

Children's Savings Accounts: A Primer

What are Children's Savings Accounts?

Children's Savings Accounts (CSAs) are programs for children that use a long-term savings vehicle and offer financial incentives for the specific purpose of saving for any education beyond high school. CSAs include a wide range of program models, typically starting at birth or kindergarten with a restricted-use account for the sole benefit of the child's postsecondary education in a state 529 plan, bank, or credit union.

CSA programs can be targeted (for example, at a single school or within a holistic community-based program) or more universally available within a school district, city, or state. Programs can use automatic enrollment to reach everyone who does not opt out or can rely on an opt-in approach that requires a parent's or guardian's action to enroll. All CSAs offer financial incentives that go beyond preferred tax status, such as an initial "seed" deposit, matching grants for deposits made by families, or additional deposits for children who reach milestones. To enhance equity, some programs also offer additional incentives for children from lower-income families. Finally, some programs use a two-generation approach, working with the parents to save for emergencies while also saving for the child's education.

Most CSAs are made possible by several funders and/or donors coming together to support different aspects of the program financially or through in-kind contributions. Public systems (e.g., school districts, public health agencies, or Treasurers' offices) are key partners for enrollment, marketing, and data sharing, as well as financial support.

Encouraged by increasing support from public and private funders, more participation from families, a strong body of research, and a growing field, CSAs have emerged as a promising early strategy to help make postsecondary education a reality for more low and moderate income children.¹ Through early aspiration building, savings plans, and connections to other college access initiatives, CSAs foster a "college-going identity," and future orientation, that increases the likelihood that children will enter and attain postsecondary education.²



Programs that combine

**long-term savings
platforms**



with **financial
incentives**



for the specific purpose of
saving for postsecondary education

**More than 457,000
children in 34 states
and DC have CSAs.**

What Makes CSAs important?

CSAs are a vital, aspirational asset building strategy that creates hope for a better future by introducing and reinforcing the idea that postsecondary education and future economic well-being are achievable. The long-term goal of CSAs is that they will enhance young people's access to and success in post-secondary education, which is increasingly necessary for long-term, living-wage employment. CSAs are also demonstrably associated with shorter-term, intermediate benefits, including improved educational expectations for parents and children, socioemotional development and academic success for the child, and increased mental and financial health for many parents.

What Does the Latest Research Show?

A growing body of evidence shows that CSAs are associated with promising findings on interim and long-term outcomes related to education, health, and financial well-being, such as:

- ✓ **Improved educational expectations** for children and their parents, including the beliefs that postsecondary education is possible and that children will complete postsecondary education.^{3,4,5,6,7}
- ✓ **Better health and reduced depression rates** for mothers.^{8,9}
- ✓ **Increased socioemotional development and psychological well-being** for young children.^{10,11}
- ✓ **Improved academic success** in K-12.^{12,13,14}
- ✓ **Increased financial capability and financial well-being** for children now and in the future, including lower student loan debt levels.^{15,16,17,18,19,20}
- ✓ **More time to accumulate savings** for postsecondary education.²¹
- ✓ **Postsecondary enrollment and completion** with linkages to other programs and services.^{22,23}

How Do CSAs Fit with *Your* Funding Strategy?

With so many CSA initiatives underway, the Asset Funders Network (AFN) has identified a number of reasons why funder support for CSAs is a strategy to advance a funder's mission:

MULTIPLE STRATEGY FIT

Due to their range of short- and long-term benefits, funders engage with CSAs for a variety of reasons – to improve children's and parents' health, build college-going aspirations and identity, enhance children's educational engagement and success, build a pipeline of educated future workers, increase financial security for children and their families, and make communities stronger. Additionally, CSAs' many moving parts allow funders to support different aspects of initiatives, including outreach, enrollment, accounts, incentives, and wraparound services.

ALIGNED FUNDING FOR WIDER IMPACT

Funders have opportunities to participate in CSA initiatives in a number of ways, including leveraging public in-kind contributions and funding, rethinking scholarship timing and distribution, and partnering with other private funding. Financial institutions, for example, can be key partners by

contributing financial incentives for savers to grow accounts and/or providing in-kind support, such as waiving fees, offering free accounts, or providing coaching to parents. Community Foundations (replicating the efforts in Michigan and Indiana) have worked with donors to establish CSAs as an early scholarship distributions or to link CSAs with Promise Scholarships.

VARIED ENGAGEMENT LEVEL

For CSAs to be successful, they require ongoing collaboration among the program administrators, financial institutions, private and public funders, and other stakeholders. The following table²⁴ illustrates eight of the most effective ways for funders to support CSAs in their community financially or through in-kind contributions:

Type of Engagement	Activities
Advising	Informal advising to CSAs; advising peers; serving on advisory boards or steering committees
Convening	Bringing together public and private stakeholders for shared learning and continuous improvement
Data sharing	Organizations serving children and governmental agencies share relevant data with CSA programs to facilitate outreach, enrollment, and/or incentives
Financial support for CSA operations	Grantmaking or other financial contributions for program operations, including financial incentives, cost to administer the program, and outreach for new or existing CSAs, from minor/short-term to major/long-term
Financial support for the CSA field	Grantmaking or other financial contributions for research, evaluation, field building, and policy work to build the CSA field, from minor/short-term to major/long-term
In-kind support	Disseminating outreach materials; developing materials; committing staff time; financial institutions waiving fees
Public expressions of support	Attending meetings, public statements, testimony, advocacy, elevating examples from other states, and reframing the strategy to be inclusive
Technical assistance	Sharing information, expertise, and practical examples with peer agencies and/or CSAs, ranging from informal/one-time conversations to formal/longer-term commitments

EQUITY LENS

CSAs have the potential to address inequalities in and exclusion from access to education, achievement, and wealth, especially when designed and invested in with an explicit equity lens. Using

an equity-informed approach means paying careful attention to potential for unintended consequences by race, ethnicity, socioeconomic status, and gender while designing CSA programs and measuring success.

To ensure that programs reach those who have historically been excluded from higher education and wealth building, CSAs need to be accessible and inclusive with messaging, marketing strategies, and program structures designed to reverse systemic hurdles. For example, basing incentives solely on how much families contribute themselves often excludes families with limited means to save or those who risk losing income supports due to asset limits. Thus, many programs across the country are taking innovative steps to engage and fully include low-income children and families. For example, to include low income savers and not have their CSAs negatively impact their income supports through asset limits, the Boston Saves and NYC Kids RISE CSAs set up accounts owned by third parties. This third-party account ownership also opens the program to all children, regardless of immigration status, as participants can furnish either a Social Security Number or Individual Tax Identification Number to open an account. NYC Kids RISE also removed minimum deposit requirements for families' initial and ongoing contributions to include low income savers. Other programs have developed creative ways to increase savings for lower income families.

PLACE-BASED STRATEGY

Often, the synergy needed for a successful CSA initiative arises locally and organically. CSA initiatives can be designed to engage children as a cohort and tap into existing structures like the public school curricula for math or economics. They can also link to state tools, such as 529 plans, or local financial or community-based partners. CSAs create opportunities to address many root causes for economic and educational inequities at a population level. Local funders coming from different perspectives agree on collective values and commit to working on long-term issues. Some communities and corporations rally around the CSA holders to help them grow the deposits in their accounts. In Indiana, for example, a family optometry company, partnered with Wabash County's CSA program to help grow families' investments.

PARENT-ENGAGED APPROACH

There is strong evidence for a positive relationship between high-touch services and family engagement in CSA programs.²⁵ Deliberately including parents in the design and implementation of CSAs, engaging them in goal setting, and linking them to financial coaching are ways to boost engagement and support asset accumulation. Engagement also can be increased by partnering with settings that already serve parents and children, such as early childhood centers; pediatricians' offices; home visiting programs; family services that link education, childcare, and employment via community-based organizations; and schools. Offering childcare and meals at meetings also lower the barriers for lower income families to attend and participate fully.

^a Boston Saves uses a hybrid model, where parents own their individual accounts, and a third-party account holds the incentive money.

BUILDING FUTURE ORIENTATION

Creating a college-going identity for children and their parents goes beyond CSA account ownership. Regular messaging about the CSA's purpose can build expectations for postsecondary education completion and inspire new actions in support of those expectations, such as engaging in school, saving, and planning for the future. Such messaging can be reinforced by career fairs, field trips to colleges, and visioning activities.

HOLISTIC FAMILY ENGAGEMENT

CSA programs with an equity lens often combine matched savings with personal, social, and financial support for the entire family to increase educational expectations and enhance the likelihood of achieving future postsecondary education goals and future economic prosperity. To build a strong system of support that enables young people to thrive, CSA programs can engage families directly (e.g., Maine Alford Fund's MyPlan interactive website to set goals and plan for saving) or build partnerships with community organizations that offer supportive services to families, convene parents regularly for peer learning, or partner with schools to increase program awareness and provide college and career planning for students.

CONNECTING TO COLLEGE ACCESS INITIATIVES

CSAs are not a magical solution; rather, they are a key component to be linked with broader efforts to enhance college access, such as college visits, scholarships, college preparation and completion support, and debt management strategies to maximize impact. In many cases, scholarship and college preparation and counseling programs might need to be reimaged to better connect to the student's aspirations in a CSA program. For example, the Community Foundation of Wabash County in Indiana and Barry Community Foundation in Michigan linked their Early Award Scholarship Program for 4th to 8th graders to the local CSA program to fund savings matches and other incentives to students' accounts.

CREATIVE WAYS TO ENCOURAGE SAVING

Combining CSAs with store reward card programs may be one way a corporate partner can help to engage the community to invest in their children and improve savings accumulation, particularly among low and moderate income families whose ability to divert resources from consumption to saving is limited. Promise Indiana, a multi-county CSA program, for example, partnered with Kroger supermarket's reward program to deposit rebates directly into families' CSAs in Wabash County.

IMPORTANCE OF INCENTIVES

Financial incentives are a distinguishing and important feature of CSAs. Incentives can be direct financial deposits, indirect financial motivators (e.g. prize-linked savings), or non-financial perks (e.g., raffles or social events). Incentives increase motivation and tangible savings. Building aspiration and future orientation is at the heart of CSAs, and so is increasing access to the financial resources needed for college expenses. To sustain the aspiration effect, incentives must be meaningful to the families being served to ensure postsecondary education attainment. Research indicates that a child with school savings of as little as \$499 before college is almost 2.5 times more likely to graduate from college

than a child with no savings.²⁶ As mentioned above, saving is not easy for low income families. Features, such as matches and incentives, that make saving easy and attractive for families to reach the minimum and threshold and beyond are important for long-term outcomes.

ROI OF POSTSECONDARY EDUCATION

CSAs pave a pathway for many children and their parents to aspire to future postsecondary education that will prepare the child to compete in the workforce with higher skills and to engage in their own financial health with a greater sense of agency. At the same time, CSAs have the potential to further broader goals of racial and economic equity.

How Can You Get More Information?

For more information about CSAs or opportunities to invest in CSAs, please contact:

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Asset Funders Network

¹ Prosperity Now. (2019). *The Movement Soars Ahead: The State of the Children's Savings Field 2018*. (text box).

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