
Betterment's Consumer Perspectives Report: Tax Season





Whether you have a big refund or a big bill on the horizon, sitting down to do taxes each season is an almost universal source of dread.

Taxes may not be everyone’s favorite hobby, but we wanted to find out why taxes are just so tough: is it paperwork panic, or the fear of owing a big debt to the government? Or, maybe more simply, is it the fact that the average taxpayer doesn’t understand a lot about taxes?

The past year’s news cycle brought some additional stress and confusion to the equation. The government shutdown has had a significant impact on savings and when people plan to file their

taxes, and recent tax law changes have left the average taxpayer fairly confused as to where they stand. Despite a news cycle that warns of smaller refunds this year, a quarter of respondents expect their refund to be larger than last year. Confusion and dread aside, people want to get tax filings over and done with.

By early February, nearly a quarter of respondents had already filed, and just 12% plan to wait for the April deadline. Cheers to some smart planning!

Methodology

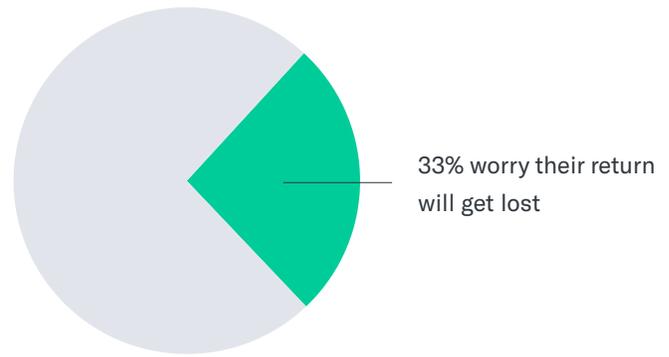
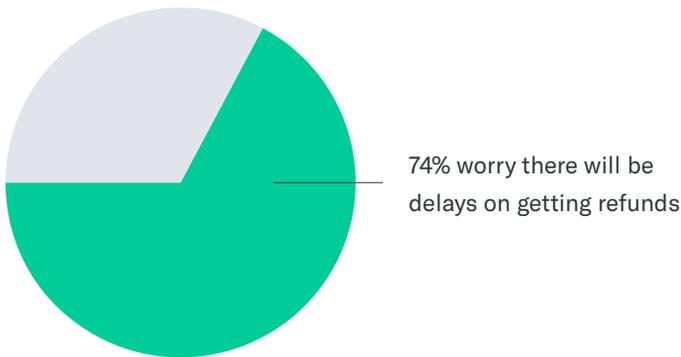
The survey gathered online responses from 1,000 respondents over the course of February 4-7, 2019. Respondents were at least 18 years old, employed either full time or part time, planned to file taxes in 2019 and at least partially involved in the filing of taxes. The sample was provided by Market Cube, a research panel company. Panel respondents were invited to take the survey via an email invitation and incentivized to participate via the panel’s established points program.

The 2018-2019 35 day government shutdown had a major impact on the financial lives of hundreds of thousands of federal workers.

Nearly a quarter of respondents reported it affected their household's financial situation, with Millennials more than twice as likely to feel that pain than Baby Boomers.

One third of those affected had to tap into emergency fund savings, and 17% had to withdraw from investment accounts. Just 10% plan to file later than normal, the majority citing that they assume the shutdown will result in less accountability this year.

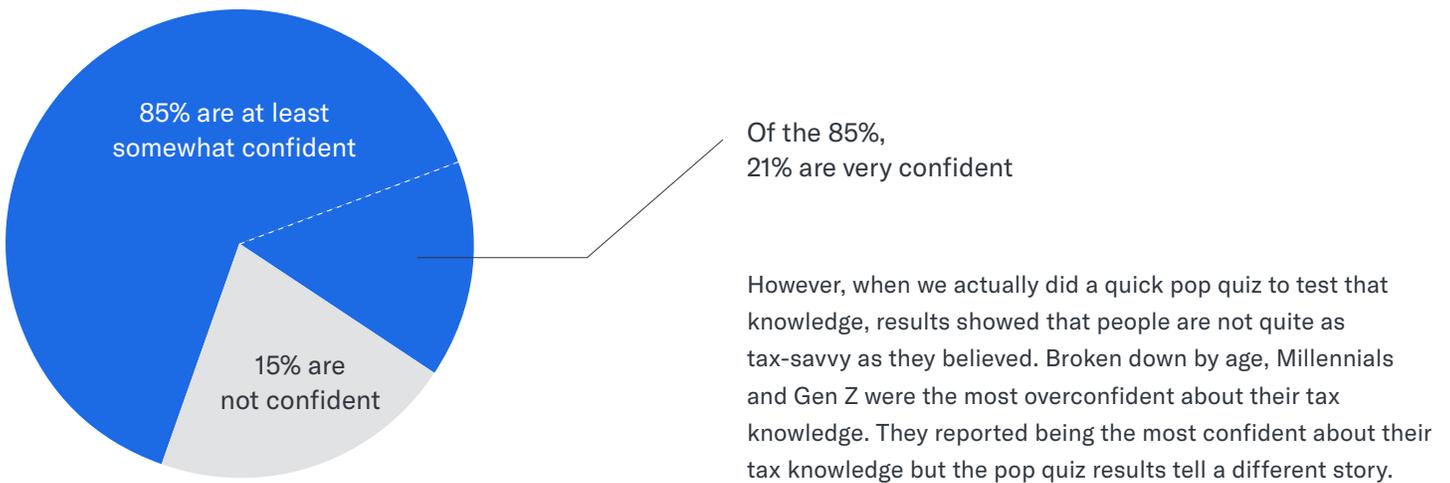
As a result of the government shutdown, nearly a third (28%) plan to file earlier than normal. Why?



Betterment's take:

While our hope is no employee ever has to go without pay, we were glad to see so many people had emergency savings accounts to tap into. We encourage all investors to prioritize a smart savings strategy so you can plan for nearterm surprises as well as retirement.

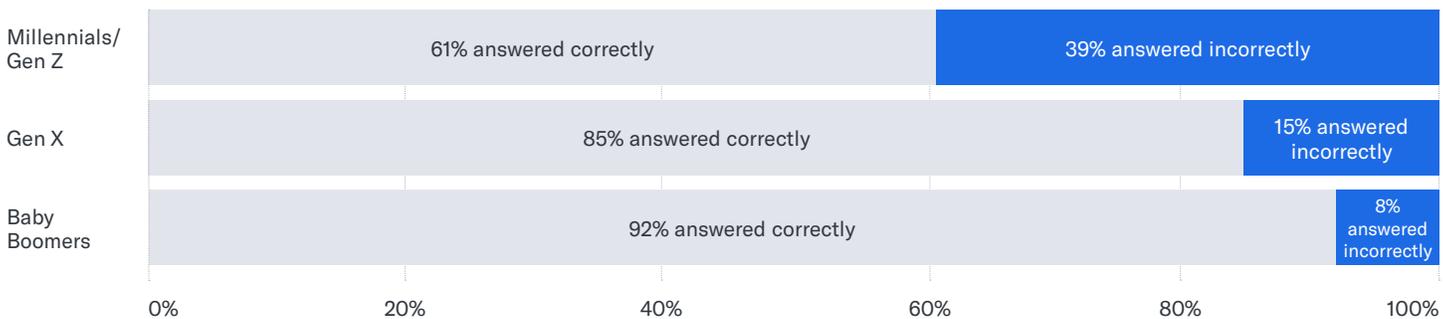
The 2018 Tax Cuts and Jobs Act was the most significant set of changes to the U.S. tax code in decades. Yet, according to Betterment’s survey, 85% of Americans still feel at least somewhat confident in their knowledge of taxes.



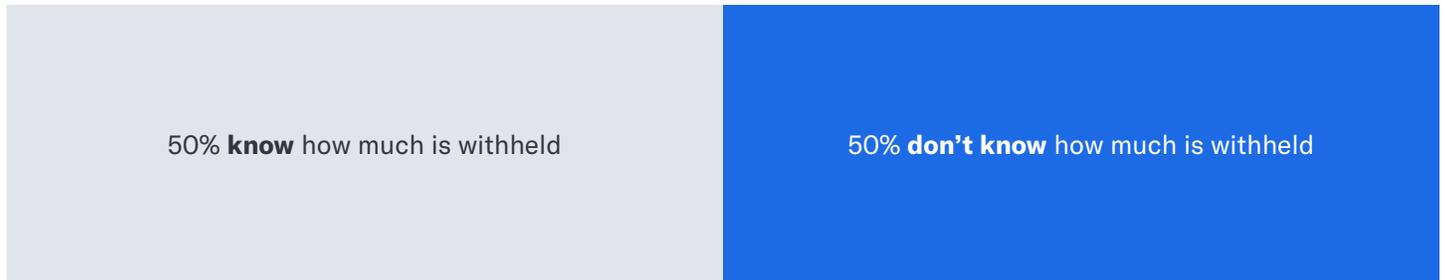
When asked to select the standard personal tax filing deadline:



Generational Breakdown

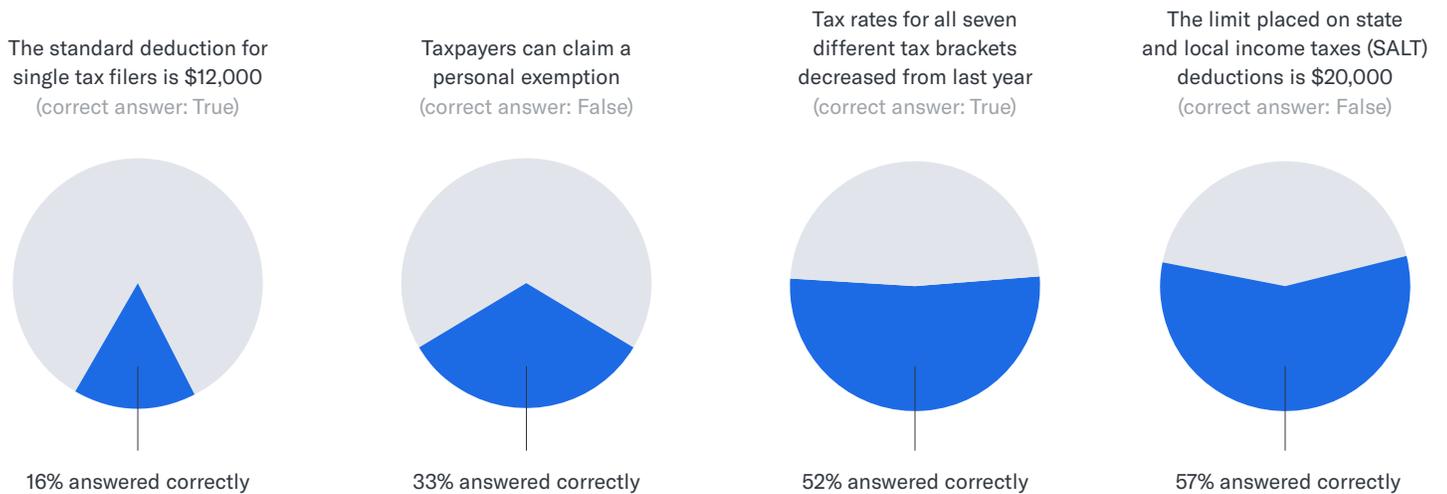


Do you know the percentage of your paycheck being withheld for your taxes?



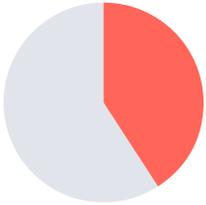
We asked respondents to indicate whether they thought several statements about tax year 2018 were true or false, following the tax reform bill. The percentage of those who answered incorrectly revealed that **more than half** of Americans are in the dark on key changes and rules.

As a result, many taxpayers may not be taking advantage of money-saving deductions and leaving money on the table.



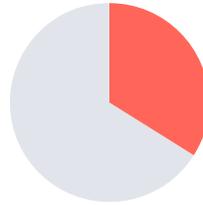
The Only Two Certainties: Debt and Taxes

Tax refunds are largely being used to pay off debt.



Debt

Almost half of respondents (41%) say they plan to use at least a portion of their tax refunds to pay off some type of debt, including healthcare bills, car payments, or credit cards.



Savings

About one-third (34%) of respondents plan to put the money into a savings account



Living Expenses

28% of respondents plan to use the money for living expenses (i.e: rent, groceries, childcare)



Spending

11% of respondents plan to splurge at least some of their tax refund

Investment savvy tax-payers

- 40% of respondents sold stocks at the end of the year for a tax benefit
- More than one third made donations to charities at the end of the year for tax benefits
- But only a quarter have implemented a tax optimization strategy
- 18% of respondents have increased their 401(k) contribution as a result of the 2017 Tax Cut and Jobs Act
- 10% have increased their IRA contribution

Betterment's take:

Of those we surveyed, investors tend to be more savvy than the average consumer when it comes to doing their taxes. We encourage everyone to get smart about the ways investing can work for them throughout the year, but especially at tax time, including things like seeking out an investment platform that automates tax optimization, like Betterment's.

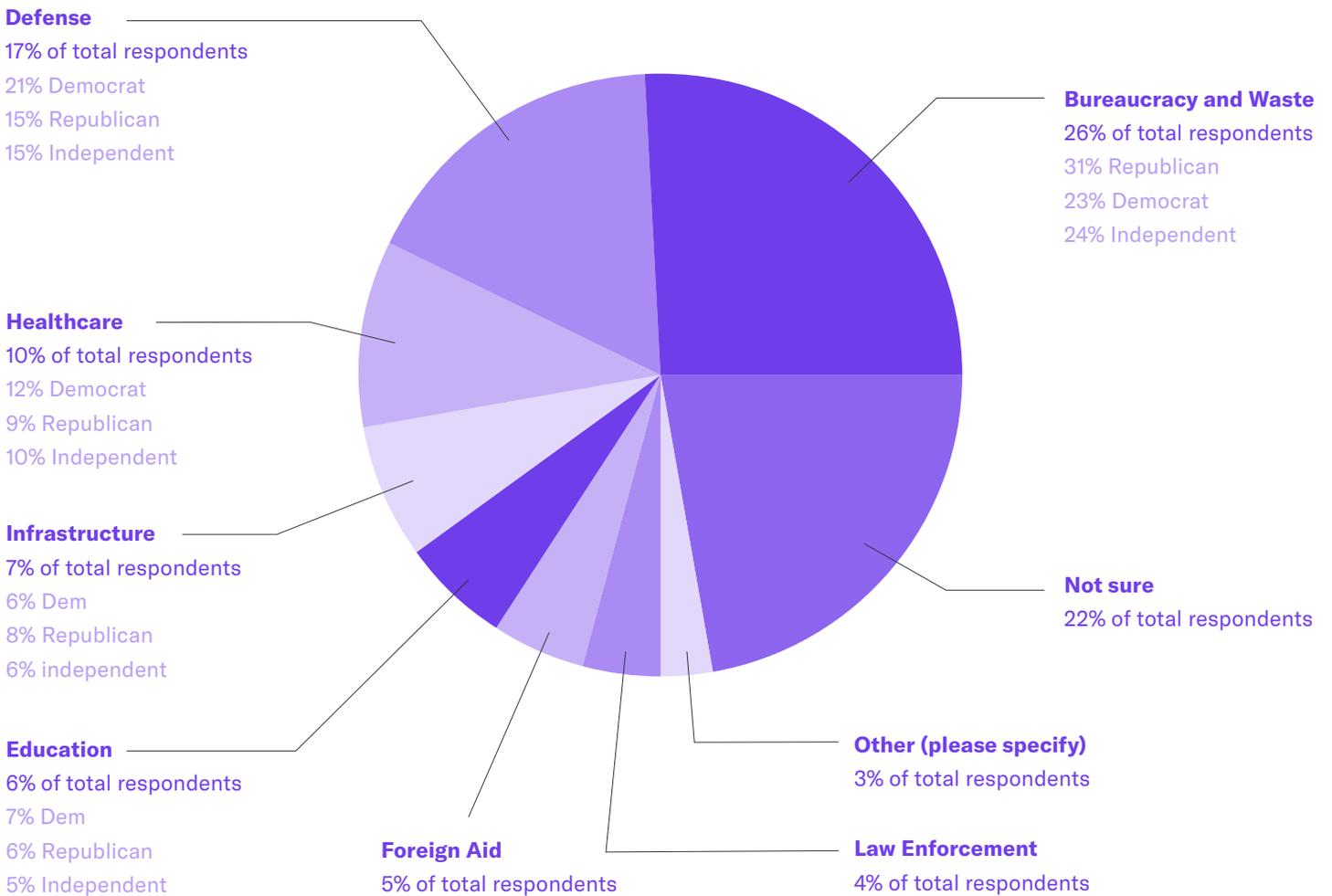
Tell Me How You Really Feel: Attitudes Toward Taxes

While dreading tax season seems to be a common sentiment, we wanted to dig a little deeper into how people really feel about what they pay, where their money is going, and how politics comes into play.

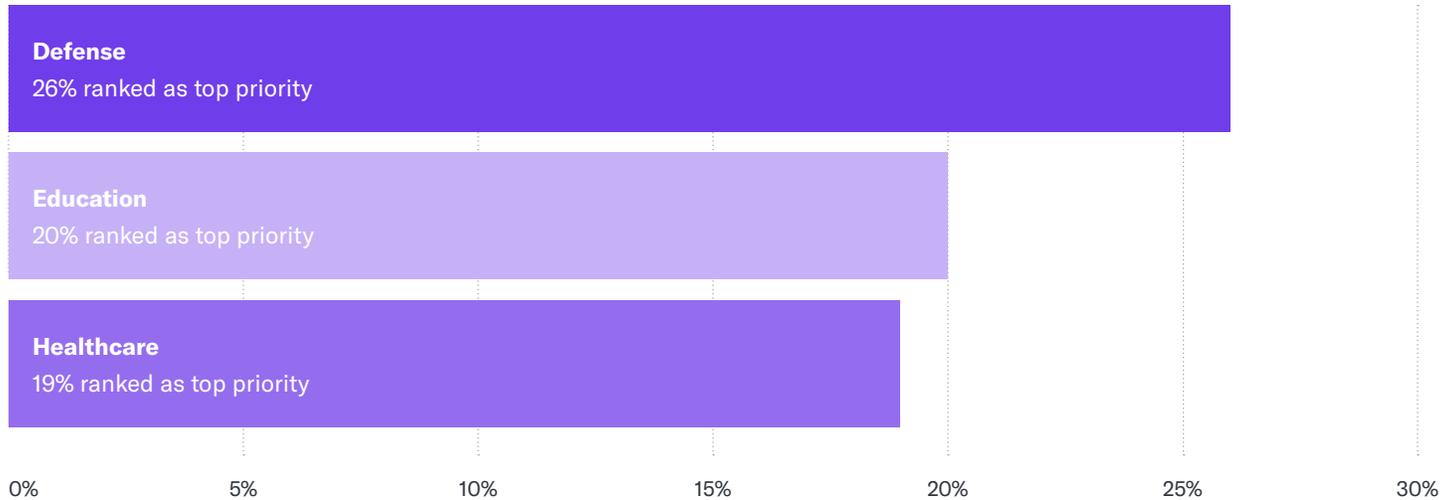
Seeing the effects of the political news cycle again, nearly half (46%) of respondents support a 70% tax rate for those making \$10M+

- 62% of respondents who support the tax rate identified as Democrat
- 34% of respondents who support the tax rate identified as Republican

Here's how taxpayers responded when asked where they think the bulk of federal tax dollars go:



Where would taxpayers **prefer** their money goes?



Conclusion

Our goal at Betterment is to help people make smarter choices and make the most of their money.

We're excited to see some savvy taxpayers making smart choices about tax optimization and understanding the impact of charitable donations.

Money is at its core an emotional issue, and it's clear that the news cycle this past year has had a major effect on tax season attitudes. From when people plan to file, to concerns over getting their refund, and where they think their hard-earned money goes each paycheck, it's evident that what we read about has an impact on the way we treat our money.

Betterment's advice and platform is designed to help people ignore the news cycle hype in favor of a disciplined long-term investment strategy.

We're going to continue to work hard to make sure our customers feel informed about the way major policy changes and economic shifts affect their portfolio, while having the resources at their fingertips to continue to prioritize smart saving and investing for the long haul.