

Children's Savings Accounts 2.0

Building Assets & Changing Lives

Vermont State House

January 15, 2015



Children's Savings Accounts (CSAs)

🔗 Long-term asset-building accounts established for children, as early as birth, and allowed to grow over their lifetime.

🔗 Two Product Models

🔗 A deposit-only savings account offered by traditional lender. ([K2C Model, San Francisco](#))

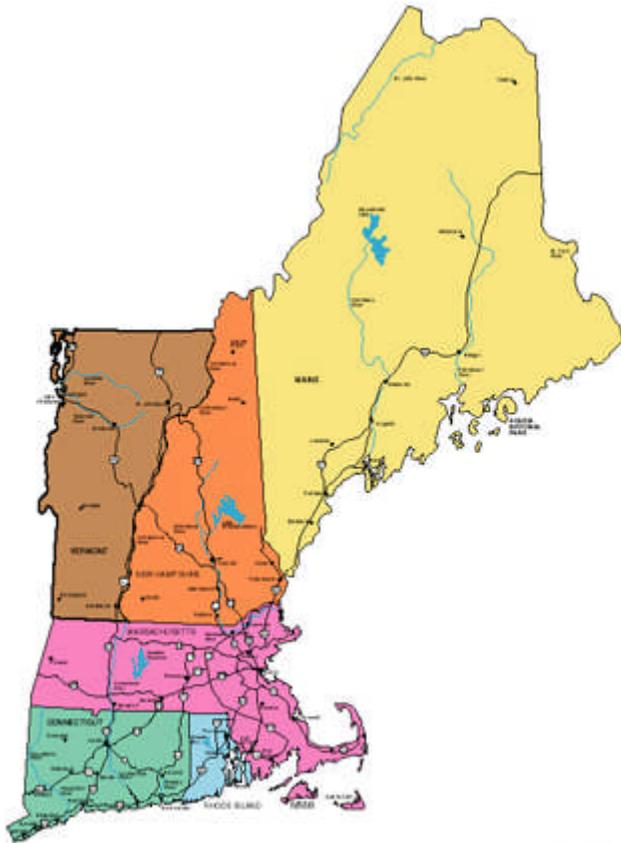
🔗 A 529 savings plan (named for the relevant section of the federal tax code) is a state-sponsored, tax-preferred savings plan for qualified post-secondary education expenses. ([Harold Alfond, Maine](#))

🔗 Either model can provide **savings matches** or other **incentives** to encourage positive savings behaviors – particularly those of lower income – to save.

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 middle skills gap by addressing secondary education affordability.
- ✓ CSA's encourage and leverage, family, public and private capital resources.

What Did Our New England States Accomplish in 2014?



- All six New England States are actively pursuing a CSA Agenda
- New England Children's Savings Account Consortium
- New England State Consulting Sessions

What Did Our New England States Accomplish in 2014?

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THE NEW ENGLAND JOURNAL OF HIGHER EDUCATION

Saturday, December 6, 2014

Baby Talk: Children's Savings Accounts Mark New Frontier in Paying for College

by Anthony Pease and Colleen Quirt
October 27, 2014

There is a growing national conversation about the role of Children's Savings Accounts (CSAs) in building assets and creating opportunities for the next generation of students—and New England is right in the middle of it. In many respects, New England is leading the way.

Through the support of the Federal Reserve Bank of Boston's Regional & Community Outreach Department and the experience of Maine's Harvard Allford College Challenge, there is palpable energy and momentum on this issue.

What is it about CSAs that is drawing such attention? CSAs are long-term asset-building accounts established for children, as early as birth, which then grow over the child's lifetime and are used to finance qualified higher education, including community colleges and trade schools. There are two different product models: a deposit-only savings account offered by traditional lenders and the most widely adopted model, a 529 tax-advantaged investing plan offered by most states for qualified postsecondary-education expenses. Interest is mounting in emerging examples where either of those models are combined with seed deposits and savings matches or other incentives to encourage positive savings behavior.

Both the practical and aspirational benefits of CSAs have the potential to significantly boost college-going, particularly for low-income individuals. Real money in real accounts means families have greater confidence that they can find a way to make education after high school an option for their children. And that confidence can add new energy to the dinner-table conversations about the importance of that children are doing in school now and how education can open doors for them in the future. A recent study completed by the Assets & Education Initiative at the University of Kansas found that college savings—even savings of less than \$500—increased college entry for low- and moderate-income students. Low- and moderate-income students with savings are three times more likely to enroll in college and four times more likely to graduate from college than students with no savings.

In 2008, Maine's Harvard Allford College Challenge made a commitment to invest \$500 for college for every Maine resident newborn whose parents chose to open a 529 510a(c) college investing account (Maine's 529 plan) by the baby's first birthday. In the first five years of the program, nearly 22,000 children benefited from the grant, as about 45% signed on to the opt-in model.

This past spring, the Allford Scholarship Foundation, which manages the College Challenge, announced its first-in-the-nation approach to automatically invest the \$500 Allford Grant at birth for all babies born as Maine residents, dropping the requirement that parents open their own account. By the end of October, the program had invested over \$20 million on behalf of more than 45,000 Maine children since the inception of the program—and it expects to add an estimated \$6 million more for an additional 12,000 Maine babies each year.

The excitement about Maine's program has prompted not only conversation but action in the other New England states.

Following a national conference last spring on CSAs sponsored by the Corporation for Enterprise Development (CED) and other asset-rich states, the Federal Reserve Bank of Boston convened representatives from the New England states to assess interest in working collaboratively to advance their state's CSA initiative and develop regional strategies.

The idea is to leverage the region's unique identity, take advantage of the inherent competitive nature of the New England states ("if they do it, so can we"), and build on Maine's experience.

The New England Children's Savings Account Consortium includes representatives from Maine's Allford Scholarship Foundation, New Hampshire's Legislature (specifically, the state's Education Committee chair), New Hampshire's Affordable Housing, Education & Development (AHEAD) Program, Rhode Island's State Treasurer's Office, the Rhode Island Higher Education Assistance Authority, Connecticut's State Treasurer's Office and the Governor's Office, Vermont's Office of Economic

HIGHER EDUCATION INNOVATION CHALLENGE

Upcoming Events

2015 Excellence Awards
March 13, 2015
Boston Harbor Hotel, Harvard Hall
Boston, Massachusetts

MASSDEVELOPMENT

Way to grow
CSAs to INVEST IN

Higher Ed Joblink

15p-to-the-minute job postings from New England Higher Education Recruitment Consortium
Financial and Program Administrator
US - MA - Cambridge
Massachusetts Institute of Technology (MIT)

Medical Technologist (Molecular Diagnostics)
OH - OH
US - MA - Boston
Beth Israel Deaconess Medical Center

APPY Nurse Practitioner (NP) Specialists (NP)
US - MA - Boston
Beth Israel Deaconess Medical Center

View all jobs

- Passage of New Hampshire HB 1146

- New Hampshire's Legislative Study Committee [Final Report](#)

- New England Community Development Advisory Council [Regional Convening](#)

- New England Journal of Higher Education

Where are the New England States Today?



Center for Social Development
GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

| MARCH 2014 | CSD POLICY REPORT 14-05 |

Automatic Deposits for All at Birth: Maine's Harold Alfond College Challenge

By Margaret Clancy and Michael Sherraden

"We've come to realize that providing the opportunity to receive the [College Challenge] grant isn't enough. We need to make sure that all Maine babies actually receive the grant."
—Gregory Powell, Chairman of the Harold Alfond Foundation

Child Development Accounts (CDAs), opened as early as birth, promote saving and asset accumulation for post-secondary education and other developmental purposes. Ideally, CDA programs include all children, with progressive funding for those most disadvantaged (Sherraden, 1991; Beverly, Elliott, & Sherraden, 2013).

The first statewide CDA in the United States—Maine's Harold Alfond College Challenge—has announced a major change in strategy to *automatically enroll* all newborns as a way to "raise aspirations for and improve access to higher education for Maine's young people" (Harold Alfond Foundation [HAF], 2013, p. 3).

Evidence from CDA research has contributed to the decision by the College Challenge to remove its original *opt-in requirement*—in which parents must enroll their newborns in the state's 529 college savings plan to receive a \$500 grant—in favor of *universal enrollment*—in which every child is enrolled automatically at birth with a \$500 grant: "Specifically, research conducted by experts at the Center for Social Development at Washington University in St. Louis has suggested that, if universal enrollment is the College Challenge's policy goal, an 'opt in' strategy may not do the job....the Center has raised serious questions about

[the] program's underlying 'opt-in' structure while reinforcing its overarching mission" of providing "every Maine baby with a college account" (HAF, 2012, pp. 5, 4).

From 2008 to 2013, the College Challenge invested approximately \$11.5 million on behalf of nearly 23,000 Maine babies. As of 2013, about 40% of eligible children had been enrolled and received the \$500 grant. Despite extensive marketing and outreach efforts by the Alfond Scholarship Foundation (ASF)¹ and the Finance Authority of Maine (FAME),² some parents may have been deterred by a two-step enrollment process and a complicated 529 college savings plan application (Clancy & Lassar, 2010).

Research indicates that parents in Maine with more education, other investments, and a financial advisor were more likely than those who were less financially sophisticated to enroll their children in the College Challenge. It may be that enrolled children's parents better understood the program rules, benefits, and application process (Huang, Beverly, Clancy, Lassar, & Sherraden, 2013). The likely result is that "those not participating are from families who would benefit most" (HAF, 2012, p. 5).

Maine's Harold Alfond College Challenge has announced a major change in strategy to *automatically enroll* all newborns.







Rhode Island's investment in your child's future.



MEDIA ADVISORY

Governor-Elect/Treasurer Gina Raimondo Partners With RIHEAA to Announce Long-term Policy Change to Help Next Generation of Rhode Islanders Attend College

Newly Enhanced CollegeBoundbaby™ Program Will Offer Universal Children's Savings Accounts at Birth, Becoming 1 of 3 Leading Statewide Programs in the U.S.

WHAT: Governor-Elect/Treasurer Gina Raimondo, in partnership with the Rhode Island Higher Education Assistance Authority (RIHEAA), will host an interactive forum with educational groups, researchers and policy makers from across Rhode Island and the country to discuss an exciting policy change.

The forum will highlight research—presented by nationally recognized experts in the field of children's savings accounts and college matriculation—that is being used to drive policy changes to Rhode Island's CollegeBoundbaby, a program that offers an innovative strategy to significantly boost the number of families who save and pursue higher education opportunities for their children.

WHO: **Featured Speakers Include:**

- Governor-Elect Gina Raimondo
- Ray Di Pasquale, President, Community College of Rhode Island
- Faith LaSalle, Esq., Chair, RIHEAA Board of Directors
- Rhode Island Treasurer-Elect Seth Magaziner

Roundtable on Policy and Research of Early College Savings

- Heather Hudson, Director of Financial Empowerment, Office of RI General Treasurer
- Dr. William Elliott III, Associate Professor, University of Kansas and Founder of the Assets and Education Initiative and Melinda Lewis, LMSW, Associate Professor of Practice, University of Kansas and Assistant Director of the Assets and Education Initiative
- Margaret Clancy, Policy Director, Center for Social Development, Washington University in St. Louis
- Patricia Roberts, Managing Director, AllianceBernstein
- Anthony Poore, Community Development Manager, Federal Reserve Bank of Boston
- Leigh Tivol, Senior Director, Programs, Corporation for Enterprise Development

WHEN: **Wednesday, December 10, 2014, from 10:00 a.m. – 12:00 p.m.**

WHERE: **Community College of Rhode Island – 4th Floor Board Room (Rm. 4090)**
400 East Avenue, Warwick, RI
Parking for media reserved in short-term parking area.

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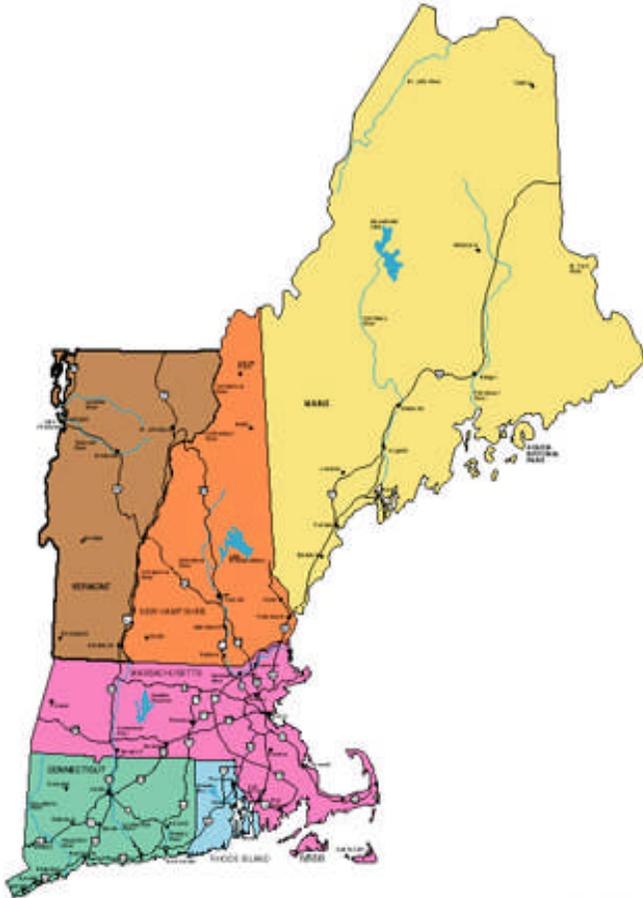
Where are the New England States Today?

Announcing the CHET Baby Scholars Program, for every new baby born in Connecticut

• [Click to Learn More](#)



Where are the New England States Today?



Three New England State Legislative Champions.

- **Vermont:** Rep. J. Krowinski/Poverty Council
- **New Hampshire:** Rep. M. Gile/Legislative Study Committee
- **Massachusetts:** Sen. J. Eldridge & the City of Boston (Office of Financial Empowerment)

Children's Savings Accounts 2.0
Increasing the Capacity of New England
CSA Initiatives

Coalition Builder

Technical Assistance
Provider

Research Partner

Practice

Policy

Research

2014

New England CSA Consortium

- ✓ In-State Trainings

**New England Journal of
Higher Education**

CDAC Regional Convening

2015

- **State Support**
(Outcomes & Impact)
- ✓ Rhode Island
- ✓ Connecticut

2014

Vermont

- ✓ Rep. J. Krowinski/Poverty
Council

New Hampshire

- ✓ Rep. M. Gile/Legislative
Study Committee

Massachusetts

- ✓ Sen. J. Eldridge
- ✓ City of Boston

CSA Policy Roundtable

- ✓ December 12, 2014

2015

**New England/Mid-Atlantic
Convening**

- ✓ March 25, 2015

2014 – 2015

Visiting Scholar Initiative

Focus

- ✓ Financial Product/Delivery
Platform (Policy)
- ✓ Impact & Assessment
(Policy & Practice)

FRBB Visiting Scholars Program

Dr. William Elliott III, University of Kansas & Founder, Assets & Education Institute

Practice/Advising States

- State meetings communicating the framework for assessing CSAs' effects.
- Assist our New England states in developing outcome and impact measures for evaluating CSA effectiveness.

Policy

- Children's Savings Account Policy Roundtable, focusing on delivery systems and options for scaling CSA interventions, hosted jointly by Boston Fed and AEDI (**December 2014**)
 - *Deliverable: Proceedings Document*

Research

- White Paper analyzing the context of CSA policy development in this region that includes an analysis of promise and limitations of state CSA policy.
- Outcomes & Impact Assessment

Assets and Education Initiative (AEDI) – Center at the University of Kansas School of Social Welfare

The mission of AEDI is to create and study innovations related to assets and economic well-being with a focus on the relationship between Children's Savings Accounts (CSAs) and the educational outcomes of low-income and minority children as a way to achieve the American Dream.

Research Agenda

- CSAs Project
 - Examine the effects CSAs on children's educational outcomes: College preparation, enrollment, and completion
- College Debt Project
 - Examine the effects of student loans on post-college financial health (i.e., asset accumulation)
- Wealth Transfer Project
 - Examine the effects of initial asset levels on income and asset accumulation
- Financial Inclusion Project
 - Examine the effects of CSAs on financial health in young adulthood

A Few Good Ideas: Before and During College

- Wilt
 - Refers to the sizable number of minority and low-income children who expect to attend college and have the ability to attend college, but fail to transition to college after high school graduation.
 - E.g., Elliott, W. and Beverly, S. (2011). The role of savings and wealth in reducing “wilt” between expectations and college attendance. *Journal of Children and Poverty*, 17(2), 165-185.

A Few Good Ideas: Before and During College

- College Saver Identity
 - A student with a college-saver identity expects to go to college and has identified savings as a strategy to pay for it.
- Small Dollar Accounts
 - Even accounts with less than \$500 can positively effect enrollment and graduation outcomes
 - E.g., Elliott, W. (2013). Small-dollar children's savings accounts and children's college outcomes. *Children and Youth Services Review*, 35 (3), p. 572-585.

The Engine behind the Growth in CSAs

The CSA Field Today

Large CSA Initiatives (launched and in planning)



- States that incentivize 529s
- ★ Major **statewide** initiative
- ★ Major **municipal/county** initiative
- ★ Major **private/philanthropic** initiative
- ★ Major **Native American** initiative

State Initiatives

- 15 states incentivize deposits into 529 plans for some children
- Statewide CSA initiatives in Colorado, Nevada, Hawaii, Maine
- Child Support System Initiatives in Texas and Kansas

Municipal/County Initiatives

- K2C in San Francisco, CA and Cuyahoga County, OH program
- Housing as CSA platform in Tacoma, WA

Private/Philanthropic Initiatives

- Jackson, MS and Grand Rapids, MI
- KIPP in DC, NYC, Houston, Chicago
- EARN's Triple Boost, FUEL, Propel Schools, CollegeSet, Children's Aid Society

Native American Initiatives

- First Nations (NM)
- Lakota Funds (SD)
- White Earth Investment (MN)

A Few Good Ideas: Post-College Financial Health

- Student Loans Reduce Asset Accumulation
 - “Are students who would not otherwise be able to pay for college better off having gone to college than they would be if they did not go?”
 - If two students graduate from college and become lawyers, one with outstanding student debt and the other without, the lawyer with debt has less opportunity to accumulate wealth or assets such as houses. But this is not simply because of loan payments to be made but because of a differential capacity for capital accumulation.
 - E.g., Elliott, W., & Nam, I. (2013). Is student debt jeopardizing the short-term financial health of U.S. households. *Federal Reserve Bank of St. Louis, Review*, 95(5), 1-20.

A Few Good Ideas: Post-College Financial Health

- CSAs as a Gateway Financial Instrument
 - Have savings early on leads to greater asset accumulation in other forms such as stocks, retirement accounts, and real estate.
 - E.g., Friedline, T., Johnson, P., & Hughes, R. (2014). Toward healthy balance sheets: A savings account as a gateway to young adults' asset diversification and accumulation? (*The St. Louis Federal Reserve Bulletin*).

Conclusion

- Children's Savings Accounts (CSAs) are not necessarily superior to other financial aid approaches for the sole purpose of paying for college.
- When considered through a lens that looks beyond mere access, though, to account for the role of assets in helping children prepare for, engage with, and benefit from college, there may be no other single policy lever as well-suited to these challenges as CSAs.