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Family Engagement Strategies in Children's Savings Accounts: Results from a 2017 Survey of Programs

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Introduction

This is an exciting time for children's savings accounts (CSAs) in New England and other parts of the country, as these programs continue to expand and build upon the momentum they have generated in state houses, city halls, and community-based organizations. However, this momentum has not come without challenges. One of the biggest of these is infrequent account activity. When accounts in these programs are opened and seeded with public sources and never used by eligible families, things become problematic. In programs that offer matching funds for consistent savers, infrequent utilization or lack of utilization altogether leads to loss of potential match income, lower account balances, and missed opportunities to earn interest and benefit from capital gains.

Another challenge is scalability. With interest in CSA programs growing, many organizations are being asked to test program design as part of a pilot launch, with the goal of scaling the program to reach more families. For the program to expand, it must be able to enhance its engagement strategies with technology, upgrade its communication methods to support convenient, commonly used means—such as email and smartphones—and proactively digitize and simplify its account sign-up process.

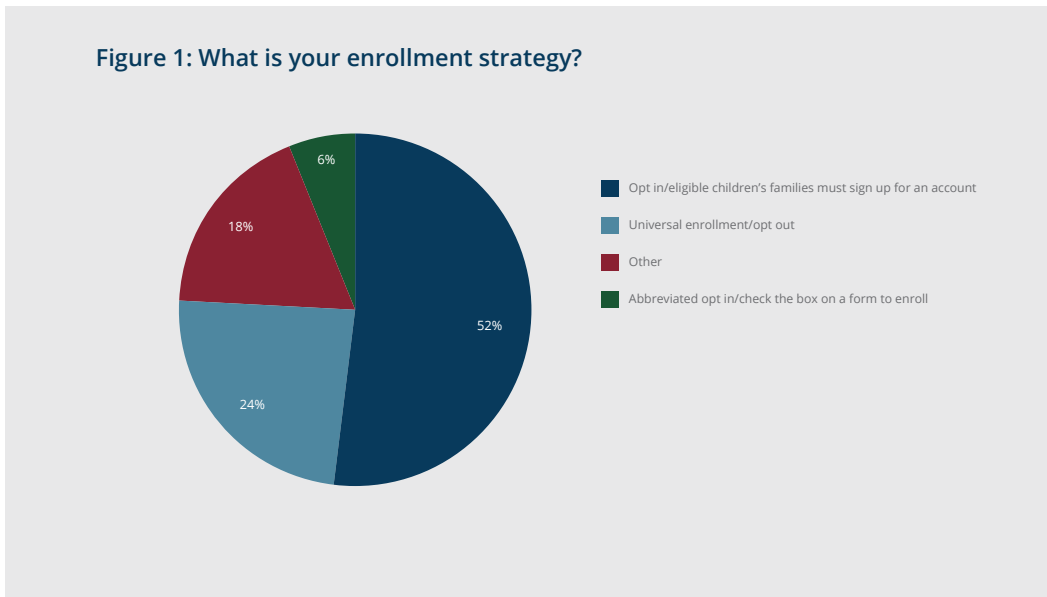
In an effort to better understand how CSAs currently engage participating families, the Federal Reserve Bank of Boston sent a survey to 42 active CSA programs throughout the country. We believe that sharing the observations and promising practices disclosed by the survey is critical to the long-term sustainability of CSAs and the broader movement to encourage asset accumulation, regardless of program design or preferred savings vehicle.

Enrollment

Universal automatic enrollment, or “opt-out” strategies, in which CSA accounts are automatically created for participants, were utilized by eight of 33 programs (24 percent of respondents). This enrollment strategy removes a significant barrier to entry by eliminating the need to complete complex forms and related account setup. Cumbersome sign-up processes have been shown to deter would-be savers who don't have the required information readily available or who don't trust the security of the information-gathering tool and fear being scammed. But conversations with program directors that utilize universal automatic enrollment revealed that even those programs have difficulties achieving consistent, continual use of CSA accounts.

Programs that do not utilize an opt-out enrollment strategy may rely on opt-in strategies, which require families to fill out paperwork indicating their desire to participate in the program, or they may use what is commonly referred to as an “abbreviated opt-in” or “check-the-box” strategy. This method allows an eligible family to check a box on an otherwise unrelated form (birth certificate application, school forms, etc.), allowing the data on that form to be shared with the CSA's plan administrator to open an account.

Seventeen of 33 respondents (52 percent) indicated that they utilize an opt-in enrollment strategy, while 6 percent utilized check-the-box enrollment (Figure 1). Programs that reported employing “other” strategies indicated that they usually require enrollees to complete a task in order to become eligible for or to complete enrollment. Examples of these required tasks included completing a financial literacy course and linking an account from a financial institution.



Incentives

CSA programs offer a myriad of incentives for participation (Table 1), including seed deposits at signup, rewards for attendance at classes, and even new strategies, such as prize-linked savings.¹ Seed deposits, which fund accounts at opening, are the most common form of incentive, and 26 of 32 surveyed programs (81 percent) reported utilizing seed funds. Interestingly, seven of the eight programs that utilize an opt-in enrollment strategy also provide seed deposits. The balance of programs that offer seed funds use the money as an incentive for signing up and opening a CSA account.

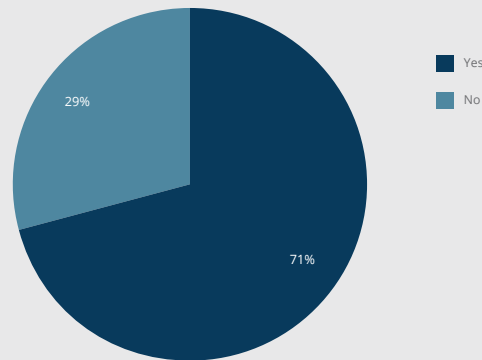
Incentivizing regular savings behavior (for example, by offering the opportunity to enter a drawing for a prize to those who make regular deposits—the prize-linked savings mentioned above) is popular within CSA programs, and 13 of 31 (42 percent) indicated that they use an incentive to encourage saving. Current promising practices suggest that incentivizing regular deposits is an effective means of driving families to contribute. Families could also be rewarded for setting up regular auto-transfers and/or direct deposits into their CSA accounts via their employer’s payroll provider. This would not only ensure ongoing, scheduled deposits by participants but would also remove some of the administrative burden on CSA program administrators.

Communications

Twenty-two of 31 (71 percent) responding CSA programs reported sending participating families reminders to save, with email and postal mail representing the most common methods of communication (Figure 2). Four out of 30 of the programs (13 percent) send text message reminders, and two of the 30 (7 percent) utilize mobile “push notifications” (messages that pop up on mobile devices, similar to text messages but without an associated cost) to remind participants to save. When asked about the frequency of reminders, most organizations reported sending monthly or quarterly messages, with three organizations sending weekly reminders and only one organization sending daily reminders to save. Mobile alerts and notifications timed to coincide with when deposits are typically made, such as paydays or upon the arrival of tax refunds, also seem to help stimulate use.

Use of social networks among CSA programs is mixed, with 47 percent (14 out of 30 respondents) affirming that they use this means to engage families. Programs’ use of social media ranged from infrequent or irregular use of Twitter to the routine use of Facebook. Twitter and Instagram were typically used to advertise events and to provide information about 529 accounts and other savings tips. Organizations also report utilizing social media to highlight positive student outcomes and to market their program.

Figure 2: Do you send reminders to save?



Opportunities for Engagement

CSA program administrators continue to seek the right balance of incentives, reminders, and communication methods to achieve the highest levels of participation possible, often working in environments of scarce or limited resources. There are

opportunities for CSA programs to experiment with and modernize multiple communication methods and strategies, which would not only potentially boost participation but also allow the programs to respond better to participating families' interests and needs. CSAs should consider allowing participants to choose the method and frequency of reminders they receive. For example, if a participant gets paid weekly on Fridays, they may prefer to get a weekly text reminder on payday to set aside a few dollars toward their savings goal.

Prize-linked savings strategies, currently employed by 23 percent of responding CSA programs, are intended to increase CSA participants' engagement. Early evidence from Commonwealth and Walmart suggests that one year after adding prize-linked savings to a general-purpose reloadable (GPR) prepaid card (Money-Card), the frequency of participants' deposits increased, as did the average balance in the "vault" account set aside for the purposes of saving.² These strategies are doubly beneficial because they incentivize participants to save while allowing the CSA program to accurately project how much the incentive will cost: unlike open-ended matching programs, where the cost of the program can only be determined after final deposits have been tallied, prize-linked savings accounts come with a fixed cost that is known in advance. The funding organization can therefore budget for the cost of the program. If data confirms that prize-linked savings indeed drive participation rates higher while simultaneously giving CSA programs more control over their budgets, this strategy should be among the first considered when designing a program's incentive structure.

Conclusion

CSA programs must make decisions that are backed up by data, which means they must regularly and accurately monitor and evaluate the impact that their family engagement strategies have on financial and nonfinancial program outcomes. Programs should continue to be open to sharing their results with the broader field, which is generally challenged by lower-than-expected participation rates among the families CSAs are intended to serve.

Fortunately, technological advances are making engagement easier, faster, and cheaper than ever before. CSA programs should continue to seek out and embrace developments in mobile technology that help them engage families in a timely, cost-effective manner that can be aligned with families' financial situations.

About the Author



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Tables

Table 1 | Incentive Types Offered by CSA Programs

	Percentage of Programs that offer incentive type
Seed deposits	81
Incentives for saving a certain amount of money over a defined period of time (match incentives)	45
Incentives for positive and/or regular savings behavior	42
Incentives for attendance at classes or events	39
Other incentives (including incentives for linking accounts, tax completion, attendance, etc.)	26
Prize-linked savings	23
Incentives for academic performance	10
Incentives for linking an account to an online platform	6
Incentives for choosing paperless statements/communications	0

Note: Respondents were asked to check all that apply.

Endnotes

- ¹ In prize-linked savings accounts, the account holder can be entered into a drawing to win a monetary prize, usually by exhibiting positive and regular savings behavior. Unlike a lottery, entry into the drawing is free, and the account holder's saved balance is not subject to penalty, regardless of whether or not the monetary prize is attained. In other words, the account holder doesn't lose any money by participating.
- ² See Commonwealth (2017). "Walmart MoneyCard Prize Savings: One Year Anniversary Brief." Retrieved from <https://buildcommonwealth.org/publications/walmart-moneycard-prize-savings-one-year-anniversary-brief>