcia** - WWII Doctor and advocate for Mexican-American rights
- \$100 - **Dr. Martin Luther King, Jr. – Civil Rights leader**
- \$200 – Chief Joseph – Native American Leader
- \$500 - **George C. Marshall – Military leader in WWII**
- \$1,000 – Albert Einstein – Physicist and peace advocate
- \$5,000 - **Marian Anderson – Singer**
- \$10,000 – **Spark Matsunaga** - Japanese-American war hero and then US Senator **(NO LONGER AVAILABLE BECAUSE THE MAXIMUM YOU CAN BUY IS \$5**

## Slide 13 – IMPORTANT SLIDE TO GO THROUGH SLOWLY!

1. These are Series I bonds, not Series E bonds, which many of use grew up with. This is a common misperception about Series I Bonds. Series E bonds were bought at half value (\$25 bought \$50 bond) and then matured to full value over many years. Series I bonds are bought at face value (\$50 buys a \$50 bond).
2. Safe = the materials tell volunteers and clients what to do if their bonds are lost or stolen
3. Accessible = this is a major selling point. You only need \$50.
4. Competitive = you will not find a better deal right now
5. Simple = reiterate the point that this is not the old series E bond where you buy a \$50 bond for \$25.
6. Long-term = this is a nice feature because it locks up money so forces people to save and helps them develop a savings habit. At the same time, they can still get their \$ after a year if they need to.
7. Portable- if you move or change banks, it does not matter – you can cash them in almost anywhere.

## Slide 14

- Bonds have historically been – can continue to be – a popular gift to help people (especially children and young adults) save for the future
- This policy allows the taxpayer to buy a bond as a gift very easily because you only need that person's name.
- The bond will be sent to the taxpayer. Both his/her name and the name of the gift recipient will be listed as co-owners, and either party can redeem the bond.



## Slide 15

1. MAIN POINT: saving bonds have several competitive advantages over savings accounts and 1 year CDs:
2. Better rate of return
3. Smaller min needed to open
4. Do not need to be banked to purchase or redeem a bond
5. Can buy as gift with just the person's name

## Slide 16

- IF YOU HAVE NOT DONE SO ALREADY, HAND OUT VOLUNTEER MATERIALS (FORM 8888 SCRIPT AND GUIDE, FAQ, CLIENT REFUND SUMMARY)
  - The success of this policy rests largely upon you, the tax preparer, because
    - Many people still do not know about Series I bonds and therefore need a basic explanation
    - This may be the decision point, when they find out what their refund will be and learn about the bond opportunity
    - You are the one who processes the bond order using IRS Form 8888
  - The research demonstrates the major effect that the tax preparer has
  - SO WHAT WE ARE ASKING YOU TO DO
    1. Take a minute to explain the policy
    2. Seek a decision – ask the question *“WOULD YOU LIKE TO SAVE SOME OF YOUR REFUND TODAY BY PURCHASING A SAVINGS BOND?”*
    3. Process Form 8888 (If the client wants to buy a bond and/or split the refund)

## Slide 17 – REVIEW VOLUNTEER MATERIALS

- The FAQ and Script/Guide have been designed to be practical guides while you are doing clients' taxes
- Encourage all volunteers to keep these materials with them
- The Refund Summary is for any client who completes a Form 8888 so they know how they are splitting their refund. The client can fill out a copy while you process their Form 8888.
- The Refund Summary tells clients what to do if their bonds are lost or stolen. It also tells clients how to check the value of their bond.

## Slides 18 & 19 – EXAMPLE BOND PURCHASE



## Slide 20 – REMINDING THE VOLUNTEER OF THEIR ROLE

1. Series I bonds are now integrated into the tax preparation process.
2. It is NOT your role to decide who gets access to this opportunity. Just as everyone who is eligible for the EITC and other tax credits should know about them and access them, everyone who gets a \$50 refund should know about the tax time savings bond policy and have the opportunity to decide for himself or herself whether to use a portion of their refund to save money.
3. You SHOULD NOT be a pushy salesperson, but you SHOULD try to encourage an informed decision.
4. Whatever your client decides, respect his/her decision and move on!
5. 5-10% would be an excellent success rate, but that would be 10-20 No's for every Yes. So be prepared for that.

## Slide 21

1. This is a National campaign. The motto is “Saving is hard. Bonds make it easy”
2. Social Media Angle – we are pursuing this angle to promote bonds and the habit of saving. The goal is for people to learn about Savings Bonds and be interested in buying one BEFORE they come to the tax site, and for people to be promoting them to their friends and family.
3. Results:
  - “Repeat Buyers” confirms the research that tax clients are happy with their purchase and that buying a bond can help promote a savings habit.
  - 45k people had bonds purchased for them in 2011
  - Goal is 100k in 2012

## Slide 22 – MORE INFORMATION

- Please do not hesitate to contact D2D with any questions. Please email Preeti Mehta at [PMehta@D2DFund.org](mailto:PMehta@D2DFund.org).



## Series I Savings Bond FAQ

### What are US Series I Savings Bonds and how do they work?

- US Series I Savings Bonds are financial instruments issued by the U.S. Government.
- They are Simple: Series I bonds are sold at face value (a \$50 bond costs \$50). A common mistake is to confuse them with the Series E bonds, which were sold at half value (\$50 bond costs \$25).
- They are Easy: You can buy one today with as little as \$50 from your tax refund. You can give them as gifts and you can redeem them (cash them in) at most banks and credit unions for free.
- They are Competitive: They are currently paying 1.94% interest and have no fees.
- They Grow Over Time: They accumulate interest for 30 years and you need to hold them for at least 12 months.
- They Teach a Savings Habit: You cannot touch them for at least one year.
- They are Safe: They are protected by the U.S. Gov't and are replaced if lost or stolen

### How much will it grow? How does the interest rate work?

- The current interest rate of the Series I Savings Bond is 1.94%. It will change again on October 31, 2014. The rate changes every six months. Since they were created in 1998, the average rate of Series I bonds has been 4.46%.
- Interest accrues (grows) monthly. Interest is also compounded every six months, which means you earn interest on both the principal AND the interest accrued from the previous 6 months.

### Can I ever lose money on a Series I US Savings Bond?

No. For example, a \$50 bond will never be worth less than \$50; the worst it can do is stay at \$50.

### How do I cash in (redeem) my Savings Bond?

- Savings bonds can be redeemed at most bank and credit unions FOR FREE. They will certify your signature and you will be asked for ID, but you do not need to have an account with that bank or credit union.
- You can redeem a portion of your bonds. The minimum amount of bonds you can redeem at one time is \$50 and the maximum is \$1,000.

### When can I cash in (redeem) my Savings Bond?

- Series I Bonds are longer-term investments. You can redeem your Series I bonds anytime after 12 months.
- However, if you redeem your bond before 5 years, you will lose the last 3 months' interest. *For example, if you redeem after 18 months, you'll receive only the first 15 months of*



*interest. You will still make money on the bond because interest accrues every month, but you lose the last 3 months of growth.*

- But if you redeem after 5 years, you receive the full value of the bond.

### **How do I know how much my bonds are worth?**

- You can look up the current value of your savings bonds online at <http://www.treasurydirect.gov/BC/SBCPrice>.

### **What are my options for buying savings bonds as a gift?**

- Purchasing a bond as a gift for a child or someone else is easy. All you need is the person's name and the bond will be mailed to you with his or her name on it.
- You can also add a co-owner or beneficiary for each bond. The co-owner shares the legal ownership of the bond, while the beneficiary is the person who receives the bond in the case of the owner's death.
- A child who is old enough to sign his or her name can go to a financial institution with an adult and sign the bonds. If a child isn't old enough to sign, his or her parents can sign for the child.

### **How do the taxes work?**

- You do not pay taxes on the principal of the bond. You will be taxed on the interest earned from the bond either when you cash it in or when the bond matures, whichever comes first.
- You will have to pay federal income taxes, but not state or local income taxes.
- You may avoid paying taxes on the earned interest if you use the bond to pay for education expenses. To learn more about this, see IRS Publication 970 <http://www.irs.gov/publications/p970/ch10.html>.

### **Will I get the paper bond today or do I have to wait?**

You will not get the paper bond today. It will be mailed to you by the Bureau of Public Debt (BPD) in 3-5 weeks.

### **What happens if I lose my Savings Bond?**

The Bureau of the Public Debt (BPD) is authorized to replace lost, stolen, or destroyed I Bonds. You can file a claim by writing to: Bureau of the Public Debt, Parkersburg, West Virginia 26106-7012. You'll need to complete Form PDF 1048, which is downloadable from [www.treasurydirect.gov](http://www.treasurydirect.gov).

## Additional Questions & Information

### MORE ON INTEREST RATES

#### **How is this interest rate calculated for Series I Savings Bonds?**

This interest rate is known as a composite interest rate because it has two parts: a guaranteed fixed rate, which does not change over the 30 year period of the bond; and a semiannual inflation rate, which is adjusted twice a year, in May and November.

Here's how the composite rate for I bonds issued November 2012 – April 2013 was set:

Fixed rate = 0.00%

Semiannual inflation rate = 0.88%

Composite rate = [Fixed rate + (2 x Semiannual inflation rate) + (Fixed rate x Semiannual inflation rate)]

Composite rate = [0.0000 + (2 x 0.0059) + (0.0000 x 0.0059)]

Composite rate = [0.0000 + 0.0118 + 0.0000000]

Composite rate = 0.0118

Composite rate = 0.0118

Composite rate = 1.18%

#### **How does the interest rate change?**

The interest rate for a Series I savings bond has two parts: the fixed rate and the semiannual inflation rate. The fixed rate does not change, but the semiannual inflation rate changes every six months. So when the semiannual inflation rate changes, that will change the interest rate.

#### **I understand that the interest rate for the Series I savings bond has 2 components. How is the adjustable (inflation) rate set?**

The BPD bases the Series I bond semiannual inflation rate component on the Consumer Price Index for Urban Consumers (CPI-U), which is published by the Bureau of Labor Statistics. The Series I bond inflation rate component announced in November reflects the annualized percentage change between the unadjusted March and September CPI-U indexes. The rate announced in May reflects the annualized percentage change between the September and March indexes. Since I bonds were introduced in September 1998, the annualized inflation rate component has ranged from a low of -5.56% to a high of 5.70%.





## **MORE ON CO-OWNERS**

### **If I buy a savings bond with a co-owner, who is liable for the tax on the interest when it the bond is redeemed?**

- Whichever co-owner redeems the bond will pay taxes on the interest.
- When a person redeems a savings bond, the institution paying the bond will report the interest earned on the bonds to that person AND to the IRS. The person will receive an IRS Form 1099-INT from the institution, either at the time the bonds are redeemed, or shortly after the end of the year in which the person redeemed the bonds.
- This person is required to include, on his or her tax return, the interest earned on the bonds for the year the bonds are redeemed or disposed of in a taxable transaction, or the bonds reach final maturity, whichever occurs first.

### **What happens in the event of the death of one of the co-owners?**

If a co-owner dies, the other co-owner becomes the sole owner. If both co- owners die, the beneficiary becomes the new owner.

## **OTHER GENERAL QUESTIONS**

### **When I buy a savings bond, what does the government do with that money? When I cash one, where does the money come from?**

The government borrows money to cover any spending needs above and beyond what it takes in through taxes, fees and other forms of revenue. Savings Bonds are one of several ways in which the government borrows money. However, Savings Bond are a very small percentage of the government's "public debt", which is the money the government borrows from the public. When you redeem a Savings Bond, the money comes from the same government funds which are a mix of tax receipts and borrowing.



## Form 8888 - Script

1. Does the client have a tax refund of at least \$50? If yes, pull up form 8888.
2. **EXPLAIN** that this form gives you a few options of what to do with your refund.
  - a. You can use a part of your refund (\$50 minimum) to save for the future by purchasing savings bonds.
  - b. You can also set up direct deposit for your refund to transfer into one or more checking or savings accounts, instead of receiving a paper check in the mail.
  - c. You can do a combination – for example, you can have some of your refund direct deposited in a savings account, use some to purchase savings bonds, and be mailed the rest in a check.
3. **ASK** if they have heard of the savings bond program and if they have any questions about it.
4. **EXPLAIN** 3-4 basic features of Series I bonds using “What are US Series I Savings Bonds and how do they work?” from the FAQ
5. **ASK** the client *“WOULD YOU LIKE TO SAVE SOME OF YOUR REFUND TODAY BY PURCHASING A SAVINGS BOND?”*
  - a. If yes, skip to guide below.
  - b. If no, ask next question.
6. **ASK** *“WOULD YOU LIKE TO USE DIRECT DEPOSIT TO RECEIVE YOUR REFUND, OR TO SPLIT IT INTO MORE THAN 1 ACCOUNT?”*
  - a. If yes, use form 8888 Parts 1, II, and IV
  - b. If no, close form 8888
7. **IF YOU ARE GOING TO USE FORM 8888**, give your client the “Summary of Your Refund” document to fill out at the same time that they can take home with them.

# FORM 8888 - GUIDE

Form **8888**  
 Department of the Treasury  
 Internal Revenue Service

## Allocation of Refund (Including Savings Bond Purchases)

▶ See separate instructions.  
 ▶ Attach to your income tax return.

OMB No. 1545-0074  
**2011**  
 Attachment  
 Sequence No. **56**

### **PART 1: TO SET UP DIRECT DEPOSIT**

- Enter amounts and account information for up to 3 accounts.
- Skip Part 1 if you are not using direct deposit.

### **PART II: TO BUY BONDS**

#### **Line 4: TO BUY BONDS FOR YOURSELF (AND SPOUSE, IF FILING JOINTLY)**

- Enter the amount of bonds you want to buy with your refund. This amount must be a multiple of \$50.

#### **Lines 5-6: TO BUY BONDS FOR YOURSELF, YOUR SPOUSE, OR SOMEONE ELSE**

- **Line 5a & 6a:** Enter the amount of bonds you want to buy with your refund. This amount must be a multiple of \$50.
- **Line 5b & 6b:** Enter the primary owner's name for this bond registration. This can be you, your spouse, **or** someone else.
- **Line 5c & 6c:**
  - If you want to add a co-owner or beneficiary to this registration, enter their name. This can be you, your spouse, **or** someone else.
  - Check the box on line 5c or 6c if you want this person to be a beneficiary also. A beneficiary is someone who would own the bond in the event of the death of the primary owner.

#### **Part II U.S. Series I Savings Bond Purchases**

Complete this part if you want to buy paper bonds with a portion of your refund.

**CAUTION** *If a name is entered on line 5c or 6c below, co-ownership will be assumed unless the beneficiary box is checked. See instructions for more details.*

**4** Amount to be used for bond purchases for yourself (and your spouse, if filing jointly) . . . . . **4**

**5a** Amount to be used to buy bonds for yourself, your spouse, **or** someone else. . . . . **5a**

**b** Enter the owner's name (First then Last) for the bond registration

**c** If you would like to add a co-owner or beneficiary, enter the name here (First then Last). If beneficiary, also check here ▶

**6a** Amount to be used to buy bonds for yourself, your spouse, **or** someone else. . . . . **6a**

**b** Enter the owner's name (First then Last) for the bond registration

**c** If you would like to add a co-owner or beneficiary, enter the name here (First then Last). If beneficiary, also check here ▶



**PART III: TO RECEIVE SOME OF THE REFUND BY CHECK**

**Line 7:** Enter the amount that you would like to be sent by check.

**Part III Paper Check**

Complete this part if you want a portion of your refund to be sent to you as a check.

7	Amount to be refunded by check . . . . .	7		
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**PART IV: MAKE SURE THE NUMBERS ADD UP!**

**Part IV Total Allocation of Refund**

8	Add lines 1a, 2a, 3a, 4, 5a, 6a, and 7. The total must equal the overpayment amount shown on your tax return . . . . .	8		
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**Line 8:**

- The total on line 8 must equal the total amount of your refund shown on your tax return.
- It must also equal the total of the amounts on lines 1a, 2a, 3a, 4, 5a, 6a, and 7. If the total on line 8 is different, a check will be sent instead.





## Summary of your Refund – Form 8888



Line	Details	Amount
1a - Direct Deposit	Account:	
2a - Direct Deposit	Account:	
3a - Direct Deposit	Account:	
4 - Savings Bond for self (and spouse)		
5a – Savings Bond for self, spouse, or someone else	Owner: Co-owner: Beneficiary:	
6a – Savings Bond for self, spouse, or someone else	Owner: Co-owner: Beneficiary:	
7 – Refund mailed to you by check		
TOTAL		

- This form provides a summary of how you will be receiving your tax refund. If you ordered savings bonds, the Bureau of Public Debt (BPD) will mail them to you in 3-5 weeks.



- Keep your bonds safe! If your bond is lost, stolen, or destroyed, you will need to fill out a Form 1048, which you can download from the “Forms” section at [www.treasurydirect.gov](http://www.treasurydirect.gov).
- You can look up the current value of your savings bonds online at [www.treasurydirect.gov/BC/SBCPrice](http://www.treasurydirect.gov/BC/SBCPrice).
- To find out more information or if you have any questions, call 1-800-553-2663 or go to [www.treasurydirect.gov/indiv/indiv.htm](http://www.treasurydirect.gov/indiv/indiv.htm).





## **Role Play Scenario – Client**

Savings Bonds on the Tax Form  
D2D Fund, Inc.

Please imagine you are a VITA tax client.

Your tax preparer is just finishing up your return and is about to tell you, for the first time, how large your federal refund will be. After that, he or she will try to engage you in a conversation about what your plans for your refund generally, and the option to buy US Savings Bonds specifically.

Your assignment is to react as you expect many tax clients might. You may ask questions and raise concerns, or even turn down the offer to buy bonds without explanation. The goal is to give the tax preparer you are working with a chance to practice confronting real-world client reactions to their efforts to engage in a discussion about saving and the chance to buy bonds.

To prepare, spend a moment thinking about past tax clients you have served and how they have reacted upon hearing the news of their refund amount, or what you have been able to observe about their plans for their refund. Then consider what your own plans for your tax refund are, either this year or in some past year when you have received a refund. Allow these experiences to guide the reactions you will have, and questions you will ask, when your tax preparer engages with you.

Please make note of how you feel when your tax preparer is speaking with you, as we ask that you provide feedback after the exercise.

Thank you!



## Role Play Scenario – Tax Preparer

Savings Bond on the Tax Form  
D2D Fund, Inc.

Please imagine you are a VITA tax preparer.

You are just finishing up a return for a client who is seated with you. In a moment you will know the amount of their federal refund (\$1,682), and deliver this good news. As a part of that conversation, please engage your client in a discussion about their plans for their refund, the option and reasons to save part of it, and the opportunity this year to purchase US Savings Bonds directly at the tax site using part of their federal refund.

To prepare, spend a moment thinking about how best to engage your client around this topic. Your goal is to be a good listener, non-judgmental, non-threatening, and credible. Ask yourself, were I the tax client, what questions and comments would I react well to?

Some suggestions:

- Begin the conversation with an open-ended question. For example, “congratulations, \$1,682 is a pretty good-sized refund. What are your plans for it?”
- Listen carefully and patiently to your client’s reply. This shows respect and gives you important clues about your client’s concerns, interests, and possible misunderstandings.
- Through your responses, make clear that you have heard your client. For example, “I hear what you’re saying, a lot of people use their refunds to pay off some bills. That makes sense to me.”
- Consider approaching the topic of Savings Bonds by asking if your client has seen or heard anything about the bond offering: “has anyone explained the US Savings Bond program we have this year?” If your client responds “yes,” you have an opportunity to ask “what questions do you have about that?” If a client has not heard about the program, you might follow with “may I briefly tell you about it?”
- Consider choosing 3 or 4 features to emphasize when describing savings bonds. For example, “What I like about savings bonds is that you can buy one for as little as \$50, and give them as gifts – that’s a hard combination to beat.”

Please make a note of how you feel while you talk with your client – what seems comfortable or uncomfortable to say, and what appears to elicit a positive or negative reaction. We will discuss how the exercise went for you and your client after it is over.

Thank you!