

## **H&R Block Defends Its Express IRA Product and Delivers Strong Rebuttal to New York AG's Attack; Nearly 600,000 Americans Helped by Block's Retirement Savings Product**

March 15, 2006 11:12 AM ET

KANSAS CITY, Mo., Mar 15, 2006 (BUSINESS WIRE) -- H&R Block today released a strong rebuttal to the New York State Attorney General's attack on the company's Express IRA product, which has helped more than half a million Americans take a critical and often first step toward saving for their future.

"Make no mistake -- we believe in the Express IRA product and are proud of the opportunities it presents for our clients. At a time when the country's personal savings rate has declined to minus 0.7 percent, we've helped 596,000 of our clients begin saving for their future, and more than 40 percent of them had never saved before," said H&R Block Chairman and CEO Mark A. Ernst.

"Currently, our Express IRA savers have accumulated more than \$360 million in their accounts plus Saver's Credit tax benefits of over \$50 million. That's a powerful first step toward ensuring a secure financial future," Ernst said.

"If in the unfortunate event this matter does end up in court, H&R Block will fight vigorously to defend the Express IRA product and ensure it remains available to our many clients who rely on it as a helpful savings option."

Last month the company received a Notice of Intent to Sue followed by a settlement demand letter from the Attorney General's office for alleged damages related to the product. In a response, H&R Block Senior Vice President and General Counsel Nick Spaeth, a former Attorney General of North Dakota, challenged the allegations, noting that the product provides a compelling incentive for lower-income Americans to save for the future, with benefits that include:

- A safe, FDIC-insured money market account with no financial market risk;
- Competitive interest rates;
- Low minimum deposit requirements - either \$300 up front or \$25 a month, which is less than most banks and other financial institutions;
- Immediate income tax benefits, including access to the Retirement Saver's Credit, for eligible individuals below certain income levels; and
- Ease and convenience of beginning to save at a time when clients are about to receive a lump sum of cash via their tax refund.

"We have cooperated fully and provided volumes of data and detailed analyses to the Attorney General's office, but it has ignored all of the positives and has chosen to launch this attack," said Spaeth. "Some clients do withdraw their funds early and incur IRS penalties; that's true with any IRA product. However, it should not detract from the enormously positive impact of this program, particularly on first-time savers."

The information shared reflects a case-by-case evaluation of data available for all Express IRA accounts opened between 2001 and 2005. "We will continue to communicate directly with the Attorney General's office to help them understand that this product is an innovative and sound savings choice," Spaeth said.

The company is represented by the New York law firm Stroock & Stroock & Lavan through Robert Abrams, former New York Attorney General.

"H&R Block has been a pioneer in creating a unique product, the Express IRA, which has provided the opportunity for hundreds of thousands of Americans to start a pattern of savings," said Abrams. "Block has worked with scholars, policymakers in the federal government, and leaders in non-profit organizations, such as the Brookings Institution and the

Aspen Institute, to provide low- and moderate-income people the chance to open retirement savings accounts and take advantage of tax savings incentives.

"Out of all the Express IRA accounts opened between 2001 and 2005, 78% have experienced positive net tax savings benefits and interest earnings. This is a positive and powerful statement of achievement. Further, this effort has not created windfall profits for H&R Block -- indeed the company has lost money operating this program," Abrams concluded.

Nearly half of the Express IRA clients have been able to save more than \$50 million in taxes because H&R Block helped them claim the Retirement Saver's Credit, a low-income retirement savings incentive enacted by Congress in 2002. Since the debut of the Saver's Credit, H&R Block has helped more than 4 million of its total clients save more than \$715 million via the tax credit, representing approximately 25 percent of all Saver's Credits claimed.

#### ATTACHMENT:

-- Backgrounder of H&R Block's Express IRA Product

##### 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 \$4.4 billion and net income of \$636 million in fiscal year 2005 from operations in four principal business segments: tax preparation and advice via in-office, online and software solutions; investment and financial advisory services; retail and wholesale mortgage services; and tax/accounting /business 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).

**BACKGROUND:** H&R Block's Express IRA Product Since 2001, the Express IRA Has Helped More Than Half a Million Lower-Income Americans Begin to Save for Their Future.

##### What Others Are Saying About H&R Block's Savings Initiatives

-- "H&R Block's Express IRA is an example of a financial product that complements and even strengthens the Saver's Credit."

- The Aspen Institute Initiative on Financial Security, October 2005

-- "ShoreBank believes that saving for the future is a critical element to sustained financial health, and through H&R Block's Express IRA, more than a half million Americans have chosen to save their tax refunds rather than spend them. All Americans, especially those disconnected from the mainstream financial services system, need easy-to-use opportunities to save; Block is a pioneer in providing one." - ShoreBank, Chicago, Ill., March 2006

-- "The information provided by the H&R Block tax preparers and the ease of contributing greatly influenced the participants' decisions to save ... H&R Block made it easy for its clients to save." - New York Times editorial, "H&R Blockbuster," May 17, 2005, Regarding H&R Block's participation in a savings test designed and evaluated by the Retirement Security Project

##### Clients Benefit from Accessibility and Tax Savings

-- Clients select the product as a simple and convenient way to save at a time when they are about to receive a lump sum of cash via their tax refund. Accounts are typically opened during tax return preparation. Because of its low minimum balance requirement, the Express IRA provides what for many people is their only opportunity to begin saving.

-- Approximately 42 percent of Express IRA clients over the past two tax seasons had no savings accounts at the time of opening their Express IRA. The number without retirement-designated savings is even greater.

-- Opening an Express IRA allows clients to take advantage of federal policy providing income tax incentives for retirement savings. Eligible individuals below certain income levels benefit immediately from certain credits for retirement savings contributions and can also reduce adjusted gross and taxable income by deducting their IRA contributions. State and local income tax liabilities are typically lowered as well.

#### Accounts Earn Competitive Interest Rates

-- Since January 2003, interest rates paid on Express IRA accounts have been competitive versus national benchmarks for savings accounts, money market accounts and IRA money market accounts.

-- A rate increase to 3 percent took effect Jan. 3, 2006, following three rate increases during 2005. The 1 percent rate entering 2005 had been raised to 1.5 percent effective April 4, 1.75 percent July 5, and 2.5 percent Oct. 17. In sharp contrast, the three national benchmarks were just 0.5 to 1 percent through most of the year.

-- The company paid 0.8 to 1 percent interest from January 2003 through early 2005, again exceeding all of the benchmark averages, during a period of historically low returns nationwide.

#### Fee Reductions Help Boost Net Benefit

-- Although H&R Block assesses certain fees related to its costs of offering the Express IRA product, it has eliminated one such fee, the recontribution fee. Clients do not pay an annual maintenance fee in the first year, or if they contribute to their account systematically (as little as \$25 per month), or exceed a \$1,000 balance.

-- H&R Block advises Express IRA clients that their account balance may decline due to fees and charges, especially clients who make a one-time and/or small deposit. Clients who close accounts quickly or become subject to standard IRS penalties for early withdrawal of funds from an IRA may also experience value declines.

-- Even with an account balance or value decline, Express IRA clients often benefit substantially from the availability of funds they would not have saved otherwise -- funds that could make all the difference in handling a financial emergency.

#### Product Information Repeatedly and Accurately Disclosed

-- Express IRA clients receive clear and comprehensive information not only on the benefits and advantages of saving for retirement, but also on product fees and charges, with a strong focus on how they can avoid or minimize those expenses.

-- Information is disclosed when an Express IRA is under discussion with the tax professional, on the account application form, and as part of the new client welcome package.

SOURCE: H&R Block

H&R Block

Nick Iammartino, 816-932-4835

[nick.iammartino@hrblock.com](mailto:nick.iammartino@hrblock.com)

or

Linda McDougall, 816-932-7542

[lmcdougall@hrblock.com](mailto:lmcdougall@hrblock.com)