

## H&R Block and Harvard Team Up to See if Savings Bonds Can Make a Comeback

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Pilot Study in Boston and Chicago Enables H&R Block Clients to Invest Refunds in U.S. Savings Bonds

KANSAS CITY, Mo.--(BUSINESS WIRE)--Feb. 12, 2007--A new study being conducted by H&R Block (NYSE: HRB), with researchers from Harvard University, will help show whether new tax regulations that enable taxpayers to split refunds into different investments and accounts can help breathe new life into one of America's oldest savings vehicles - the U.S. Savings Bond.

Working with researchers led by Peter Tufano from Harvard Business School, H&R Block is offering clients in 20 Boston offices and 11 Chicago-area offices the opportunity to invest a portion of their tax refunds into U.S. Savings Bonds at no additional cost. The study builds on a small pilot last year that hinted that bonds could stage a comeback as a viable savings method, especially for lower-income taxpayers.

"This is one of many initiatives underway at H&R Block designed to help American families take control of their financial picture and forge a brighter, more stable future simply by making it easier to start saving and keep saving," said Bernie Wilson, vice president of business outreach at H&R Block. "Tax time presents a unique opportunity to work with millions of people on improving their financial conditions. We believe that studies like this can help illuminate a better way forward for companies that provide financial services and for individuals who want to make smart, healthy financial choices."

For many taxpayers - especially new savers - Series I savings bonds offer a number of attractive features, including:

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- Low minimum -- \$25 (if ordered online); \$50 (for paper bond certificates available via most banks)
- No fees to purchase or to cash in(1)
- Safe and secure; backed by the full faith and credit of the U.S. government
- Portable - redeemable at most financial institutions throughout the country

"Savings bonds used to be the sturdy foundation of a strong, reliable financial plan for millions of Americans, and are still a good product, just badly marketed - if marketed at all. To understand how far we have come in making it hard to buy bonds, in the 1960s, you could buy bonds by simply checking a box on your 1040 form," said Harvard's Tufano. "Across the board today, savings statistics are dismal, especially among low-income families who are most in need of forging some degree of financial stability. A small step is to make savings easier. We hope this study can show one way to make savings fast, easy and meaningful for taxpayers and their families and thus to address a dangerous cultural trend affecting Americans today."

The U.S. Commerce Department contends that Americans' saving rates has dropped since 1980 from 10 percent to nearly zero. (2) The startling statistics include:

- In 2004, the average net worth of the bottom 25 percent of households, in terms of income, was negative \$1,400(3)
- 40 percent of low-income households believe they could accumulate \$500,000 more easily through the lottery than by saving(4)
- 10 percent of American households have financial assets of less than \$100(5)

"The first step toward changing behavior and helping people save more money is understanding what makes people save, what stops them from saving and how we can make saving more appealing," said Therese Charles, H&R Block tax professional.

H&R Block tax professionals play a critical role in the study by facilitating a brief savings survey with interested clients and by offering the opportunity to invest in bonds. The survey focuses on client attitudes about savings, what people save for, and whether bonds actually increase overall savings. At the end of the tax season, a group of these tax professionals will also participate in focus groups to share their thoughts on the program. The survey data, clients' purchase interest and the tax professionals' feedback will be the focus of the Harvard research.

Last year, a two-week test program indicated that taxpayers would consider bonds as a viable savings method. Of the taxpayers

who purchased them, 14 percent had no prior savings. The average bond purchase was \$231, about 14 percent of the average refund. The results of the new study will be presented to the U.S. Department of the Treasury.

H&R Block is actively engaged in numerous related initiatives designed to help enable more people to save more money. These efforts include a commitment to opening more than a million new bank accounts through the new H&R Block Bank, launching high-yield savings products, participating in efforts to bring financial literacy and benefits access to low-income Americans and teaming with non-profits and government organizations around the country to study new ways to bring better savings and financial options to Americans of all economic levels and stages of life.

#### About H&R Block

H&R Block Inc. (NYSE: HRB) is a leading provider of tax, financial, mortgage, accounting and business consulting services and products. H&R Block is the world's largest tax services provider, having prepared more than 400 million tax returns since 1955. The company and its subsidiaries generated revenues of \$4.9 billion and net income of \$490 million in fiscal year 2006. In fiscal year 2007, it is operating in four principal business segments: Tax Services (income tax preparation and advice via in-office, online and software solutions); Mortgage Services (wholesale mortgage originations and loan servicing); Consumer Financial Services (investment and financial advisory services, retail mortgage loans, and banking products and services); and Business Services (tax, accounting and consulting services for mid-sized businesses). Headquartered in Kansas City, Mo., H&R Block markets its services and products under three leading brands - H&R Block, Option One and RSM McGladrey. For more information visit our Online Press Center at [www.hrblock.com](http://www.hrblock.com).

(1) forfeit 3 months interest if redeemed before 5 years

(2) CNN Money <http://money.cnn.com/2005/08/02/news/economy/savings>

(3) Consumer Federation of America, "New Study: Typical American Household Has Net Financial Assets of \$1,000," October 28, 1999

(4) Source: Bucks, Kennickell and Moore (2006), SCF (2004), Havenmann and Wolff (2001), Caner and Wolf (2002) compiled from the Survey of Consumer Finance (2004)

(5) compiled from the Survey of Consumer Finance (2004)

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