Asset Funders Network

Children's Savings Accounts: A Primer

Definition: Children's Savings Accounts (CSAs) most often refers to a savings account opened for a very young child—at birth or by kindergarten age—into which a third party, such as a city, a nonprofit, a foundation, a parent, or others can deposit funds that are to be disbursed for postsecondary education expenses. The child is the named beneficiary on the account. Some CSAs target older children and youth. Some CSA programs use a College 529 account opened by the third party custodian and held for the child, with or without a parallel account opened by the parent on behalf of the child. Other CSAs are held in traditional financial institutions with a public or nonprofit custodian of the account. Either a 529 or a private account may be an omnibus account owned by the third party with subaccounts for each child or, less often, there may be a separate custodial account for each child.

Often the third party deposits "seed" funds to start the account and may provide "match" to subsequent deposits from other sources over time. Match ratios vary, and sometimes there are incentives for non- monetary achievements, such as school attendance, academic performance, college visits, or parental activities that promote family economic success.

Access to Balances: Control of the account and access to any seed funds, match, incentives, or deposits by the third party, parent or even the child also varies by project design. In most cases, accounts are controlled by the custodian: parents may withdraw their deposits, though they are discouraged from doing so; seed, match or incentive dollars from third parties and related interest if applicable, usually are disbursed only for the stated purpose of the CSA and disbursed directly to an accredited postsecondary institution, including vocational schools. Donor agreements may detail use of their funds in the event a child is unable to use the custodial funds for education (or other stated goal).

CSA Goals: CSAs usually have two general goals:

1. To build significant savings for the child over a long period, thus creating expectations for postsecondary education; and
2. To encourage the family—and when age-appropriate, the child--to develop savings habits.

The majority of CSAs have an explicit long-term goal of increasing postsecondary enrollment and graduation, though some allow other uses. This goal derives from research on how having assets or savings affects attitudes and behaviors of parents, children and youth and recognizes the importance of the context: a CSA allows the parent (or others) to act on the expectation that a child will attend college.

Parental Engagement: The focus of CSA design is often on creating the accounts and initial deposits, but projects have realized the importance of parental or caregiver involvement for continuity and frequency of deposits over time. Further, long-term success requires that the parent and the child share a belief that college is not only possible, but a given, and develop future-oriented skills that promote academic and economic success more broadly. Research on child development underscores the critical importance of how parents interact with their children and what behaviors they model. CSA projects are giving more attention to helping parents deliver savings messages and develop their own financial skills and sense of efficacy. CSA projects that take a two-generation approach, such as Prosperity Works or Oakland Promise, build on these premises by deliberately including parents in design and implementation and taking advantage of contexts that bring together parent and child, such as Head Start centers, home visiting, or family services that link education, childcare, and employment provided via community-based organizations. School-based projects can collaborate with these and other partners to integrate children's and parents' financial development.