



Harold Alfond[®]
FOUNDATION

Alfond
Scholarship Foundation

Harold Alfond College Challenge – the future faces of Maine

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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.
- Proposed in the early 1990s (Sherraden,1991) as an inclusive and accessible opportunity for lifelong savings and asset building.
- Two Product Models
 - A deposit-only savings account offered by traditional lender. ([K2C Model, San Francisco](#))
 - A 529 savings plan (named for the relevant section of the federal tax code) is a state-sponsored, tax-preferred savings plan for qualified post-secondary education expenses. ([Harold Alfond, Maine](#))
- Either model can provide savings matches or other incentives to encourage families – particularly those of lower income – to save.



CSA Research Summary



- **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).

CSA Research Summary



- **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 Summary



- 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).

CSA Research Summary



- **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.**

Maine's Experience

- From 2009-2013, the Harold Alfond College Challenge awarded close to \$11.5 million to nearly 23,000 Maine babies for college.
- We did this by awarding \$500 grants when parents made the decision to “opt in” to the program by opening a NextGen 529 college investing account before the child's first birthday.
- But to meet the future workforce needs of Maine's economy, we need every baby to have college savings – not just the opportunity to save.



Maine's Experience

- And so last spring we announced a new 'Automatic Enrollment' model, which means that now all babies born a Maine resident will automatically be awarded \$500 for college.
- We moved from an "opt in" model to an "opt out" model.
- The result: Since the program's inception we've now committed more than **\$23 million** to over **46,000 Maine children**.

A bit of background

- Shortly before his death in 2007, Harold Alfond made a commitment to provide a \$500 grant for higher education to every Maine resident baby - the *Harold Alfond College Challenge*.
- His motivation: to help raise aspirations of Maine children, and to help boost college attainment levels in the state to meet Maine's changing workforce needs.



A bit of background

- With our partners at FAME, we launched a pilot program for all babies born at MaineGeneral Medical Center in 2008, and then expanded statewide in 2009.
- To receive the \$500 grant, parents opened a 529 college investing account (NextGen) before the baby's first birthday.



Program to Date

- From the beginning, we worked with hospitals as trusted partners.
- Each hospital appoints a “Champion” to share information with parents and encourage enrollment.



2009-2013: Focused on Enrollment



- We sent mailings, made phone calls, put posters in libraries, in doctor's offices and even in town halls to reach parents during baby's first year.
- We also held "casting calls" at shopping malls around the state for our Future Faces of Maine and enrolled hundreds in the program.



2009 – 2013 outcomes

A total of close to

\$11.5 million

was awarded to nearly

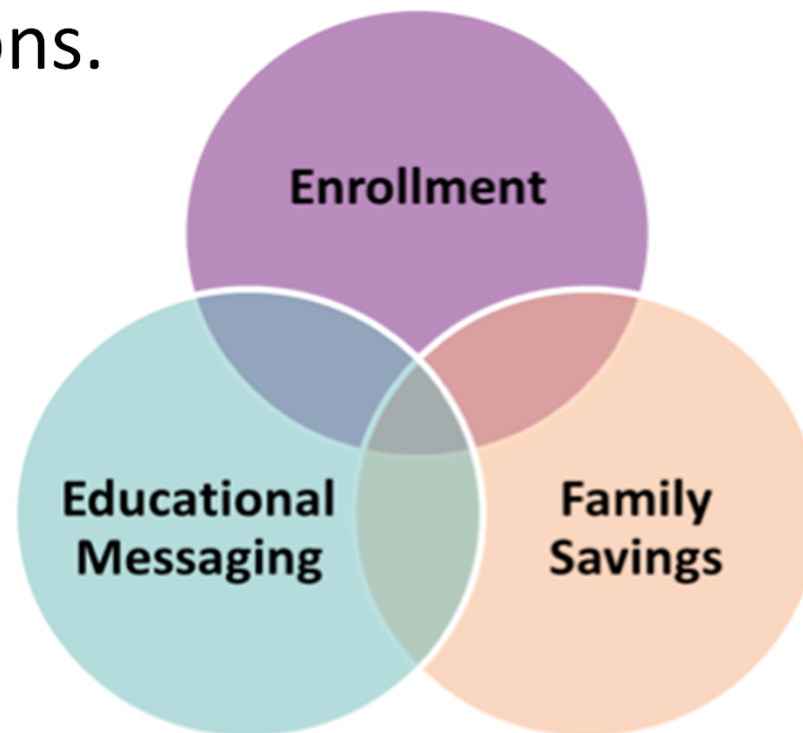
23,000 Maine babies

during the first five years of the program!



A 3-pronged strategy

- While strongly focused on enrollment, we also care about encouraging savings and raising aspirations.



The Message with the Money

- Once a family Enrolled, they receive a Quarterly Summary that contains
 - information on their account balance
 - age-appropriate education tips
 - a reply form for additional contributions
- This has been our way of sharing Education Messaging and encouraging Family Savings





TIPS for Issac's Future 3 to 8 YEARS

- A** Count Your Pennies
- B** Be a Financial Role Model
- C** Take it to the Bank

RESOURCES: 500forbaby.org/resources

Account Owner:
 Aaron Sample
 123 Main St.
 Anywhere, USA 55555-5555

NextGen College Investing Plan*
Account Number Ending In: 555
 Quarterly Summary for
Account Beneficiary:
Issac A. Sample

	Apr-Jun 2012	As of 6/30/12		
	Activity	Activity	Market Movement	Value
Alfond Grant	\$0.00	\$500.00	\$94.25	\$594.25
Contributions	\$150.00	\$450.00	\$25.42	\$475.42
NextGen Matching Grants	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$150.00	\$950.00	\$119.67	\$1,069.67

See reverse side for important information and how to read the Quarterly Summary.
QUESTIONS? CALL FAME 1-800-228-3734

Start Today! Every dollar put away for college for your child is an investment in your child's future. Even \$25 a month could add up. Start investing today and watch the opportunities for your child's future grow. Anyone can make a contribution to your NextGen account. Share contribution coupons with family and friends who want to invest in your child's future and educational aspirations.

TIPS for Isaac's Future **FINANCIAL**
3-5 Years

- A** **Count Your Pennies.** Coin sorting is a great activity for pre-schoolers. Teach Isaac about money by helping sort colors, sizes, and values.
- B** **Be a Financial Role model.** Isaac will learn about saving and spending from you. Talk about the things you're saving up for, and show how the money you're saving for college is adding up.
- C** **Take it to the Bank.** Going to the bank can be a fun activity for Isaac. Most banks will even let a child have their own account if a parent signs them up. Help Isaac save and show how to make a deposit.

For more tips and resources, visit 500forbaby.org/resources

Invest in Isaac's Future
CONTRIBUTION COUPON

Make a contribution and help open doors to Isaac's dreams!

Account Number:

Account Owner's Last Name:

Account Owner's First Name:

Isaac A. Sample
NextGen Account Designated Beneficiary Name

Contributions by check:
 Enclose a check payable to:
 NextGen FBO (NextGen Account Number)

Deposit Total \$



*Please review "IMPORTANT INFORMATION" on the reverse side prior to making a contribution.



We're Not Satisfied

- \$11.5 million and 23,000 Maine children is a great outcome – it represents about 40% of eligible children during that time period.
- But that means that 60% of Maine children were not Alfond Babies and did not receive the grant.
- To meet the future workforce needs of Maine's economy, we need every baby to have the \$500 Alfond Grant – not just the opportunity to receive it.



Time for a New Strategy

- And so, last spring we announced a new strategy:

All Maine children born in 2014 and thereafter will be automatically enrolled!

- This means more than **\$6 million** in grants to over **12,000 Maine children each year**.



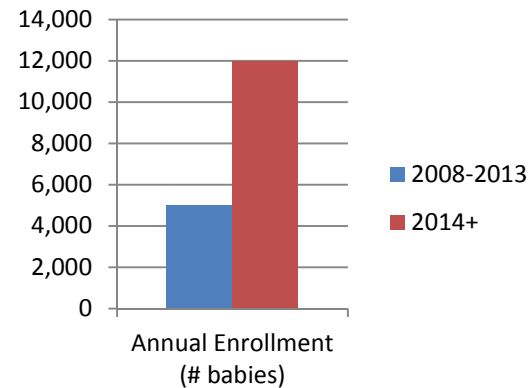
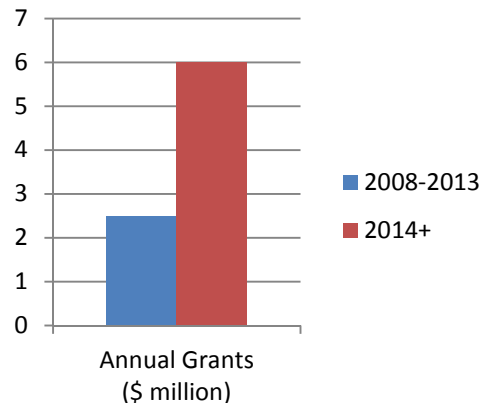
Every Maine Baby is an Alfond Baby!

- The \$500 Alfond Grant will be invested for them into a special account held by ASF.
- Parents can invest in their child's future education by opening their own account.
- We also decided to “scoop up” any Maine babies born in 2013 who had not yet enrolled.



A Dramatic Increase

- With Automatic Enrollment, we experience a dramatic increase in the total grants awarded, and the number of Maine babies we support each year.



What does this mean?

- All babies born a Maine resident are now awarded the \$500 Alfond Grant and – **for 18 years** –quarterly information and encouragement to aspire to and save for college.

*A child with a college savings account is 3x more likely to go to college –
and 4x more likely to graduate –
even when the account is small (< \$500).*



How does it work?

- ASF has opened an Omnibus Account on behalf of “beneficiaries to be named later” (something we are able to do, as a non-profit organization, under the state’s 529 enabling legislation).
- FAME gets basic birth information from Maine Bureau of Vital Records, and we invest \$500 in our Omnibus Account for every Maine resident baby of record.



How does it work (cont'd)

- If a family wishes to make their own investment in their child's future education, they open their own NextGen account.
- Whether an Alfond family opens an account or not, they receive a quarterly mailing with updated information on the value of the \$500 investment (and any other contributions) as well as educational and aspirational tips.





HELP [BFirst] SUCCEED!
We've invested a \$500 Alfond Grant for your child.

[First] [M.] [Last]
 [Address]
 [City], [State] [Zip]

Alfond Grant Update for:
[BFirst] [BM.] [BLast]

Alfond Grant	Original Value	Change in Value	Current Value as of 6/30/14
	[\$500]	[\$94.25]	[\$594.25]

YOUR CHILD IS DESTINED FOR GREATNESS!

The Alfond Grant is a start toward future education and success. There are also many things you can do to help. Check out 500ForBaby.org and click on Parent Resources.

Tips for [BFirst]

Books build brains. Go to www.readingrocket.org to find ways to read, write and tell stories together. Applaud your young reader and beginning story writer to help your child become a happy, confident reader.

- A Create a Book Together** Fold pieces of paper in half and staple them to make a book. Ask your child to write sentences on each page and add his or her own illustrations.
- B I Read to You, You Read to Me** Take turns reading aloud at bedtime. Kids enjoy this special time with their parents.
- C Once is Not Enough** Encourage your child to re-read favorite books and poems—especially any Raising Readers books you received from your healthcare provider! Re-reading helps kids read more quickly and accurately.

For more tips and resources, visit 500forbaby.org

Tips are provided to you by the Alfond Scholarship Foundation, which is solely responsible for tips content.

Invest in [B's First] Future

Open a NextGen account!

Does [name] have NextGen College Investing Plan® account?

You can open a NextGen account for [name] and begin making contributions any time. Opening the account is easy, and takes only about 15 minutes of your time. You may also be eligible for NextGen matching grants. To learn more about NextGen, visit www.famemaine.com/nextgen.



Key Players and Roles

- **Harold Alfond Foundation** (private foundation) provides the funding.
- **Alfond Scholarship Foundation** (non-profit) manages the program - the *Harold Alfond College Challenge*.
- **FAME** (the Finance Authority of Maine, a quasi-government agency) operationalizes the program and manages the 529 account.
- **ASF and FAME** together develop outreach efforts and disseminate communications materials.

Role of Partnerships

- **Business Partners** sign on to offer payroll deduction for employees to 529 accounts (and some also offer a matching grant)
- **Foundation partners** help us to reach low-income and rural families to encourage and facilitate college savings.
- These partnerships help us to encourage college savings by Maine families, to “catch up” children who did not sign up in the first iteration of the program, and to develop and test models for communications, outreach and family savings for our next generation of “automatic enrollment” babies.



Committed to Maine's Future

Together we can help all Maine children
aspire to and save for a brighter future!

