

Leveraging Technology to Boost Children's Savings Account (CSA) Programs



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Mobile and online technologies can help make college a possibility for low-income and minority families.

Encouraging families to save for their children's college education is increasingly championed as a way to address the educational attainment gap facing low-income and minority students. Research shows that resource and asset differences are the primary causes of the racial-ethnic attainment gap,¹ and that children with even only small amounts of school savings are three times more likely to enroll in college and four times more likely to graduate from college than those without savings.² Motivated by this potential for change, many communities, cities, and even entire states are establishing children's saving account (CSA) programs.³ CSAs are like traditional savings accounts, but they are typically established for children as early as at birth to allow the savings to grow over their lifetime. CSAs can also offer a variety of financial incentives: savings can be tax-free (in the case of 529 accounts) and can be augmented with matching deposits from the CSA program and its partners.

Seeking Scale

As CSA programs are maturing, practitioners are focusing on increasing their scalability and sustainability without raising administrative burdens and cost. They are also looking for better ways to reach those who would benefit from these programs the most: low-

to moderate-income households.⁴ At a recent national conference sponsored by the Federal Reserve Bank of St. Louis, practitioners agreed that web-based and mobile-phone technologies offer promising means of addressing these challenges by enabling low-cost but effective strategies to reach and serve the targeted population.

Using technology only became an option in recent years. In 2009, when Inversant, a community-based CSA program headquartered in Massachusetts, first began reaching out to low- and middle-income families, cellular phones and Internet were not commonly used among that population. The program had to rely on direct communication and outreach. This method was quite successful in getting families to establish CSAs, but it was expensive and time-consuming. Additionally, the scalability was weak: that is, it couldn't easily be expanded to serve larger populations.

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In recent years, however, Internet access and cell phone use has penetrated all income brackets. National surveys show that now at least three-quarters of low-income Americans have access to Internet (up from only 34 percent in 2000).⁵ Greater numbers of people are also accessing the Internet through smartphones, especially low-income individuals. Additionally, low-income families have been

forced to familiarize themselves with technology in order to access and take advantage of various financial and educational services, as more and more banking services, college application processes, and financial aid processes are conducted online. These developments mean that technology is now a more attractive solution for reaching larger scale and reducing costs.

Inversant's Innovations

Starting in 2012, Inversant gradually introduced and tested a series of new tech features on its participants: text-message reminders, email newsletters, and online sweepstakes. Inversant's teams use these technological communication and outreach methods to achieve various goals. Text messages are geared to motivate families to save regularly and to remind them of important college-related deadlines. The email newsletters are providing families with a college-focused financial education that complements the workshops' content. Sweepstakes were introduced to mimic the logic behind increasingly popular and successful prize-linked savings accounts.⁶ With the sweepstakes, participants are enticed by the opportunity to win some additional money for their savings accounts if they answer some questions. The results are very encouraging: what follows is what we've learned so far.

Text-Message Reminders

Knowing that text messaging is the most widely used basic feature of a cell phone (research shows that 97 percent of smartphone owners use text messaging),⁷ Inversant uses messaging to send reminders to save and to make reference to a monetary bonus participants can earn by saving regularly. Because Inversant helps families not only with financial preparation for college but with other aspects as well, it also uses text-message reminders to help keep students on track in their college application process. Leveraging insights from behavioral economics, the content of the text messages is carefully drafted to be simple, clear, positive, inclusive, and motivational. It is noteworthy that after participants started receiving text-message reminders, regular savers increased from 22.4 percent to 32.5 percent (a 10 percent increase).

Email Newsletters

Inversant introduced a series of monthly email newsletters designed to help parents better engage in saving and planning for college. These newsletters seek to break down the complex college preparation and application process to simple action steps. They provide information, positive reinforcement, and achievable goals (for instance, participants are reminded of the deadline to fill out taxes and urged to put some of their returns aside for their child's college

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savings), all designed to strengthen the belief that saving today—any saving—will help families ensure their children attain higher education and greater financial stability.⁸ Preliminary evaluation of the effectiveness of these newsletters shows that they improve participants' motivation to save. Participants who received newsletters and read them regularly saved on average \$274 per year more than those who did not access them.

Sweepstakes

Behavioral economists have shown that people are more attracted by the possibility of winning a large prize—although the chance of winning is quite low—than they are by the prospect of a sure reward that's much smaller in value. Thus lotteries are a more effective way to attract attention and reward positive behavior than a prize equally divided among all participants.⁹ With this knowledge, Inversant is experimenting with monthly sweepstakes to motivate ownership of the savings accounts and to encourage more savings. In order to win \$100, families are asked to fill out an easy online survey consisting of three to four questions. To make this exercise a win-win, Inversant designs the questions so that it can gather useful information



Some of Inversant's clients celebrate the money they have saved for college.

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Families that receive text reminders save more for their children's college education.

about the families it serves, such as the financial services they use, their knowledge level, and the struggles they face.

Inversant's data shows that sweepstakes are successful at motivating savings as well. While participants who do not have access to or who choose not to participate in the sweepstakes saved about \$350 a year, regular sweepstakes participants saved as much as \$670 per year. Among the 79 percent of families who provided us with email addresses, we found that 81 percent of them participated in our sweepstakes surveys and/or read our monthly newsletter. Achieving this level of online participation has encouraged us to offer more online features: we have created a bilingual online portal where families can access their personalized savings, a video library showcasing two-minute informational presentations on financial topics and the college application process, and various other online resources.

Evaluating Tech-Enabled Outreach

Our preliminary evaluation indicates that online outreach methods are successfully increasing engagement and investment in saving accounts. But it also shows that there might be some limitations to tech-driven solutions: face-to-face enrollment and orientation sessions may still be more effective at creating a trustful relationship with parents and instilling a sense of the importance of savings. More research is needed to determine how technology can best be used to supplement, and if it can effectively replace, the one-on-one exchange that is currently most effective for recruiting parents.

Inversant is not alone in experimenting with tech-driven solutions to increase scalability and sustainability of programs. EARN, a national nonprofit based in California and focused on family savings, and the City of Boston are also developing tech platforms able to serve large populations. This is a critical time, when exchange of knowledge and lessons learned can encourage healthy growth of the field. Nationally, the Corporation for Enterprise Development has been active in raising the profile of CSAs by hosting children's savings policy conferences and by launching the Campaign for Every Kid's Future, with the goal of raising the visibility of CSAs and ensuring that at least 1.4 million children have a savings account in their name by 2020. Regionally, the New England Children's

Savings Account Consortium, supported by the Federal Reserve Bank of Boston, sponsors quarterly meetings that bring together CSA practitioners. We are fortunate to have this opportunity to collaborate and learn from each other's experience.

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Endnotes

- ¹ Doris R. Entwisle, Karl L. Alexander, and Linda S. Olson, "First Grade and Educational Attainment by Age 22: A New Story," *American Journal of Sociology* 110, no. 5 (March 2005): 1458–1502. See also Mesmin Destin and Daphna Oyserman, "From Assets to School Outcomes: How Finances Shape Children's Perceived Possibilities and Intentions," *Psychological Science* 20, no. 4 (April 2009): 414–18.
- ² William Elliott, "Small-Dollar Children's Savings Accounts and Children's College Outcomes," *Children and Youth Services Review* 35, no. 3 (March 2013): 572–85.
- ³ You can find an up-to-date directory of all CSA programs at <http://cfed.org/programs/csa/directory/>.
- ⁴ Michal Grinstein-Weiss, Kristen Wagner, and Fred M. Ssewamala, "Saving and Asset Accumulation among Low-Income Families with Children in IDAs," *Children and Youth Services Review* 28, no. 2 (2005): 193–211.
- ⁵ Andrew Perrin and Maeve Duggan, "Americans' Internet Access: 2000–2015," (report, Pew Research Center, June 2015), http://www.pewinternet.org/files/2015/06/2015-06-26_internet-usage-across-demographics-discover_FINAL.pdf.
- ⁶ See the work of the Boston-based Doorway to Dreams Fund (D2D) on prize-linked savings, http://www.d2dfund.org/prize_linked_savings.
- ⁷ Aaron Smith et al., "U.S. Smartphone Use in 2015" (report, Pew Research Center, April 2015), http://www.pewinternet.org/files/2015/03/PI_Smartphones_0401151.pdf.
- ⁸ Although we encourage any level of saving, we make sure to explain clearly all the costs associated with higher education, as well as the financial aid families may be eligible for, so they have a better idea of the amount they should aspire to save.
- ⁹ Owain Service et al., "EAST: Four Simple Ways to Apply Behavioural Insights" (report, Behavioral Insights Ltd., 2014), http://38r8om2xjhhl25mw24492dir.wpengine.netdna-cdn.com/wp-content/uploads/2015/07/BIT-Publication-EAST_FA_WEB.pdf.

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For more information and resources, visit:
www.bostonfed.org/commdev/childrens-savings-accounts/index.htm

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