

Children's Savings Accounts: *Options for Community Innovators*

The power and potential of Children's Savings Accounts (CSAs) is indisputable. Matched savings accounts not only help children and youth create a financial nest egg that helps them get ahead economically, but also can transform children's aspirations and sense of what is possible for their own futures. If assets are, as one scholar describes them, "hope in concrete form," then Children's Savings Accounts are the vessels that collect and contain that hope.

The Opportunity

The challenge before us now is to extend the opportunity for savings, investment and financial education to all children, not just a lucky few. As the compelling lessons and impact of early children's savings initiatives reach an increasingly wider audience, the momentum and interest for scalable, sustainable CSA initiatives are building quickly across the country and around the world. Children's savings represents a new frontier; a new way of thinking about investment in the next generation, and a leading-edge innovation with the potential to give children of all backgrounds, as 11-year-old Naje Childs so eloquently describes it, "a vision and a way of getting there."

“Before I joined the SEED program, I was just an 11-year-old fifth grader, soon to be sixth grader. But unlike half of the rest of the 11-year-old fifth graders, I had a vision for my future. My vision is to finish high school and go on to college and become a successful African-American female. I had the vision but not a clear path to get there.

Now, with my SEED savings account, I have the vision *and* a way of getting there.”

– Naje Childs

People for People Charter School
Philadelphia, PA

With a need that has never been greater and a growing body of experiential knowledge, there is an opportunity for local leaders with vision to pioneer children's savings initiatives on an unprecedented scale. Imagine an account being opened for every child in a particular program, school, city or state – and paired with age-appropriate financial education to give them economic know-how and self-sufficiency. Imagine children and their families being encouraged by their teachers, faith leaders, public servants and elected officials to contribute to their accounts – so that saving for the future becomes part of the collective culture of the community. Imagine the power of sending a message to every child: We believe in you. We believe in your vision. And we'll give you a way of getting there.





The Essential Ingredients

In any initiative designed to deliver CSAs on a large scale, three essential elements are necessary:

- A system of **user-friendly savings accounts** that not only make it easy for children and families to make deposits, but also are structured and managed to ensure that the funds in the account are used exclusively for their intended asset purpose.
- **Financial savings incentives**, including an initial deposit to “seed” the account and/or savings matches to encourage ongoing deposits.
- **Access to networks that already serve significant numbers of children and youth.** Real scale will not be achieved by creating new, standalone CSA programs – but rather by incorporating savings components into existing infrastructures with the scale and capacity to reach large groups of children and families, communicate with them about the opportunity to save, and serve as a delivery system for financial education.

Three Promising Options for Local Innovators

As momentum and interest grow for delivering children’s accounts at scale, a number of interesting delivery models are emerging. For local innovators interested in reaching children and youth on a significant scale, we suggest three particularly promising options. All of these have one element in common: they are able to serve large numbers of children by reaching them at “touch points” that are common to virtually all children in every community.

- 1. Accounts at birth.** One of the most obvious options – and the focus of national legislation in the United States and experimentation abroad – is providing accounts to children at birth. The Harold Alfond Foundation pioneered this strategy in Maine with the launch of the Alfond College Challenge, which provides a \$500 grant to be invested in a college savings account for all Maine newborns. The first phase of the initiative began on January 1, 2008, in two cities in Maine and was taken statewide a year later. Working in partnership with the Finance Authority of Maine and networks of Maine hospitals where babies are born, the Alfond Challenge has served more than 5,000 babies to date.
 - 2. School-based accounts.** Another option that has proven successful in initial experimentation in the United States is providing accounts to children upon entering school. In San Francisco, the city recently launched a new Kindergarten to College (K2C) initiative that will create a college savings account with a \$50 opening deposit (\$100 for those on free or reduced lunches) for all children entering public kindergarten. Separately, CFED has embarked on an ambitious effort with UNCF (the United Negro College Fund) and the KIPP network of charter schools to eventually provide each student at the 99 KIPP schools with a matched college savings account, along with financial education and scholarship opportunities.
 - 3. Accounts for disadvantaged children.** A third strategy is to target children and/or families who are in particular need. Such an effort could be focused on a very narrow population, such as foster youth. As part of the Jim Casey Youth Opportunities Initiative, for example, foster youth in a number of communities across the United States have received a matched savings account, along with access to basic banking services and critical mentors. Alternatively, children’s savings accounts could be opened for every child enrolled in larger systems of public support, such as those that qualify for free or reduced school lunch; young children entering Head Start; or children in families receiving public benefits, such as Food Stamps.
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What CFED Can Do

CFED is a national leader in the asset-building field, with over 30 years of experience in helping families to build assets and achieve financial security. As a national partner in the Saving for Education, Entrepreneurship and Downpayment (SEED) Initiative – the first large-scale national demonstration of matched children's savings accounts – CFED has direct experience in designing and implementing CSAs. CFED is also currently involved with a number of partners with national reach, including the W.K. Kellogg Foundation, the KIPP schools, UNCF and others to develop scalable models for delivering CSAs.

CFED can offer support in:

- **Providing technical assistance in CSA program design and delivery.** CFED draws from its real-world experience to offer informed advice on all aspects of bringing a CSA initiative from vision to reality – from high-level program design to the “nuts-and-bolts” of implementation.
- **Identifying account products and savings incentives.** CFED can help stakeholders select from the range of available financial products on which to build a CSA initiative, and provide suggestions on the optimal design and distribution of savings incentives for young accountholders.
- **Delivering effective financial education and promoting family engagement in saving.** CFED can offer guidance on successfully linking financial education to a CSA, make curriculum recommendations, and incorporate program features that encourage children and families to participate actively in the savings initiative.
- **Designing effective evaluation tools.** CFED can assist in developing a range of strategies for capturing the outcomes and impact of a CSA initiative.
- **Linking local innovators to respected national resources.** CFED's longtime national leadership in the CSA realm brings credibility, the opportunity for widespread exposure, and connections to numerous other experts and partners who can provide information and resources to emerging CSA initiatives.
- **Influencing the policy landscape.** At every level – federal, state and local – public policy has an important role to play in promoting opportunities for children to save for the future and removing barriers to saving. CFED leverages our deep familiarity with the CSA policy environment to make specific recommendations for policy strategies to create funding, infrastructure, and support for children's savings initiatives.

Contact Us

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Also, please visit our website, www.cfed.org/priorities/savings_financial_security