

# Children's Savings Accounts

*New England Community Development Advisory Council*

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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.

# 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 your state's long-term workforce development aspirations.
- ✓ CSAs help to address New England's middle skills gap by addressing secondary education affordability.
- ✓ CSA's encourage and leverage both family and capital resources.

# 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).
- **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).
- **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).

# Growing Support

## Key CSA Initiatives (currently running 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
- 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 Puget Sound, WA and Cambridge, MA

### 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)

# Harold Alfond College Challenge

- 👉 Began as a pilot in two hospitals in 2008, and expanded statewide in 2009.
- 👉 Most comprehensive program in the United States (Huang, Beverly, et al., 2011)
- 👉 Increase focus on the participation of low- and moderate income families.
- 👉 *“We’ve come to realize that providing the opportunity to receive the 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**
- 👉 In March, Maine becomes first state to provide universal college savings for all newborns.
  - 👉 **Why:** as of 2013, about 40% of eligible children had been enrolled and received the \$500 grant.
  - 👉 **Procedural Barriers to entry:** Child must be enrolled prior to turning one, and required that a parent complete an inquiry form and enrollment kit to join.

# New England's CSA Momentum

- [VT HB 880](#) passed the VT House Committee on Human Services with the inclusion of one amendment. VT HB 880 proposes *to establish a study committee to assess the feasibility of funding a universal college savings account.*
- This bill was championed by Vermont State Representative and Child Poverty Council member, Jill Krowinski with support from Paul Dragon and Sarah Phillips of VT's Office of Economic Opportunity and members of the Community Development Advisory Council.
- VT HB 880 bill was modelled in part on New Hampshire's [House Bill 1146](#) which *proposes to establish a committee to study the feasibility of funding a kindergarten to college/career ready program and a universal savings account.* HB 1146 passed the House Finance Committee in March & the Senate Finance Committee had its first hearing on the bill April 1<sup>st</sup>.
- When considering, the recent program changes announced by the [Harold Alfond Foundation](#) making Maine the **first state in the United States to make college savings for newborns universal and automatic**, there is a tremendous amount of enthusiasm about the potential of Children's Savings Accounts and their long-term impact on thousands of low and moderate income families throughout New England's Northern Tier.