

# Children's Savings Accounts

## New England CDAC Regional Convening

September 23, 2014



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

# What Does Current Research Suggest: *Assets, Empowerment & Opportunity*

## College Readiness

Knowledge of Savings =

- Higher student and parental college expectations.
- Weak but positive effects on reading & math.
- Higher high school GPA

## College Access

- Even college savings of **less than \$500** increase college entry for low and moderate income students.
- **3Xs** more likely to enroll in college than with no savings account.

# What Does Current Research Suggest: *Assets, Empowerment & Opportunity*

## College Completion

- Even college savings of less than \$500 **increase college completion** for low and moderate income students.
- **4Xs** more likely to graduate college than with no savings account.

## Young adult graduates who had savings as adolescents:

- **2Xs** more likely to own savings accounts (banked/unbanked)
- **2xs** more likely to own credit cards
- **4xs** more likely to own stocks

# 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)

# New England Leads the Nation

## Maine

- The [Harold Alfond Foundation](#) made changes to its CSA program in March, making Maine the first state to make college savings for newborns universal and automatic.

## Rhode Island

- State Treasurer Gina Raimondo, is actively pursuing a broad universal CSA agenda. Every baby born or adopted as a Rhode Island resident on or after July 1, 2010 is eligible to receive a one time \$100 contribution to a [CollegeBound Baby](#) fund account.

## Connecticut

- Governor Malloy recently established the [CHET Baby Scholars Fund](#). CHET Baby Scholars will deposit \$100 into a CHET account for children born or adopted on or after January 1, 2014. A second deposit of \$150 will be made if family and friends add at least \$150 to the child's enrolled CHET account within four years.

## Vermont

- State Rep. Jill Krowinski and Poverty Council Chair intends to introduce a CSA Bill next legislative session with support from VT Student Aid Corporation and the State of VT Office of Economic Opportunity. State wide convening scheduled for Monday, Oct. 27<sup>th</sup>.

## New England's Children's Saving's Account Consortium (Regional Effort)

- The newly formed New England CSA Consortium convened its first meeting on June 9<sup>th</sup>. The group met with the City of San Francisco's treasurer, Jose Cisneros, to learn more about his city's [Kindergarten 2 College CSA Program](#), established in 2010.

# New England Leads the Nation

## New Hampshire

- State Representative & Education Chair, Mary Gile sponsors & passes [NH HB 1146](#).
  - Establishes a committee to **study the feasibility of creating, structuring, managing, marketing, and funding** a kindergarten to college/career ready program and a universal college savings account, the purpose of which shall be to promote individual financial literacy among low and moderate income families.
  - Develop a **proposal for New Hampshire by November 1**, based on projected kindergarten enrollment in 2016, that addresses the **anticipated investment per student, guidelines for account maintenance, application procedures, and administrative costs.**
  - Members of NH's CSA Legislative Study Committee
    - Mary Gile, Deanna Rollo, Emily Sandblade, Richard Barry, Patricia Lovejoy