



Making the Case for Children's Savings Accounts (CSAs)

Anthony Poore

FEDERAL RESERVE BANK OF BOSTON

Policymakers are more likely to support CSAs when they understand the political and economic benefits attached to doing so.

Children's savings accounts (CSAs)—savings accounts established for children early in life (or at birth) to help them meet the costs of postsecondary education—are becoming increasingly popular among policymakers, researchers, philanthropic organizations, and community development professionals interested in the topic and practice of asset building. Literature on CSAs has tended to focus on how to operationalize CSA efforts and/or on their potential impacts on savings behaviors, socioemotional development, academic achievement, and educational aspirations and expectations, but recently, there has been increasing interest in CSA interim measures as the field matures and as CSA efforts proliferate.¹ Among the organizations currently pursuing this line of inquiry are the Center for Social Development at Washington University in St. Louis, the Center on Assets, Education, and Inclusion at the University of Kansas, and the Institute on Assets and Social Policy at Brandeis University.²

What is often not discussed within CSA literature is the place CSAs occupy within the broader political economy and how CSAs can be leveraged in practical ways to support the interests of a broad array of policymakers at the state and municipal level. CSAs require a high degree of cooperation, coordination, and collaboration across multiple sectors. Public-sector political and fiscal support is critical to the long-term sustainability of these efforts, but it can be difficult to obtain unless policymakers feel their constituencies will benefit. For that reason, discussion of CSAs must broaden its focus from delivery mechanisms, program design, logic models, and mechanism of action to include an assessment of CSAs within the broader political economy and discussion of how best to respond to a broad set of interests and sensibilities, including the interests of policymakers. Four strategies to get policymakers on board with CSAs are (1) pointing out their usefulness as initiatives whose values are em-

braced across the political spectrum, (2) stressing their longer-term impacts on state workforce aspirations, (3) emphasizing the benefits of savings as an alternative to debt, and, as noted above, (4) adopting interim measures that evaluate whether a CSA effort is on track.

Bipartisan Popularity

All policymakers want to make a positive impact on the lives of children. By ensuring equitable access to college savings, CSAs are an initiative that politicians of any political stripe can back. Rick Santorum, the former Republican senator for Pennsylvania, for example, has supported CSAs, stating that they “would give low-income children in particular a sense of ownership, a stake in the American economy, and a source of wealth to help them through life in a manner similar to a federal employee's Thrift Savings Account.”³ On the other side of the aisle, New York's Democratic senator Chuck Schumer has also supported CSAs, emphasizing the need to “help middleclass Americans build assets and savings instead of more debt.”⁴ For both, supporting CSAs was an easy political win. Other state treasurers and governors who have leveraged CSAs as part of their broader political platforms include Gina Raimondo (D), Rhode Island's former state treasurer and current governor; Deb Goldberg (D), treasurer for the Commonwealth of Massachusetts; and Dan Schwartz (R), Nevada's state treasurer. By including CSAs in their platforms, these policymakers demonstrate their commitment to positively impacting the lives of children by lessening the financial burdens associated with postsecondary education.

Longer-Term Impacts on State Workforce Aspirations

The New England states are among 36 states that have set goals for postsecondary educational attainment in line with Goal 2025, an initiative of the Lumina Foundation⁵ to increase the proportion of Americans with high-quality degrees, certificates, and other credentials to 60 percent by that year.⁶ CSAs have the potential to help states reach these long-term goals and lift up the U.S. workforce. State legislatures are under perpetual pressure to do more with less, and as a result, many states' financial support of higher education

has declined, resulting in more of the financial burden falling onto individuals and families. When they support CSAs, legislatures have the opportunity to leverage existing public sources of capital with new private sources of capital in meaningful ways. Insofar as postsecondary education is perceived to be an essential element of a state's workforce development ecosystem, these public-private partnerships appear to be both politically palatable and prudent.

Savings as an Alternative to Debt

As more of the financial burden of postsecondary education has shifted to individuals and families, and as the cost of that education has skyrocketed, student debt has risen precipitously. In 2013, the Federal Reserve Bank of New York reported student loan debt was the only form of consumer debt that had grown since the peak of consumer debt in 2008.⁷ Student debt has significant negative impact on states: younger members of the workforce struggling with high amounts of student loan debt delay household formation and purchase of a first home. In some instances, student loan debt leads to poor credit ratings due to delinquencies.

CSA advocates suggest that accounts established at birth with a modest initial deposit (\$50–\$100), contributed to regularly and benefiting from matched contributions, can be expected to produce significant account balances by age 18. While the current financial aid model provides significant financial support to millions of aspiring college students, CSAs represent a meaningful complement to the existing financial aid system—and a penny saved (in lieu of debt) is a penny earned.

Interim Measures That Show the CSA's Progress

As states continue their modest, slow recovery from the Great Recession, CSA program administrators and funders are under considerable pressure to demonstrate quantifiable results. CSAs' longer-term impacts on workforce, student engagement, academic achievement, and ultimately graduation from college are not always consistent with state and municipal governmental desire for immediate impact and/or the need to demonstrate that financial resources are being allocated for maximum effect. Without interim success measures that can show that a CSA program is on track to improve college attainment among participants before they reach the age of postsecondary enrollment, the case for CSAs is a difficult case to make. This is why it is important to identify and adopt such measures at the onset of a CSA effort. Doing so will help develop and sustain the broad coalition of public and private stakeholders necessary to support the CSA over time and will allow the effort to meet its long-term aspirations and expectations.

Conclusion

To succeed, CSAs must be a joint effort across multiple sectors. They need support that is both broad and deep. It must extend beyond the public sector and include workforce development professionals, early-childhood education advocates, health and human-services organizations, and college and universities. Broad coalitions help create the conditions for long-term sustainability by appealing to the financial, moral, and social proclivities of a broad set of public and private stakeholders.

Lastly, we must recognize that CSAs are still young, and there is much to be learned. As CSA advocates get more programs up and running and fine-tune existing programs, managing the expectations of public- and private-sector partners is critical. Although CSAs are not a magic bullet, they are notable for moving beyond the issues of access and taking into account the role of asset building in helping children prepare for, engage with, and benefit from postsecondary education.

Anthony Poore is a deputy director of the regional and community outreach department at the Federal Reserve Bank of Boston. Contact him at Anthony.Poore@bos.frb.org.

Information on the Federal Reserve Bank of Boston's CSA program, along with additional articles and reports on the topic, are available at "Children's Savings Accounts," <https://www.bostonfed.org/community-development/household-financial-stability-and-economic-mobility/childrens-savings-accounts.aspx>. See also Bahar Akman Imboden and Yiming Shuang, "Leveraging Technology to Boost Children's Savings Account (CSA) Programs," *Communities & Banking* 27, no. 3 (Summer), <https://www.bostonfed.org/publications/communities-and-banking/2016/summer/leveraging-technology-to-boost-childrens-savings-account-csa-programs.aspx>.

Endnotes

- ¹ See William Elliott III and Kelly Harrington, "Identifying Short Term Outcome Metrics for Evaluating Whether Children's Savings Accounts Programs Are on Track" (Community Development Issues Brief, Federal Reserve Bank of Boston, 2016), <https://www.bostonfed.org/publications/community-development-issue-briefs/2016/identifying-short-term-outcome-metrics-for-evaluating-whether-childrens-savings-accounts-programs-are-on-track.aspx>.
- ² See their websites at <https://csd.wustl.edu/Pages/default.aspx> (Center for Social Development), <https://aedi.ku.edu> (Center on Assets, Education, and Inclusion), and <https://iasp.brandeis.edu/index.html> (Institute on Assets and Social Policy).
- ³ Rick Santorum, *It Takes a Family: Conservatism and the Common Good* (Wilmington, DE: Intercollegiate Studies Institute, 2005), 152–53.
- ⁴ Charles E. Schumer, "Schumer Unveils New Bipartisan Legislation with Senator Santorum Establishing \$500 Investment Accounts For Every Newborn Child in Upstate New York," news release, August 2, 2006, <https://www.schumer.senate.gov/newsroom/press-releases/schumer-unveils-new-bipartisan-legislation-with-senator-santorum-establishing-500-investment-accounts-for-every-newborn-child-in-upstate-new-york>.
- ⁵ "Strategic Plan: 2013 to 2016" (report, Lumina Foundation, Indianapolis, IN, 2013), 14, <https://www.luminafoundation.org/files/file/2013-lumina-strategic-plan.pdf>. The Indianapolis-based Lumina Foundation is the country's largest private foundation "focused solely on increasing Americans' success in higher education" (see "About Lumina Foundation," <https://www.luminafoundation.org/about>).
- ⁶ See "Goal 2025," https://www.luminafoundation.org/goal_2025.
- ⁷ "Student Loan Debt by Age Group," Federal Reserve Bank of New York, March 29, 2013, <https://www.newyorkfed.org/studentloandebt/index.html>.

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