Investing in Hope: A Two-Generation Approach to Asset Building

In recent years, a new and powerful idea for addressing systemic, persistent poverty in the United States has emerged: a "two-generation" approach that seeks to address the needs of both vulnerable children and parents together. This approach serves both children and their parents with an array of services, supports, and learning and empowerment opportunities – all geared toward helping families envision and achieve brighter futures. In particular, evidence suggests that a two-generation approach focused on education, economic supports, and social capital has the potential to generate significant financial stability outcomes for low-income families.

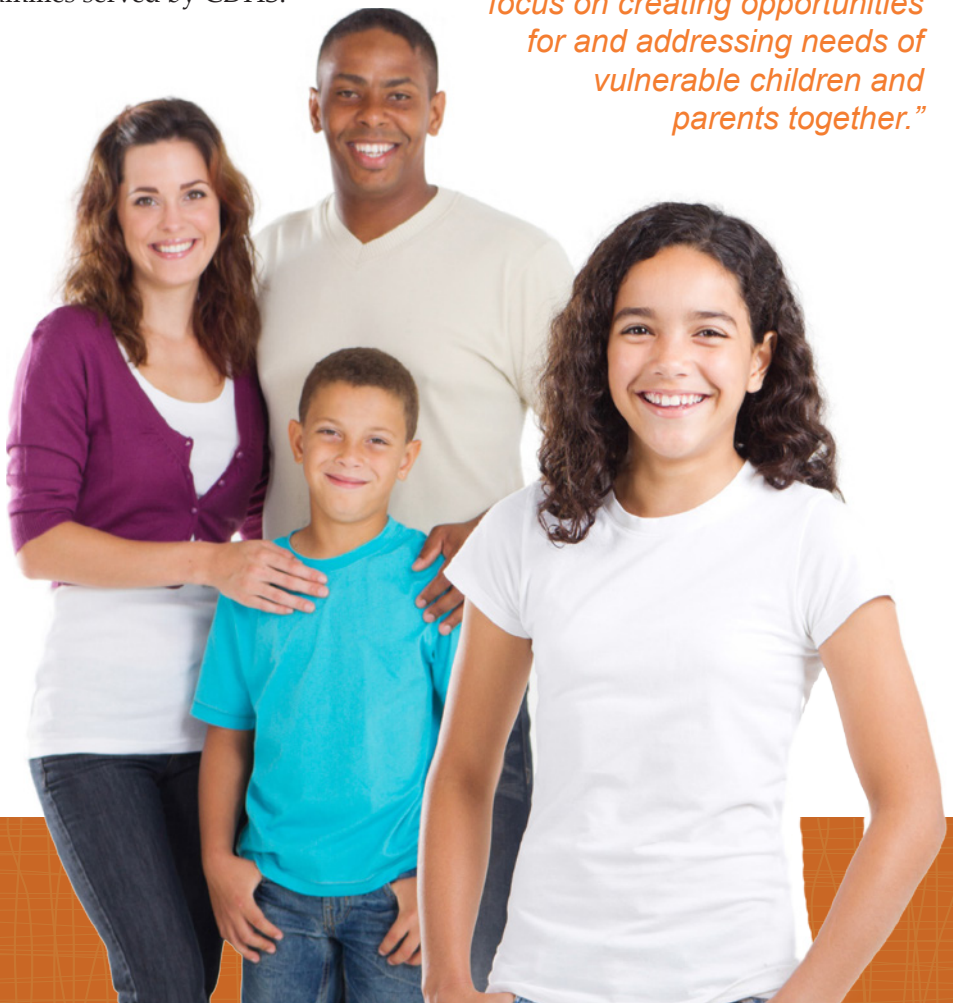
Similarly, over the past decade, the long-established field of asset building – which promotes strategies, policies and programs to help low-income families climb the economic ladder sustainably and permanently – has seen an increased focus on reaching children as well as adults. A growing body of research illustrates that even modest asset ownership – something as simple as a savings account – can both increase financial security and, perhaps even more importantly, raise the hopes and aspirations of both children and adults. These findings have led to a rapidly growing set of efforts to promote asset building for children as well as their parents.

A Powerful Partnership

In 2012, these two concepts – asset building and a two-generation approach – came together thanks to the Aspen Institute's Ascend Fellowship program. With funding from Ascend at the Aspen Institute, two of the Fellows – Reggie Bicha, Executive Director of the Colorado Department of Human Services (CDHS), and Andrea Levere, President of CFED – began exploring strategies to offer a two-generation asset-building approach to families served by CDHS.

"Two-generation approaches focus on creating opportunities for and addressing needs of vulnerable children and parents together."

Their partnership soon focused on Children's Savings Accounts (CSAs) – long-term, incentivized savings accounts for children that are generally used for higher education – as a vehicle to engage low-income parents and their children across Colorado to foster household financial security. By involving children and parents alike in financial education and savings activities, CSAs can serve as a bridge to connect families to financial management and asset-building tools and products.



[1] Mosle, A., and Patel, N. (2012). Two Generations, One Future: Moving Parents and Children Beyond Poverty Together. Available at http://ascend.aspeninstitute.org/resources/two-generations-one-future.

Serving Families through CSAs

CSAs are long-term accounts, established for children as early as birth and allowed to grow until children reach adulthood. Accounts are seeded with an initial deposit and built by contributions from family, friends and the children themselves. Often, savers' deposits are augmented by savings matches and/or other incentives. At age 18, the savings in CSAs are used for an asset-building purpose – typically financing post-secondary education.

Researchers have found that such asset-building accounts may have significant impacts on children and youth, particularly in the realm of educational attainment. One notable study documents that low- and moderate-income children with dedicated college savings of between $1-$499 are three times more likely to attend college and four times more likely to graduate from college than those without savings.[2]

Practical experience nationally has shown that in addition to improving educational outcomes for children, CSAs can be an effective tool in serving parents as well. Because parents are often willing to do for their children what they won't do for themselves, CSA initiatives can act as a two-generation "gateway" that simultaneously builds children's savings while growing parents' financial capacity by:

- **Building financial knowledge** – Many CSA programs engage both children and their parents in culturally and age-appropriate financial education.
- **Developing savings habits** – CSAs encourage the whole family to participate in savings and help develop lifelong savings habits for adults and children alike.
- **Encouraging parents to become banked** – For unbanked or underbanked parents,[3] CSAs can create an initial connection to mainstream banking that may encourage parents to open checking or savings accounts for themselves, with the added benefit of no longer paying predatory fees to alternative financial service providers.
- **Connecting parents to asset-building services** – CSA programs can serve as a conduit for families to access other services that build household financial security, such as adult matched savings accounts (known as Individual Development Accounts or IDAs), free tax preparation, job training and credit counseling.

Growing Support

The potential of CSAs to improve students' educational attainment and to increase the financial capacity of low- and moderate-income families has fostered growing support for CSAs among policymakers, educators, financial institutions and nonprofit organizations, while also catalyzing the creation of large-scale CSA initiatives. San Francisco's Kindergarten to College program provides seeded accounts to every incoming kindergartner in the city, and Cuyahoga County in Ohio recently launched a similar program covering all kindergartners in the county. These and other similar programs have the potential to increase the presence and reach of CSAs exponentially over the next few years.

[2] *Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education* (2013). The University of Kansas School of Social Welfare, Assets & Education Initiative.
[3] Unbanked households (8.2% of US households) do not have a checking or savings account with a mainstream financial institution. Underbanked households (20.1% of households) may have an account but also use alternative financial services, such as check cashers or payday loans. For more information, visit: www.fdic.gov/householdsurvey/2012_unbankedreport.pdf.

Serving Two Generations in Colorado through CSAs

The proposed Colorado CSA initiative, stemming from the partnership between Ascend Fellows Reggie Bicha and Andrea Levere, provides the opportunity to implement and evaluate a state-level CSA initiative that seeks to serve low-income children and their parents together. While most CSA programs incorporate some family engagement – mainly focused on mobilizing savings in CSAs by parents – the proposed Colorado model uses a distinct two-generation approach by building upon and enhancing services provided to families by the state.

In the proposed model, a 529 college savings account would be opened for preschool-age children who already receive services through either CDHS's childcare assistance program or the Colorado Department of Education's preschool program. The accounts would be seeded with an initial $50 deposit and each child would be eligible for another $100 per year in savings matches for up to five years. By incorporating the CSA program into the state's childcare assistance or preschool programs, Colorado is layering asset building for children on top of programs that already support parents – through subsidized childcare – and support children – through early childhood education. Moreover, CDHS can use CSAs as a "hook" to link parents to a range of other asset-building resources, such as financial education, banking products, credit counseling and free tax preparation assistance.

A Strong Foundation

Colorado already has many of the key elements in place for a successful CSA initiative, including a state 529 program with a plan that works for low-income families, no asset limits on state benefit programs that create disincentives for low-income families to save for their children's education and strong data collection systems to evaluate the effectiveness of the program over time. In addition, the political environment in Colorado is conductive to implementing a CSA program. Political leaders, including Governor Hickenlooper and Lieutenant Governor Garcia, along with state agency leaders, recognize the importance of investing in young children and have expressed support for the idea of developing a Colorado CSA program to build economic opportunities for low-income Colorado children and families. Moreover, the goals of the CSA initiative align well with the mission of many philanthropic organizations – such as fostering children's educational aspirations, making college accessible to low-income children and increasing the financial knowledge of children and families.

A Pioneering Initiative

The Colorado effort is an important and pioneering opportunity to demonstrate the potential of CSAs to serve as a two-generation "gateway" that builds lasting economic security for children and families. The resulting initiative could have significant impact on both the practice and policy outcomes for the broader asset-building field and advance a two-generation approach more broadly.

Additional Resources

CSAs
CFED – http://cfed.org/programs/csa
New America Foundation – http://assets.newamerica.net
University of Kansas School of Social Work, Assets and Education Initiative – www.aedi.ku.edu
Washington University, Center for Social Development – http://csd.wustl.edu

Two-Generation Approach
Ascend at the Aspen Institute – http://ascend.aspeninstitute.org

ASCEND
THE ASPEN INSTITUTE

About Ascend At the Aspen Institute
Ascend at the Aspen Institute is a hub for breakthrough ideas and collaborations that move children and their parents toward educational success and economic security. Ascend takes a two-generation approach to our work – focusing on children and their parents together – and we bring a gender and racial equity lens to our analysis. We believe that education, economic supports, social capital, and health and well-being are the core elements that create an intergenerational cycle of opportunity. As a new model of social innovation, we are building a network of diverse leaders through a national fellowship program and an extended learning network; identifying, supporting, and elevating two-generation programs, policies, and community solutions; and engaging the perspectives, strengths, and resilience of low-income families to inform program design and policy development.

cfed
expanding economic opportunity

About CFED
CFED empowers low- and moderate-income households to build and preserve assets by advancing policies and programs that help them achieve the American Dream, including buying a home, pursuing higher education, starting a business and saving for the future. As a leading source for data about household financial security and policy solutions, CFED understands what families need to succeed. We promote programs on the ground and invest in social enterprises that create pathways to financial security and opportunity for millions of people. Established in 1979 as the Corporation for Enterprise Development, CFED works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

cdhs
Colorado Department of Human Services
people who help people

About CDHS
The Colorado Department of Human Services is the state government's principal agency for providing essential human services to those least able to help themselves, from children and elderly people to mentally ill and developmentally disabled persons. Together with federal, state and local government and non-profit partners, CDHS also works to improve the overall quality of life of children, youth and families together, striving to ensure they are safe, healthy, economically secure and achieving quality education. With a talent pool of 5,000 professionals, the department is data-driven, outcome-focused and committed to providing excellent customer service.