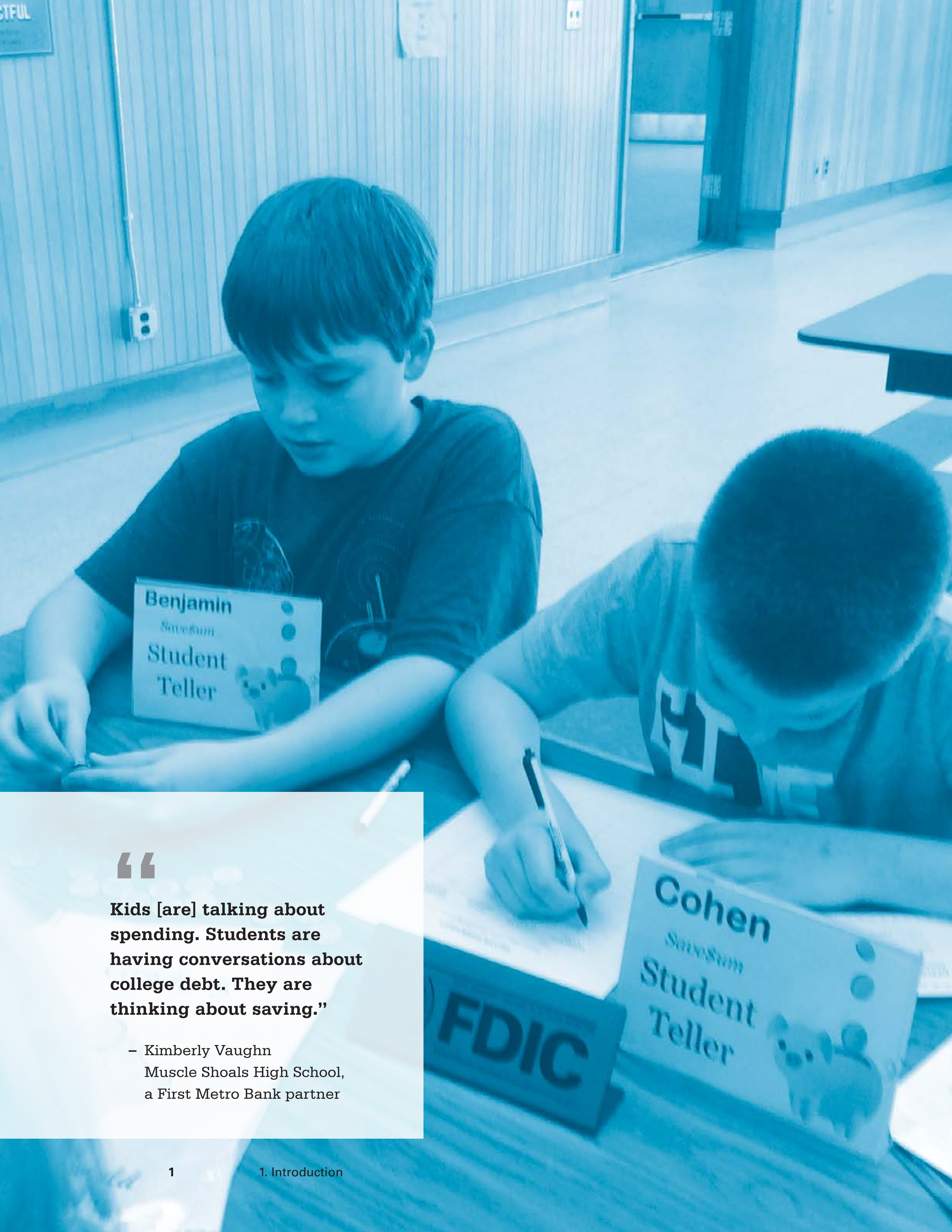

“

Kids [are] talking about spending. Students are having conversations about college debt. They are thinking about saving.”

– Kimberly Vaughn
Muscle Shoals High School,
a First Metro Bank partner

1. Introduction

The FDIC's mission is to promote public confidence and stability in the banking system. Helping consumers establish a relationship with a bank where they gain value from the products and services that they use is one of the most effective ways to build confidence in the financial system. Such an economic inclusion strategy can be particularly effective among young people. Financial education, combined with account experience at an early age, can shape a young person's financial identity, attitudes, and habits in a way that can last for a lifetime.

The FDIC Youth Savings Pilot

The FDIC's two-year Youth Savings Pilot was designed to identify and highlight promising approaches to experiential financial education—that is, approaches that combine traditional, classroom-based financial education with the opportunity to open a safe, low-cost savings account. Specifically, the pilot aimed to identify approaches that help school-aged children develop strong financial knowledge and good financial habits and attitudes. During the 2015–16 school year, the 21 banks participating in the pilot created over 4,500 youth savings accounts and provided financial education to thousands more children. A majority of the banks that participated in the pilot expanded their outreach programs to engage even more young people over the course of the school year.

The programs carried out by the 21 Youth Savings Pilot banks were diverse. Approaches used by pilot programs included opening school-based branches, setting up in-school banking operations in common areas so that students can make deposits on designated "banking days," and helping students to use nearby bank branches to open accounts. Financial education strategies included using the FDIC's popular Money Smart curriculum in the classroom, offering workshops for students and their parents, and overseeing peer-to-peer instruction.

Importantly, the pilot demonstrated that the **benefits for banks from administering a youth savings program** go far beyond the dollars and cents deposited into the accounts of school-age children. Banks in the pilot identified a range of benefits, including:

Building a foundation to improve a child's financial future. Banks understand that financial education and banking access are essential to financial well-being. But banks are in a unique position to offer hands-on learning as well—helping students open a real savings account and manage their own money. This three-pronged strategy can be a very effective way to teach skills, increase knowledge, and encourage an attitude toward saving that can serve a child well into adulthood.

> “
>
> **In my 25 years in banking, [the Youth Savings Pilot] has been by far the most rewarding experience that I’ve had both personally and professionally.”**
>
> – Michelle Huddleston
> Commercial Bank

Fulfilling a mission. Many banks—community-based, regional, and national—emphasize giving back to the community as part of their core mission. Managing a youth savings program, and imparting financial knowledge to youth, can benefit a local community in the short-term and well into the future. At a personal level, too, bank employees can feel a sense of pride and accomplishment when they see that their efforts benefit the local community.

Building trust. Providing youth savings programs can be an effective public relations strategy, building goodwill toward the bank and helping local residents and businesses see financial institutions as trusted members of the community.

Earning Community Reinvestment Act (CRA) credit. Banks and savings associations may receive CRA consideration if they provide youth savings and financial education programs primarily targeted to low- and moderate-income students.[1]

Building a pipeline of future customers. Banks have reported that the relationships formed through youth savings programs have extended beyond the program itself, with graduating seniors continuing to bank with them. One bank describes its youth savings program as “a long-term investment in future customers.”

Developing banking relationships with parents and school employees. Three-quarters of banks in the pilot said that their youth savings programs resulted in new accounts for adults as well as children.

The pilot also identified **additional benefits for school and nonprofit partners participating in youth savings program**, including:

Equipping students with practical knowledge that reinforces components of the general curriculum, including math/numeracy and social studies. The hands-on learning that youth savings programs provide takes the concepts of money and banking out of the abstract, so they can be used to bolster learning in other academic subjects. This also provides opportunities to integrate financial education with the general curriculum.

[1] See Interagency Questions and Answers Regarding Community Reinvestment, __.12(i) – 3, 81 Fed. Reg. 48506, 48531 (July 25, 2016),

Generating positive change in the community through the increased financial capability of students and their families. Students and their families not only learn how to use savings accounts and practice money management, but how to put this knowledge to practice. In most programs, students end the school year with an account that they can continue to use to reinforce the knowledge and skills they've gained.

Empowering students to make financial decisions. Through youth savings programs, students gain financial knowledge that has practical value—knowledge that becomes increasingly important as they enter adulthood, their financial needs evolve, and they have access to more financial products and services.

The 21 Youth Savings Pilot banks were geographically diverse:

- Athol Savings Bank,
  Athol, Massachusetts
- Bank of Hawaii,
  Honolulu, Hawaii
- Beneficial Bank,
  Philadelphia, Pennsylvania
- Caldwell Bank & Trust Company,
  Columbia, Louisiana
- Capital One,
  McLean, Virginia
- Commercial Bank,
  Harrogate, Tennessee
- Fidelity Bank,
  New Orleans, Louisiana
- First Bank of Highland Park,
  Highland Park, Illinois
- First Metro Bank,
  Muscle Shoals, Alabama
- Hastings City Bank,
  Hastings, Michigan
- The Huntington National Bank,
  Columbus, Ohio
- International Bank of Commerce,
  Laredo, Texas
- Montecito Bank & Trust,
  Santa Barbara, California
- Passumpsic Savings Bank,
  St. Johnsbury, Vermont
- PNC Bank,
  Pittsburgh, PA
- Reading Cooperative Bank,
  Reading, Massachusetts
- ServisFirst Bank,
  Birmingham, Alabama
- Southwest Capital Bank,
  Albuquerque, New Mexico
- Treynor State Bank,
  Treynor, Iowa
- WesBanco Bank,
  Wheeling, West Virginia
- Young Americans Bank,
  Denver, Colorado

See Appendix A for descriptions of the programs implemented by the 21 banks.

The Advantages of Experiential Financial Education

School-based experiential financial education is among the most promising frontiers in the field of financial capability.[2] This method of teaching can support students' independent decision-making, take advantage of teachable moments, provide opportunities for repeated practice, and incorporate planning and goal-setting—all of which help build important skills and positive financial habits.[3] The school-age children that participate not only learn key financial concepts, but also form positive attitudes and behaviors that can help them become financially capable adults. Moreover, students who participate in financial education that includes a hands-on saving component are more likely to demonstrate financial knowledge than their peers.[4]

The FDIC's contributions to the national conversation on experiential financial education in schools complement ongoing work in the public and private sectors. The "Starting Early for Financial Success" strategic focus of the Financial Literacy and Education Commission (FLEC) helps prepare children and young people to be financially capable throughout their lives. As part of this focus, the FDIC and other FLEC member agencies have worked together to provide and promote resources that support local youth savings collaborations. For example, the FLEC released two resource papers describing available resources[5] and research[6] on youth savings. In addition, the FDIC and other regulatory agencies have published interagency guidance to encourage financial institutions to develop and implement programs to expand the financial capability of youth, and have addressed questions that frequently arise as financial institutions begin to collaborate with

[2] E. Johnson and M. S. Sherraden, (2007). From financial literacy to financial capability among youth. *Journal of Sociology and Social Welfare*, 34(3), 119–145.

[3] Consumer Financial Protection Bureau (2016). Building blocks to help youth achieve financial capability. See www.consumerfinance.gov/documents/921/092016_cfpb_BuildingBlocksReport_ModelAndRecommendations.pdf.

[4] For example, see Kasey J. Weidrich, Michael Collins, Laura Rosen, and Ida Rademacher (2014). Financial Education & Account Access Among Elementary Students. U.S. Department of the Treasury, April and M. S. Sherraden, L. Johnson, , B. Guo, and W. Elliott (2011). Financial capability in children: Effects of participation in a school-based financial education and savings program. *Journal of Family & Economic Issues*, 32(3): 385–399.

[5] Financial Literacy Education Commission (2003). Hands-On Learning to Build Financial Habits: Federal Resources to Encourage School-Based and Youth Savings Programs. See https://www.treasury.gov/resource-center/financial-education/SiteAssets/Pages/commission-index/Savings%20Program%20Resources%2003-02-15.pdf.

[6] Financial Literacy Education Commission (2015). Hands-On Learning to Build Financial Habits: Research and Resources on Child Savings. See https://www.treasury.gov/resource-center/financial-education/SiteAssets/Pages/commission-index/3-02-2015%20DRAFT%20Research%20and%20Resources.pdf.

schools, local and state governments, non-profit organizations, or corporate entities to facilitate youth savings and financial education programs.[7] The Conference of State Bank Supervisors (CSBS) has also compiled a resource summarizing state laws and other resources pertaining to youth banking.[8]

The Youth Savings Pilot continues the FDIC's efforts to learn more about effective youth savings programs and to encourage the growth and development of the field. The pilot generated a number of findings that promise to benefit other banks that have interest in starting, enhancing, or expanding youth savings programs.

> **"We see a new level of excitement and confidence in students. [They are] excited about getting tools to plan and manage their financial futures."**
>
> – David Pickett
> Fidelity Bank

Using this Report

This report summarizes how banks participating in the Youth Savings Pilot designed and implemented their programs, and identifies lessons learned and promising practices from those efforts. **Banks, schools, and nonprofit organizations can build on these experiences as they launch new youth savings programs or expand and enhance their existing programs.**

This report is divided into two parts:

- **Lessons from the Youth Savings Pilot**, which is organized around a range of programmatic areas from initiating and sustaining partnerships to designing youth savings accounts. In each area, discussions are supported by references to the activities and experiences of specific banks and their school or nonprofit partners.
- **Creating Youth Savings Opportunities**, which provides recommendations for each of the five phases of developing and implementing a youth savings program. This framework is informed by the observations made through the pilot.

[7] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Financial Crimes Enforcement Network, National Credit Union Administration, Office of the Comptroller of the Currency (2015). Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions. See www.fdic.gov/news/news/press/2015/pr15021a.pdf.

[8] See facts.csbs.org.

In year 1 of the pilot (corresponding to the 2014–15 school year), the FDIC gathered information about the programs of nine banks that provided student savings accounts in the context of experiential financial education. Year 2 of the study (corresponding to the 2015–16 school year) included programs led by year 1 participants and an additional 12 banks. Appendix A provides descriptions of the programs implemented by the 21 banks, and Appendix B provides an overview of account openings and average account balances.

Over the two-year pilot, the FDIC conducted one-on-one interviews, group calls, and surveys to gather information on the programs being administered by pilot banks. The FDIC also interviewed school staff (i.e., administrators and teachers) and nonprofit partners (i.e., community-based organization staff) to ensure that their personal experiences informed the lessons from the pilot. Appendix C provides additional detail on the FDIC's data collection methods.

Finally, Appendix D provides an extensive list of resources for banks, schools, and nonprofit organizations that are considering implementing a youth savings program.

The purpose of this report is to provide insights about effective strategies and promising approaches for banks and other organizations interested in participating in youth savings programs. Our discussion is based on the two-year pilot. These experiences are not necessarily representative of the entire banking industry, all schools and their districts, or all nonprofit organizations involved in the delivery of financial education. This analysis also does not attempt to measure the impact of any individual bank's program. Even so, this pilot summary provides valuable insights about how banks and their school or nonprofit partners can establish and maintain youth savings programs.