Reddit Hot Take:

Indulgent Savings

How Crypto is making saving your tax refund feel as good as a splurge purchase.

A Reddit Hot Take — Q1 / 22

Created by Reddit Partner Insights Team

NOW: PARADOX SOLVED

INDULGENT SAVINGS

TREND SUMMARY: *This year crypto might finally make it feel like a splurge to save your tax refund.*

Every year we (hopefully) get our tax refunds. For most, it will help pay down debt or go to daily expenses. But for a lucky few, we face the great test of our financial discipline: “Do I save it or spend it?”

But in cryptocurrency, people are feeling like they get the best of both worlds. The potential upside feels like a lottery ticket–a clear splurge purchase, but because it’s also an investment, it’s also savings.

It feels like something I can hold (or more precisely, HODL), but also something I’ve tucked away for later.

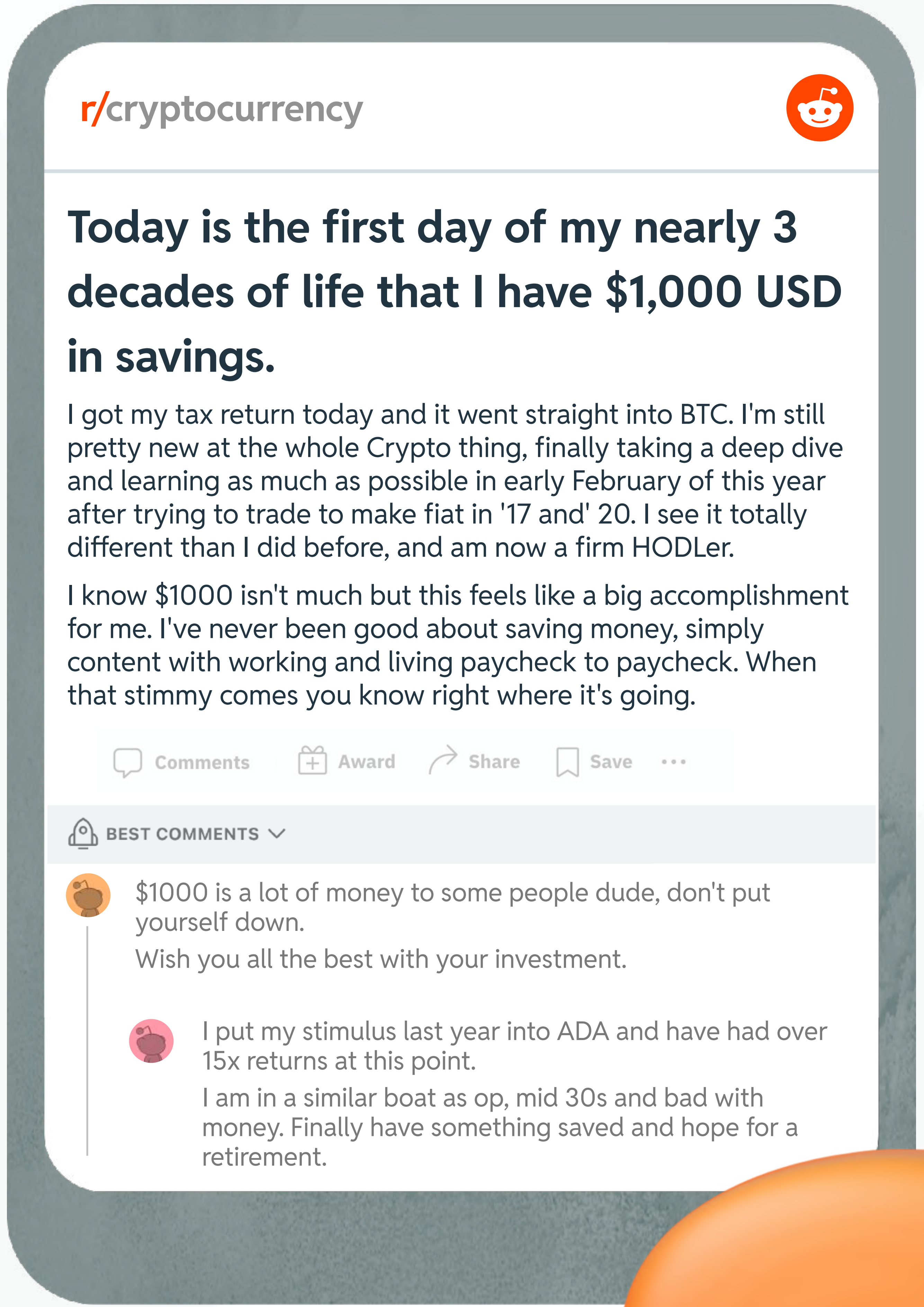
Crypto might just be the one tax refund purchase to satisfy both the devil and angel on our shoulders.

+335%

YoY increase of **“crypto” SOV** in tax conversations about **savings**.

+287%

YoY increase of **“crypto” SOV** in tax conversations about **splurge purchases**.



SOURCE: Reddit Internal Data, 2022 vs. 2021

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THE SPLURGE IS REAL

*“So for every year’s tax return, **I like to get a little splurge item for myself**, if possible. This year I’ll be able to, and I’m torn between 2 things...Should I upgrade my Galaxy Watch 42mm to the Galaxy Watch 4 Classic...OR Should I upgrade my Xbox One Day One to an Xbox Series S?*

— ***Redditor**, via r/xboxone*

SOURCE: Reddit

THE ORIGIN OF:

PURCHASING (SUPER)POWER

Though many will receive a tax refund this year, most analysts believe that refund will be significantly less than prior years. Add to that the rising rate of inflation, and all of a sudden that check doesn't stretch quite as far.

So what to do with it then? Vacations might get cancelled. Home prices are skyrocketing. Put it in savings to earn 1%? No thanks.

Enter crypto. From Super Bowl ads to 20-year-old millionaires, it's clear there's buzz. But more importantly, now there's *infrastructure*. Easy to use wallets, online tips and guides. You don't need to be a tech prodigy to get in the game. And unlike investing, you don't need a big nest egg to get help. Part investment, part lottery ticket, part social currency. Could crypto make spending your tax refund cool?

From: Practical Purchase **To:** Aspirational Investment

59%

Of consumers expect they'll get a **tax refund** in 2022

+329%

Increase in the **inflation rate** from Jan '21 to Jan '22

A New Paradigm

+ 417%

YoY increase in **visitors** to crypto related subreddits

+606%

Increase in mentions of **"crypto"** in personal finance subreddits since Feb '20

SOURCE: Reddit Internal Global Data, 2019-2022, NRF 2022 Tax Return Study (link), Bureau of Labor and Statistics (link)

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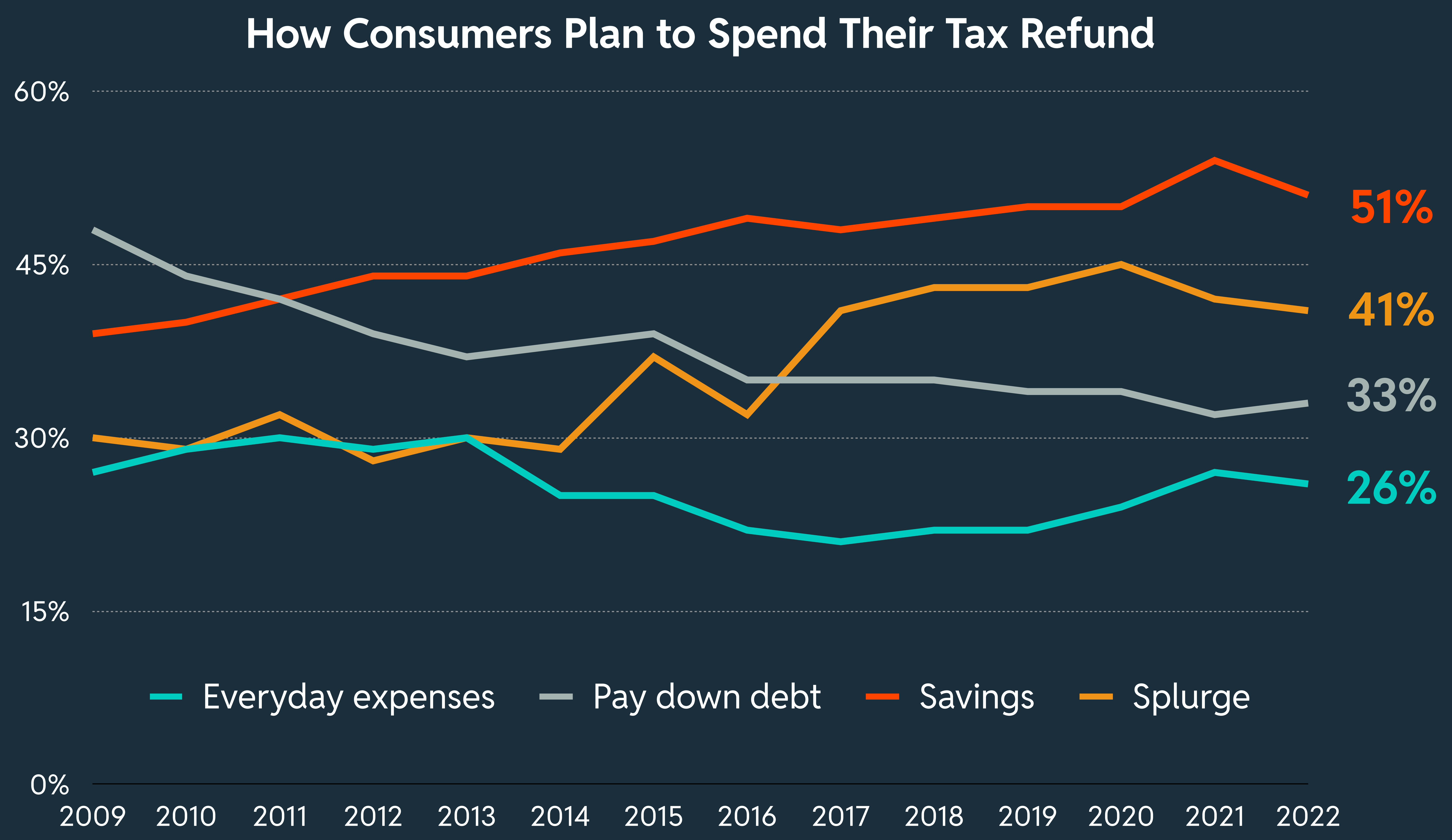
Since 2016, our competing urges to save or splurge have overtaken our need to pay down debt or cover everyday expenses.



SOURCE: NRF 2022 Tax Return Study (link)

TAX ~~SHELTER~~ SHELLACKING

Silicon Valley was built, in part, off of the assumption that our legal system will never keep up with our technological advancements. Move fast and break stuff, indeed.

With crypto, what's become clear is that our tax system was never integrated into the ecosystem. Some might say it was built to intentionally *skirt* that system. But as many early adopters are learning, all those trades and value fluctuations have real tax implications. You may have opted out of a traditional banking system, but no one opts out of taxes.

Now fast forward to next year, where crypto is mainstream and millions have jumped on the bandwagon of celebrity endorsement. It's unlikely those same celebrities will be helping investors make sense of the complicated tax rules.

There's an avalanche of confusion coming around crypto tax implications—and little clarity on who will solve it.

2x

YoY mentions of **"how to" or "help"** in the crypto tax refund conversation.

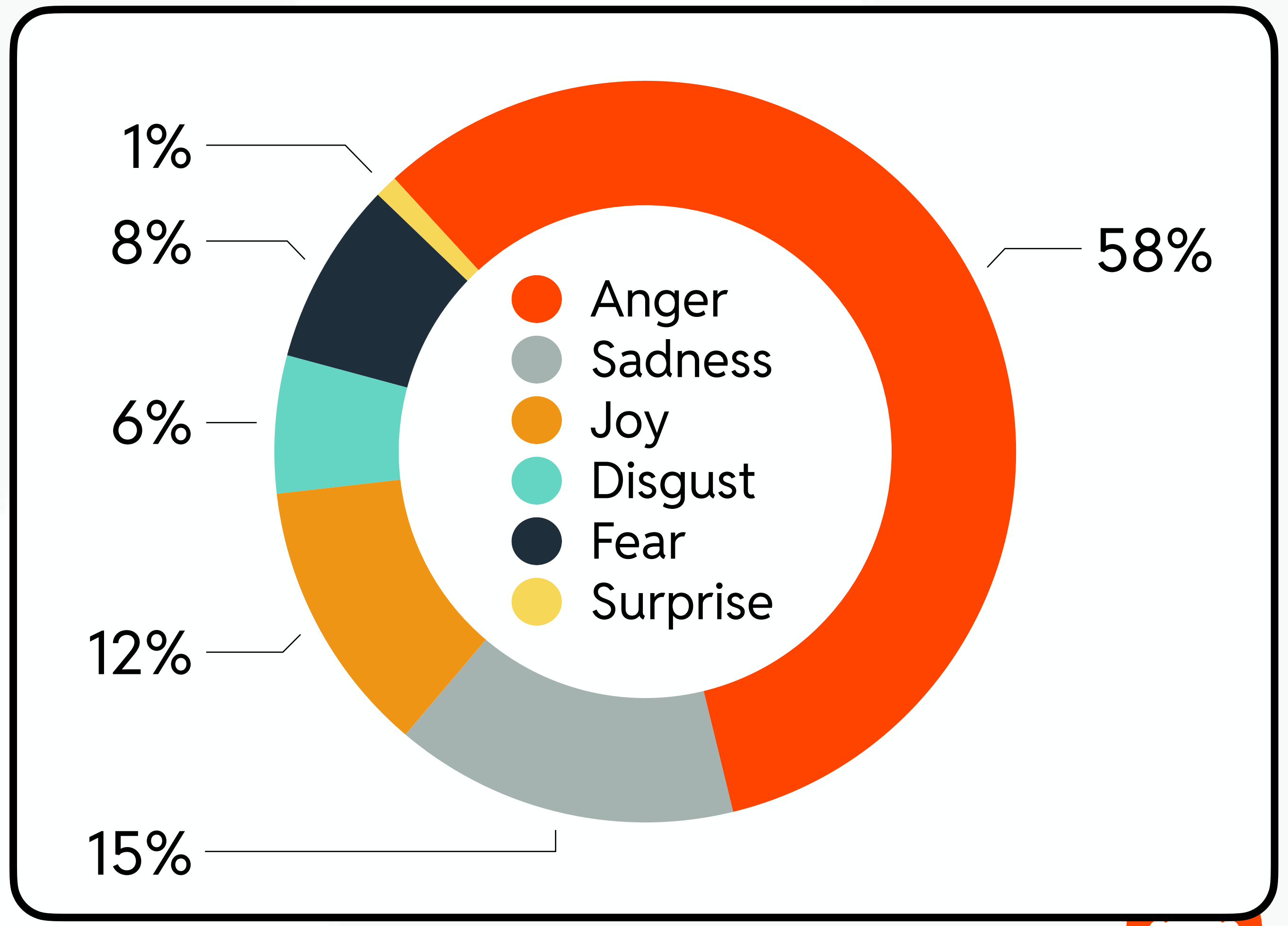
+657%

YoY increase in **tax conversation** in Cryptocurrency-related subreddits.

Confusion & Anger

81%

Of the emotional sentiment in the crypto tax conversation is **anger, sadness or fear**.



SOURCE: Reddit Internal Data, Brandwatch Data Jan 1 - Feb 28, 2022

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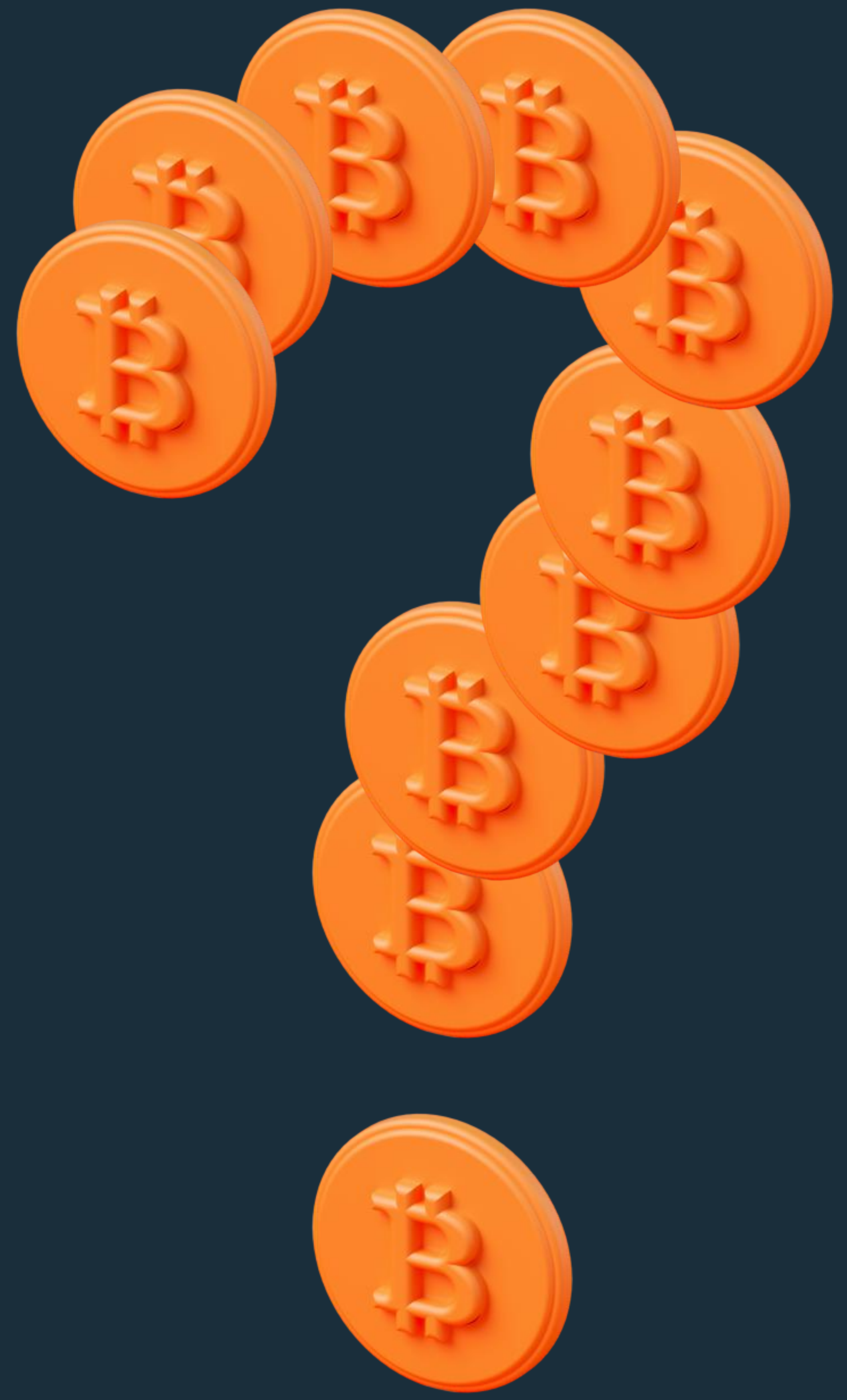
"Spend as much time learning about tax as you do trading. Tax is something you kind of need to understand upfront - you can get way more rekt from bad tax approaches than you make gains with good trading."

— ***Redditor****, via r/cryptocurrency*



SOURCE: Reddit

THE NFT CONUNDRUM

Art or investment? Reselling or trading? Collecting or HODL-ing? NFTs sit in-between purchases and investments, making them the next wave of confusing tax conversations for consumers. In the last 6 months, excitement over NFTs have exploded, even if most of the world can't really explain what they are. We've entered the initial hump of the hype cycle, but at its peak, we'll be encountering a new set of tax questions that might just push the boundary of tax law.

Think about it: have you ever written off the loss in value of your beanie baby collection (admit it, you had one)? Could you? Should you? Are NFTs any different? Where do we draw the line between an investment and a purchase when we've entered a world where there's a marketplace for everything?

NFTs are the harbinger of a world where purchase value is an equation between today and tomorrow.

300x

Growth in Total Views of **r/nftsmarketplace** last 6 mos.

1.35x

Redditor **likelihood to buy** secondhand goods compared to average internet user.

Marketplace of Everything

+423%

Increase in **mentions of NFTs** in the last 6 mos.

17%

Of US redditors **bought secondhand** items online in the last week.

SOURCE: GlobalWebIndex Q4 '21, Reddit Internal Data

"NFT 1 and NFT 2, both purchased for $100 each are burned using a contract, they cease to exist and I receive NFT 3 in return which has no instrinsic market value (game related item, more powerful item). Is the act of burning NFT1 and 2 a realized loss and part of the 2021 tax return?"

— ***Redditor***, *via r/cryptocurrency*

TL;DR

People are looking for ways to save and splurge with their tax return.

Crypto gives them the best of both worlds–it's joy today and wealth tomorrow.

Marketer Implications:

Crypto is poised to **eat into the share of wallet** from tax returns. Here's how to take advantage—whether you're in crypto or not.

01. ***For crypto brands:*** *Now is the time to double and triple down on your messaging. Remember to emphasize both sides of the equation. It's the feeling of an investment with the tangibility of a purchase.*

02. ***For tax brands:*** *Confusion abounds, and even if the volume is small today, lay the groundwork for your expertise tomorrow. Consider crypto primers that makes filing in 2023 a breeze.*

03. ***For banks/investments:*** *If you can't beat them, join them. How can you create an on-ramp for the crypto-curious that combines your stability and simplicity with the excitement of a new form of investment?*

04. ***For retailers:*** *Combat share loss by emphasizing the short term joy and long term value of your products. Partnerships with reselling, trade-in or exchange platforms not only reframe your product as an investment, but also satisfy the environmentally conscious consumer.*

Thanks!

Want to Learn More?

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A “Hot Take” is Reddit’s unique POV on an *emerging cultural trend*.

We’ll unpack:

— What’s the trend?
*— **Now:** Where it’s coming from?*
*— **Next:** What comes next?*
*— **Future:** How does it reveal the future?*
— What should you do?