

Children's Savings Accounts



Children's Savings Accounts (CSAs)

- ☞ Also known as Children's Development Accounts (CDAs).
- ☞ Long-term asset-building accounts established for children, as early as birth, and allowed to grow over their lifetime.
- ☞ Accounts aim to help children and their families start saving as early as possible for college, home ownership, starting a business, or for other "capital-intensive life milestones."
- ☞ Proposed in the early 1990s (Sherraden, 1991) as an inclusive and accessible opportunity for lifelong savings and asset building.
- ☞ To promote accessibility to all populations, the accounts generally require proactive marketing and initial deposit seeding that forms the foundation for future contributions from family, friends, and the children themselves (CFED, 2008).

Why Children's Savings Accounts?

- ✓ CSAs have the potential to expand economic and educational opportunities for low- and moderate income families & children.
- ✓ CSAs support the interest of States in increasing the percentage of its population with college degrees, certificates and credentials ([Lumina Foundation Goal 2025](#)).
- ✓ CSAs represent a long term investment in your citizenry while helping support and achieve Vermont's workforce development aspirations.
- ✓ CSAs help to address New England's/Vermont's middle skills gap by addressing secondary education affordability.
- ✓ CSA's encourage and leverage both family and capital resources.

How Does Vermont Stack Up?

- 9% of Vermont residents do not possess a high school diploma or equivalent.
- 31.7% of Vermont residents only possess a high school diploma.
- 17.1% of Vermont residents possess some college (no degree)
 - **57.8%** of Vermont residents **do not** possess a college degree
- 42.2% of Vermont's adults 25 years and older hold at least a two – year degree
- To achieve the goal of 60% of Vermont citizen with a college degree, certificate or other credential Vermont would need an annual increase of at least 4.4%
- Vermont will need an additional 58,161 college degrees to meet its workforce demands in 2025.

CSA Research

- **CSAs have the potential to greatly impact and improve economic mobility.** Asset based policies for children could also be most direct and effective way to alter class reproduction and diminish intergenerational transmission of poverty (Sherraden, 2002). Starting early also provides lifetime potential for asset accumulation by allowing the accounts to effortlessly accumulate interest even when beginning with modest initial and annual deposits (Beck & Boshara, 2011).
- **Holding assets has a strong correlation to improved academic achievement.** Research supports that regardless of family income level, children of parents who own assets are more likely to have higher academic achievement and complete more years of education (CFED08), even with savings as limited as \$3000 (Zhan & Sherraden, 2003).
- **75% of children with their own savings are enrolled or have graduated from college, versus 45% of those without savings. Children's savings are connected with a more positive college-bound identity** (Elliott & Beverly, 2011). Both black and white children who have savings are about twice as likely to be in college or to have graduate than those without savings (Elliott & Nam, 2011).
- **For low to moderate-income families, children with savings of their own are twice as likely as those without to be enrolled in college,** although children's savings are not correlated with college graduation for high income families (Elliott, Constance-Huggins, & Song, 2011).

CSA Research

- Financial constraints also have an impact on children who expect to attend college, but do not do so soon after high school graduation, a phenomenon known as “wilt”. Research shows that **over 55% of children without their own account experience wilt whereas 80% of children with an account of their own do not experience wilt** (Elliott & Beverly, 2011).
- **Asset holding may also impact both children’s and families’ expectations and future orientation.** Children’s savings accounts can influence attitudes towards savings especially those created at very young ages because these attitudes are easier to change earlier in life (Shobe & Page-Adams, 2001) (Yadama & Sherraden, 1996). Furthermore, targeting children may have a multiplier effect by engaging larger family in the asset-accumulation process (Zhan M. , 2006).
- **Research shows that people who own assets are more likely to be more future oriented and have higher expectations for their futures** (Lombe, Nebbitt, & Buerlein, 2007) as well as the futures of their children (Zhan & Sherraden, 2003).
- Nevertheless, the holding of savings alone may not be enough to affect future orientation. Findings support that having savings is more effective when children also expect to graduate from college (Elliott, Chowa, & Loke, 2011). **Thus CSAs may need to be implemented in conjunction with financial education programs and college preparations to influence the use of the funds accumulated.**

Federal Initiatives	Dept. of Education College Savings Account Research Demonstration (GEAR UP)	Dept. of Health & Human Services ASSET Initiative Partnership	FDIC Savings Working Group	Dept. of Treasury Multi-year research project study with CFED and others to examine the individual and combined impact of a financial education curriculum & a school credit union program	
State Initiatives	Colorado DHS , CFED & Aspen Institute	Texas Save & Match Center for Public Policy Priorities & Opportunity Texas	Hawaii Alliance for Community Based Eco. Development & the University of Hawaii @ Manoa	Maine – Finance Authority of Maine	Vermont - Department for Children & Families Matched Savings Program
529 Savings Plans	15 states incentivize deposits into 529 college savings plans	Maine Alford College Challenge	Rhode Island College Bound Baby		
Municipal/ County	San Francisco, CA Kindergarten 2 College	Jackson, MS	Cuyahoga County, OH	Housing as a CSA Platform <ul style="list-style-type: none"> • Three Puget Sound Public Housing Authorities • Massachusetts - Cambridge Housing Authority 	
Private/ Philanthropic	Mississippi College Savings Account Program The Grand Rapids, MI Future Fund	Partnership for College Completion EARN's Triple Boost Accounts	Families United for Educational Leadership (FUEL)	The Propel Schools College Set	<div data-bbox="1464 1043 1901 1396" style="border: 2px solid black; border-radius: 25px; padding: 10px; text-align: center;"> <p><i>Source: Recent Developments in the Field of Child Savings Accounts (CFED, May 2013)</i></p> </div>

Alfond College Challenge

- ☞ Maine's Statewide Program
- ☞ Most comprehensive program in the United States (Huang, Beverly, et al., 2011)
- ☞ Each child born in Maine is eligible for a \$500 grant in a NextGen account, which is Maine's 529 College Savings Plan.
- ☞ Child must be enrolled prior to turning one, and requires that a parent completes an inquiry form and enrollment kit to join.
- ☞ Began as a pilot in two hospitals in 2008, and expanded statewide in 2009.



FRBB CSA Outreach Strategy

1 on 1 Meetings

- **GOAL:** Identify champions and gauge interest from a key stakeholders to pursue initiative further and partner with FRBB on future activities.
- **FORMAT:** An informal presentation providing an overview of CSAs, perhaps with a national expert (e.g., CFED) and Q&A time.

State Roundtables

- **GOAL:** Identify champions and gauge interest in forming work group committed to exploring how CSAs can work in their state; agreement for some stakeholders to partner.
- **FORMAT:** Invite-only; presentation from experts and roundtable discussion.

Regional Convening(s)

- **GOAL:** Further coalesce interested stakeholders and identify a broader group of organizations that can partner with the work group and/or pursue their own initiatives.
- **FORMAT:** Open to public, large convening of broad group of potential partners; panel presentations & group discussions.



Where do we go from
here?