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Designing Children's Savings Accounts for Equity:

Best Practices from the Field

December 2020



Executive Summary

Financially vulnerable families in the United States face serious obstacles—both financial and psychological—to pursuing post-secondary opportunities that can provide a more secure and rewarding future for their children.

Children’s Savings Accounts (CSAs) are an increasingly popular way to directly address the cost of college and also to create—and raise—expectations of attending college for low- and moderate-income families. Eighty-six state, municipal, and private programs now serve more than 707,000 students.

By starting early in a child’s schooling, CSAs take advantage of saving over a longer time horizon and re-orient families’ educational outlooks and expectations. CSAs are more than simple savings accounts; they also offer one or more incentives—such as seed deposits, contribution matches, and prizes—to boost savings for post-secondary education.

[Research](#) has shown that even small amounts of savings for post-secondary education can have outsized effects, as having even \$1 to \$499 set aside makes a financially vulnerable student three times as likely to enroll in college and four and a half times more likely to graduate. CSAs can help make this happen, and careful attention to basic design principles can greatly enhance their potential.

Commonwealth assisted CSAs in Boston (Boston Saves) and Allegheny County, Pennsylvania (Fund My Future) with design and evaluation. This process provided us with a better understanding of the building blocks of these programs’ success. Although the community settings and the program structures differed significantly, we identified four essential considerations for designing CSAs equitably for maximum reach and impact. The CSA must:

- Be accessible by financially vulnerable households;
- Empower choice by involving prospective families in design;
- Embed in and build on community trust; and
- Look beyond financial benefits and affirm and cultivate the psychological returns on investment.

This report provides design principle and guidance to new and existing CSA programs on how to expand engagement and ultimately enable CSAs to achieve their full promise as a pathway to educational and financial opportunity.

Introduction

Children's Savings Accounts (CSAs) are an increasingly popular mechanism for addressing the struggle to pay for college. CSAs reflect two realities: starting early is the best way to build savings, and dedicating resources to paying for college raises the educational expectations of children and their families. CSAs are thus an important tool for equalizing educational access.

CSAs can strengthen financial opportunity and security. Yet, there is still work to be done to increase the reach and impact of CSAs, especially for low- and moderate-income (LMI) households and families of color.

To better understand the role that design principles play in equitable program access and overall program impact, Commonwealth pursued design and evaluation partnerships with CSA programs operating in the City of Boston and Allegheny County, Pennsylvania.

The role of CSAs in effectively addressing financial vulnerability requires careful attention to access and equity. Boston Saves and Fund My Future represent informative case studies in how best to ensure this. Through this work, we identified four design considerations for creating equitable and impactful CSA programs:

- Ensure access
- Empower choice
- Build community
- Foster positive psychological as well as financial impact

This report details our findings on these four essential elements of effective program design. These insights provide a guide for both new and expanding CSA programs in achieving engagement, satisfaction, and overall impact. They provide a template for increasing educational access and fostering greater opportunity.

Children's Savings Accounts—An Overview

Children's Savings Accounts (CSAs) help families with young children build long-term savings, usually focused on financing post-secondary education. CSAs offer one or more incentives—such as seed deposits, contribution matches, and prizes—to boost savings. CSA programs are growing rapidly, with 86 state, municipal, and private programs now serving more than 707,000 students across 36 states.¹

Although regular savings accounts are sometimes used, most CSA participants (86% in 2018) have their funds in 529 higher education savings plans because those plans are used by the majority of CSA programs.

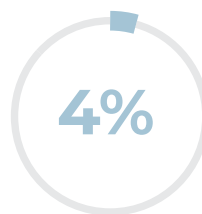
This provides more financially vulnerable families with access to an investment vehicle typically utilized by higher-income households. However, only 4% of low- and moderate-income (LMI) families currently save in 529 plans; White parents generally have 31% of their college savings in 529 plans, compared with just 17% each of Black and Hispanic parents.

CSAs do more than accumulate funds; they change participant expectations about going to college, helping to equalize educational access. “An LMI child with school savings of \$1 to \$499 before college age is more than three times as likely to enroll in college than an LMI child with no savings account and more than four and half times more likely to college graduate.”²

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However, **only 4% of low and moderate families** currently save in 529 plans

“An LMI [low- and moderate-income] child with school savings of \$1 to \$499 before college age is more than three times as likely to enroll in college than an LMI child with no savings account and more than four and half times more likely to college graduate.”²

¹ “The Movement Reaches New Heights.” Prosperity Now, 2020 CEKF: Why Children's Savings Accounts

² William Elliott, Hyun-a Song and Ilsung Nam, Small Dollar Children's Savings Accounts, Income and College Outcomes (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2013).



Boston Saves

Boston Saves is a CSA program providing a \$50 seed deposit from the City of Boston to each kindergarten student in Boston Public Schools. The CSA provides families additional financial incentives for linking to a financial institution account, saving \$25 in a three-month period, and reading regularly with the child. Parents and guardians can additionally earn up to \$450 in gift cards for serving as a Family Champion promoting the program to other families.



Fund My Future (Pennsylvania)

Fund My Future (FMF), a CSA program established in 2013 by the Propel Schools Foundation, expanded county-wide in 2017 with support from the Mayor of Pittsburgh and the Allegheny County Executive. This CSA was made available to all families living in Allegheny County with children aged 0 to 18. Since then, it has been made available to all families in Pennsylvania as an overlay to the state-sponsored 529 program. Monthly prize drawings (conducted as a “regret raffle”) provide rewards (gift cards, cash, and account contributions) for account openings and savings deposits.

72%

of students in the Boston Public Schools participate in state-administered income support programs

6 out of 7

students at Pittsburgh’s Propel Schools—the original home of the Fund My Future CSA—are eligible for free or reduced-fee school lunches.

Children's Savings Accounts Design Considerations

Equitable – and effective – CSA programs require attention to four design considerations:

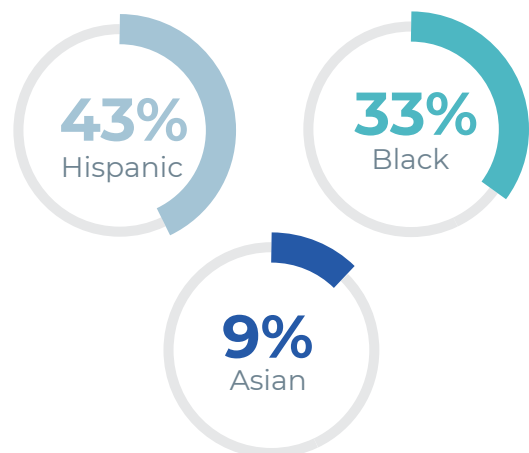
- 1 Ensure Access**
An equitable and effective CSA must be genuinely accessible to financially vulnerable households.
- 2 Empower Choice**
An equitable and effective CSA must involve prospective families in design and respond to their preferences.
- 3 Build Community**
An equitable and effective CSA must embed and build on community trust.
- 4 Foster Positive Psychological and Financial Impact**
An equitable and effective CSA must look beyond financial accruals and affirm the psychological returns on investment.

1 Ensure Access

An equitable and effective CSA must be genuinely accessible to financially vulnerable households.

The first step toward accessibility is situating the CSA in an environment already serving LMI families. Most students in the Boston Public Schools come from communities of color (43% Hispanic, 33% Black, and 9% Asian) and economically disadvantaged households ([72% participate in state-administered income support programs](#)). At Pittsburgh's Propel Schools—the original home of the Fund My Future CSA—six out of seven students are eligible for free or reduced-fee school lunches.

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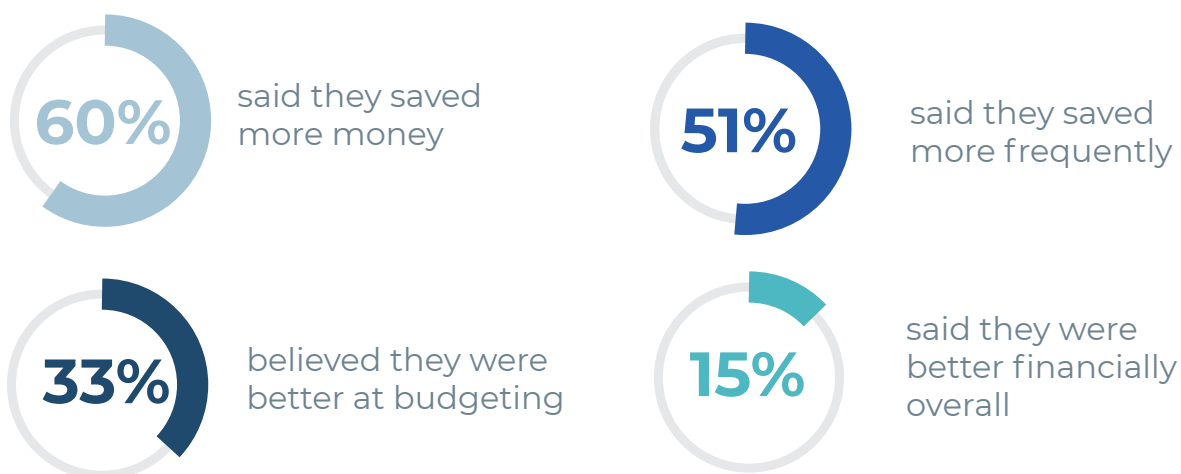


Even in an appropriately targeted venue, actual accessibility requires attentiveness to the details of program design. Any technological interface must be readily understandable and easy to use. The process for opening an account must be straightforward and accommodate household preferences. Incentives must be clear-cut and reward regular engagement. Promotional outreach for the CSA must communicate effectively (including use of languages other than English) and be cognizant of competing demands on family attention (for example, providing child care at information and enrollment events).

The Fund My Future experience evidences the rewards of attention to accessibility. In the Commonwealth evaluation, the majority of Fund My Future participants were LMI (76% with annual household incomes under \$60,000 and 58% under \$40,000). These LMI participants experienced the greatest impact—only 26% of those with incomes under \$40,000 said that Fund My Future was not changing how they thought about or treated their finances, compared with 43% of those making more than \$60,000. Those who felt Fund My Future changed their financial situation experienced this in multiple ways: 60% said they saved more money, 51% said they saved more frequently, 33% believed they were better at budgeting, and 15% said they were better financially overall.

Designing and implementing CSAs within communities in which families are looking to make positive changes in their financial situation gives programs the opportunity to impact those who can most benefit.

Those who felt Fund My Future changed their financial situation experienced this in multiple ways:



2 Empower Choice

An equitable and effective CSA must involve prospective families in design and respond to their preferences.

Although there are common elements across CSAs, there are numerous variables. Trying to impose a predetermined template is unwise; it is important to design program structure with families rather than for them. Commonwealth's field work in Boston and Allegheny County demonstrates the effectiveness of this approach.

In the initial design phase with Boston Saves (in 2015), Commonwealth spoke with and/or surveyed over 70 Boston Public Schools parents (in three different languages). The preferences they expressed informed key design decisions, such as the threshold and timing for earning incentives and the reward amount, the restrictions on fund withdrawal, and even the program name and logo.

Particularly notable in Boston was the discovery that families would be more comfortable putting their savings with institutions where they had already established a relationship. This led to a significant modification to the traditional CSA structure: Boston Saves adopted an "open infrastructure" design that permitted linking to existing savings accounts (with backend tracking and disbursement of rewards) rather than requiring deposits into a state-sponsored 529 plan or a program-created special purpose account.

This approach addressed the widespread distrust of financial institutions experienced disproportionately among LMI households, allowing families to choose a financial institution that they trusted and were comfortable with; it also simplified initiation of participation by minimizing the number of steps in the process.

Commonwealth's insights from Boston informed the design of Fund My Future. However, implementation of a similar open infrastructure design was thwarted in Pittsburgh because suitable backend technology for linking with participant accounts was not available.

To achieve the goal of allowing families to save wherever they felt most comfortable, Fund My Future adapted an innovative approach: the regret raffle. Rather than using savings deposits to generate incentive raffle entries, every participant is entered in the monthly contests, but only those who show they made a deposit during the month are eligible to claim a prize if their entry is drawn.

Families remain in charge of saving when it is most comfortable for them. Participant feedback has been very positive, with 91% of surveyed Fund My Future members rating their overall experience with the program as "very good" (58%) or "good" (33%).

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3 Build Community

An equitable and effective CSA must embed and build on community trust.

The community of participants in a CSA is best built on established networks rather than being created from scratch. Program implementation then needs to consciously develop and build on community ties with the program and among participants. Both the Boston and Allegheny County CSAs demonstrate the effectiveness of this approach.

Boston Saves created a network of school parents who signed up for the CSA to also serve as program ambassadors. [Styled as Family Champions, they had specific obligations](#), including: attending three training workshops; sharing Boston Saves information at three school events, maintaining communication with program coordinators, and reaching at least 15 families.

Having ambassadors who were from the school community—they spoke the language and understood the culture—fostered trust. This approach was highly effective; schools with Family Champions had an average log-in and account-linking attempt rate 70% higher than schools without one.

Fund My Future started in Propel Schools, a Pittsburgh-based public charter school network, so it was able to build on an established community and culture. When the program expanded beyond Propel, it used more hands-on staffing to nurture a community identity.

Toni Corinealdi, Fund My Future's Director of Community and Partner Engagement, spoke with parents by phone, messaged using text and voicemail, distributed monthly emails with a fun and motivational tone, and even accompanied parents to financial institutions to facilitate opening accounts.

This outreach resulted in extremely strong trust between participating families and Fund My Future staff. Non-Propel families now comprise the majority of program participants, and they share the original community's level of comfort, engagement, and program satisfaction. While such hands-on efforts are not always replicable expansively, they provide a pathway to creating community on which other, more scalable strategies can build.

Building community is essential to CSA success. Fund My Future's hands-on staffing and Boston Saves' network of parental ambassadors provide models that other programs can use to develop a strong foundation and expand at scale.

“I am essentially creating an avenue for her that can open more doors for her in the future. This is what Fund My Future made more realistic for me...This is an attainable thing—you can do this.”

- Fund My Future Parent/Participant

4 Foster Positive Psychological and Financial Impact

An equitable and effective CSA must look beyond financial accruals and affirm the psychological returns on investment.

The particular attractiveness of CSAs is the ability of the dedicated savings environment to create a more future-oriented culture among participants and to encourage mindsets that envision post-secondary education as an attainable goal for their children.

The financial contributions leverage an equal or greater investment in a positive outlook. The evidence from Boston and Allegheny County strongly underscores this magnified effect.

Several Boston Saves parents indicated in Commonwealth's evaluation that they valued the reinforcement of two concepts: the importance of saving and the value of starting early. They felt they would otherwise have failed to realize this potential given the young age of their children and competing demands. Most school staff indicated that Boston Saves resulted in families being more likely to talk about their children's future and saving for college. Although the students' schools had a relatively low emphasis otherwise on pursuing post-secondary education, some staff found CSA parents more likely to talk about preparing for learning beyond high school.

The evaluation in Allegheny County found that Fund My Future participants saved more frequently, saved more dollars, and placed a higher priority on long-term educational savings. As part of the program, each month, a select number of account-holding families are randomly selected to win prizes as part of Fund My Future's "regret raffle"—and have to show that they saved into their account in order to claim the prize. Over half of prize winners surveyed (53.4%) said they started saving in a long-term savings or 529 account only after hearing about Fund My Future. One parent noted: "It was one of those simple things that I don't know why I didn't start sooner—Fund My Future lit the fire."

Moreover, the Fund My Future evaluation found important nonfinancial benefits. Most (70%) of surveyed parents said Fund My Future had changed the way they think about their children's future education. This trend was strongest among lower-income participants (80% of those with annual household incomes under \$40,000, and 79% of incomes between \$40,000 and \$60,000). Parents made it clear that they found the psychological effects outweighed the financial benefits; Fund My Future led to increased confidence in future outcomes, heightened awareness of savings capabilities, and other tangential emotional benefits.

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Conclusion

CSAs can be a driving force for change in the United States. They are a tool that can build improved opportunity and long-term wealth building for families, combat wealth and educational inequities, and encourage healthy financial habits.

However, realizing the full promise of CSAs requires careful attention to program design and implementation. One size does not fit all, and the Boston and Allegheny County experiences reflect the realities of different community settings and alternative programmatic frameworks.

They highlight the common considerations important to equity and effectiveness. Programs need to ensure access, empower choice, build community, and foster positive psychological and financial impact. These successful CSAs show that design done right can result in remarkable outcomes.



If your organization would like to learn more about children's savings accounts, their design, and their role in helping Americans access post-secondary education and increased wealth-building opportunities, email Jerome Barnes, Senior Innovation Manager at info@buildcommonwealth.org

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Commonwealth is a national nonprofit building financial security and opportunity for financially vulnerable people through innovation and partnerships. Black, Latinx and Female-led households disproportionately experience financial insecurity due in large part to longstanding systemic racism and gender discrimination. Addressing these issues is critical to Commonwealth's work of making wealth possible for all. For nearly two decades, Commonwealth has designed effective innovations, products, and policies enabling 750,000 people to accumulate more than \$3 billion in savings. Commonwealth understands that broad changes require market players to act. That's why we collaborate with consumers, the financial services industry, employers, policymakers, and mission-driven organizations. The solutions we build are grounded in real life, based on our deep understanding of people who are financially vulnerable and how businesses can best serve them. To learn more, visit us at www.buildcommonwealth.org.

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22 BATTERYMARCH ST., SUITE 501
BOSTON, MA 02109