

# Federal Reserve Bank of Boston

## Boston AEI Forum

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*The views expressed here do not necessarily represent those of the Federal Reserve Bank of Boston or the Federal Reserve System*

# What Are Children's Savings Accounts (CSAs)?

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- 👉 Long-term asset-building accounts established for children, as early as birth, and allowed to grow over their lifetime
- 👉 **Two Product Models**
  - 👉 A deposit-only savings account offered by traditional lender. ([K2C Model, San Francisco](#))
  - 👉 A 529 savings plan (named for the relevant section of the federal tax code) is a state-sponsored, tax-preferred savings plan for qualified post-secondary education expenses. ([Harold Alfond, Maine](#))
- 👉 Either model can provide **savings matches** or other **incentives** to encourage positive savings behaviors – particularly those of lower income – to save.

# What Does Research Suggest?

## *Assets, Empowerment & Opportunity*

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### **College Readiness**

- Higher student and parental college expectations
- Weak but positive effects on reading & math
- Higher high school GPA
- *College Bound Identity*

### **College Access**

- Even college savings of **less than \$500** increases college entry for low- and moderate-income students.
- **3Xs** more likely to enroll in college than with no savings account
- *College Savers Identity*

Elliot, W. and Lewis (2013). Are student loans widening the wealth gap in America? It's a question of equity. Lawrence, KS: Assets & Education Initiative (AEDI).

# What Does Research Suggest?

## *Assets, Empowerment & Opportunity*

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### **College Completion**

- Even college savings of less than \$500 **increases college completion** for low- and-moderate income students.
- **4Xs** more likely to graduate college than with no savings account

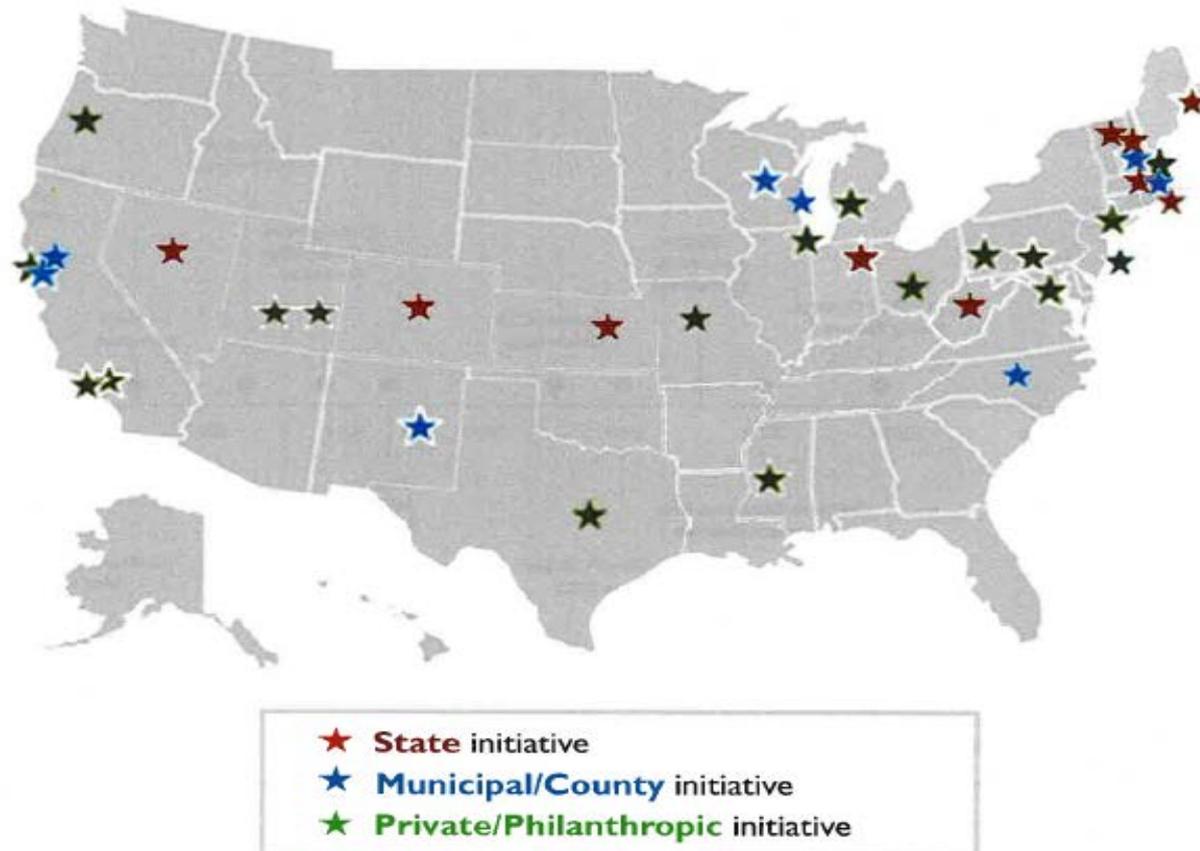
### **Young adult graduates who had savings as adolescents**

- **2Xs** more likely to own savings accounts (banked/unbanked)
- **2xs** more likely to own credit cards
- **4xs** more likely to own stocks

# New England Leads The Nation

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## Example CSA Initiatives (launched and in planning)



Source: Center for Enterprise Development (CFED)

# New England Leads The Nation



Center for Social Development  
GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

| MARCH 2014 | CSD POLICY REPORT 14-05 |

## Automatic Deposits for All at Birth: Maine's Harold Alfond College Challenge

By Margaret Clancy and Michael Sherraden

*"We've come to realize that providing the opportunity to receive the [College Challenge] grant isn't enough. We need to make sure that all Maine babies actually receive the grant."*

—Gregory Powell, Chairman of the Harold Alfond Foundation

Child Development Accounts (CDAs), opened as early as birth, promote saving and asset accumulation for postsecondary education and other developmental purposes. Ideally, CDA programs include all children, with progressive funding for those most disadvantaged (Sherraden, 1991; Beverly, Elliott, & Sherraden, 2013).

The first statewide CDA in the United States—Maine's Harold Alfond College Challenge—has announced a major change in strategy to *automatically enroll* all newborns as a way to "raise aspirations for and improve access to higher education for Maine's young people" (Harold Alfond Foundation [HAF], 2013, p. 3).

Evidence from CDA research has contributed to the decision by the College Challenge to remove its original *opt-in requirement*—in which parents must enroll their newborns in the state's \$29 college savings plan to receive a \$500 grant—in favor of *universal enrollment*—in which every child is enrolled automatically at birth with a \$500 grant: "Specifically, research conducted by experts at the Center for Social Development at Washington University in St. Louis has suggested that, if universal enrollment is the College Challenge's policy goal, an 'opt in' strategy may not do the job...the Center has raised serious questions about

[the] program's underlying 'opt-in' structure while reinforcing its overarching mission" of providing "every Maine baby with a college account" (HAF, 2012, pp. 5, 4).

From 2008 to 2013, the College Challenge invested approximately \$11.5 million on behalf of nearly 23,000 Maine babies. As of 2013, about 40% of eligible children had been enrolled and received the \$500 grant.

Despite extensive marketing and outreach efforts by the Alfond Scholarship Foundation (ASF)<sup>1</sup> and the Finance Authority of Maine (FAME),<sup>2</sup> some parents may have been deterred by a two-step enrollment process and a complicated \$29 college savings plan application (Clancy & Lassar, 2010).

Research indicates that parents in Maine with more education, other investments, and a financial advisor were more likely than those who were less financially sophisticated to enroll their children in the College Challenge. It may be that enrolled children's parents better understood the program rules, benefits, and application process (Huang, Beverly, Clancy, Lassar, & Sherraden, 2013). The likely result is that "those not participating are from families who would benefit most" (HAF, 2012, p. 5).

Maine's Harold Alfond College Challenge has announced a major change in strategy to *automatically enroll* all newborns.

 Washington University in St. Louis



CollegeBoundBABY  
Rhode Island's investment in your child's future.



## MEDIA ADVISORY

### Governor-Elect/Treasurer Gina Raimondo Partners With RIHEAA to Announce Long-term Policy Change to Help Next Generation of Rhode Islanders Attend College

*Newly Enhanced CollegeBoundbaby™ Program Will Offer Universal Children's Savings Accounts at Birth, Becoming 1 of 3 Leading Statewide Programs in the U.S.*

**WHAT:** Governor-Elect/Treasurer Gina Raimondo, in partnership with the Rhode Island Higher Education Assistance Authority (RIHEAA), will host an interactive forum with educational groups, researchers and policy makers from across Rhode Island and the country to discuss an exciting policy change.

The forum will highlight research—presented by nationally recognized experts in the field of children's savings accounts and college matriculation—that is being used to drive policy changes to Rhode Island's CollegeBoundbaby, a program that offers an innovative strategy to significantly boost the number of families who save and pursue higher education opportunities for their children.

**WHO:** **Featured Speakers Include:**

- Governor-Elect Gina Raimondo
- Ray Di Pasquale, President, Community College of Rhode Island
- Faith LaSalle, Esq., Chair, RIHEAA Board of Directors
- Rhode Island Treasurer-Elect Seth Magaziner

**Roundtable on Policy and Research of Early College Savings**

- Heather Hudson, Director of Financial Empowerment, Office of RI General Treasurer
- Dr. William Elliott III, Associate Professor, University of Kansas and Founder of the Assets and Education Initiative and Melinda Lewis, LMSW, Associate Professor of Practice, University of Kansas and Assistant Director of the Assets and Education Initiative
- Margaret Clancy, Policy Director, Center for Social Development, Washington University in St. Louis
- Patricia Roberts, Managing Director, AllianceBernstein
- Anthony Poore, Community Development Manager, Federal Reserve Bank of Boston
- Leigh Tivol, Senior Director, Programs, Corporation for Enterprise Development

**WHEN:** **Wednesday, December 10, 2014, from 10:00 a.m. – 12:00 p.m.**

**WHERE:** **Community College of Rhode Island – 4<sup>th</sup> Floor Board Room (Rm. 4090)**  
400 East Avenue, Warwick, RI  
*Parking for media reserved in short-term parking area.*

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# New England Leads The Nation

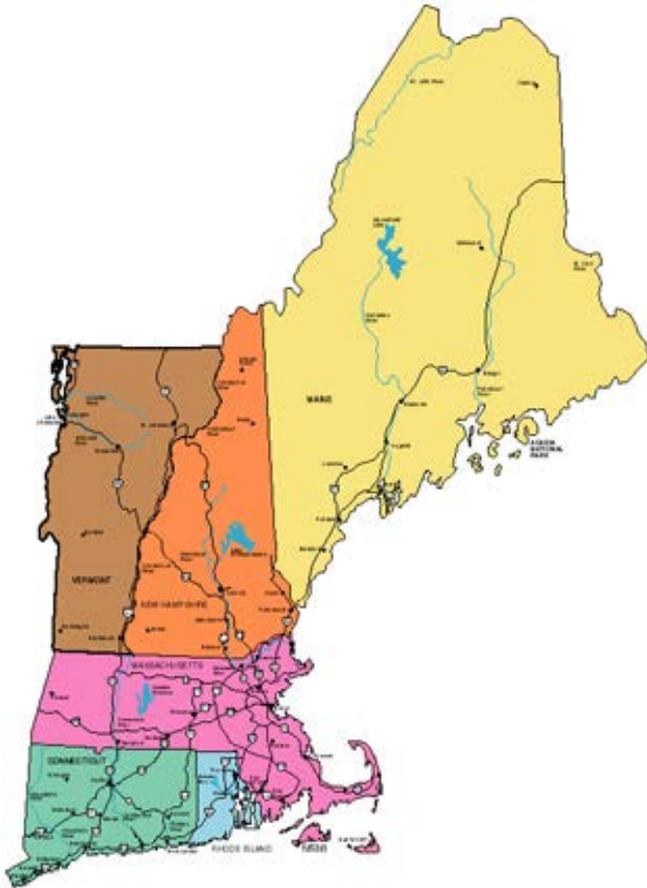
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Announcing the CHET Baby  
Scholars Program, for every new  
baby born in Connecticut

• [Click to Learn More](#)



# New England Leads The Nation



## In the Works

- **Vermont:** Rep. Jill Krowinski's state bill (passed)
- **New Hampshire:** Rep. Mary Gile's state bill (passed)
- **Massachusetts:** Senators Eldridge & Sannicandro bill (proposed), City of Boston program, State Treasurer's pilot

# What is Happening In Massachusetts ?

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- **Community-Based Efforts**
  - Inversant (formally known as Fuel Education)
  
- **Municipal Efforts**
  - City of Boston - Fall 2016
  
- **Commonwealth (Sen. Eldridge & Rep. Sannicandro)**
  - S664/ H.1067: An Act to create a college savings program for every child born in Massachusetts that would create a college savings account for every child born in the state.
  
- **MA State Treasurer Deborah Goldberg**
  - Pilot Program: Fall 2015

# The Boston Fed & CSAs

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- Convener: New England CSA Consortium
- Technical Assistance Provider: Child/parent & community engagement strategies
- Research Partner
  - ▣ Interim outcome/impact measures
  - ▣ Long-term impact evaluation