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The Initiative on Financial Security at the Aspen Institute is a leading policy program focused on bold solutions to help all Americans at every stage of life to save, invest, and own.

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SENATOR LINCOLN: “ADD THE KIDS”

SAVING IS FOR EVERYONE

The Obama Administration has signaled its intent to pursue policies to make work-based saving widely available for adults. This ambitious goal dovetails with a long standing effort by policy advocates to expand the saving and investing system to include all Americans, beginning with children. Universal savings accounts for American children – or Child Accounts – are a critical new mechanism for promoting individual development, financial literacy, and economic opportunity and mobility. A broader approach to America’s savings efforts – one that includes our children – will begin all Americans on the lifelong path to financial security.



“Through my role as chair of the Senate Finance Subcommittee on Pension, Social Security, and Family Policy, I am going to look forward to ensuring that our children receive a larger focus in this savings debate as we bring it forward,”

- SENATOR BLANCHE LINCOLN

To that end, on June 17, 2009, Senator Blanche Lincoln announced her intent to introduce Child Account legislation this fall and to effectively “Add the Kids” through a national policy of universal child saving accounts. “Through my role as chair of the Senate Finance Subcommittee on Pension, Social Security, and Family Policy, I am going to look forward to ensuring that our children receive a larger focus in this savings debate as we bring it forward,” said Lincoln. The Senator asserted her commitment to work with her colleagues in the Senate and the Obama Administration, “to make sure we pull up another chair to this drafting table and – as we talk about savings and the importance of financial literacy – that one of those chairs at the table will be saved for our children...”

Senator Lincoln was joined in introducing this bold new initiative by David White, President and CEO of The Children’s Mutual, William Bynum, President and CEO of the Enterprise Corporation of the Delta and the Hope Community Credit Union, Angela Duran, President of the Southern Good Faith Fund, and Lisa Mensah, Executive Director of the Aspen Institute Initiative on Financial Security.

BEGINNING AT THE BEGINNING

“Saving, like every good habit, is best learned early,” announced Senator Lincoln. “Teaching our children the importance of thrift will go a long way in preventing them from facing an insecure financial future.” As bold proposals to create automatic workplace savings plans develop, the Senator recognizes the need to instill, from birth, good savings habits – habits which many *adults* in America lack. The Senator was clear, “We must provide Americans the tools to save earlier, save more steadily, and save more effectively.”

Following the Senator’s remarks, David White, a driving force in the success of the United Kingdom’s own system of universal child accounts – UK Child Trust Funds – offered his insight on the triumph of the initiative. “Today, we [in the UK] have over four and one half million children with open, active accounts,” giving all children a “financial springboard into adulthood.”

Mr. White went on to detail that it is not just the well-to-do families who are managing to save regularly, but that even those struggling to make ends meet are finding ways to invest in their child’s future. Of those families who

have an open account at The Children’s Mutual, and whose personal finances place them just above the UK’s defined welfare dependency line, 30% are saving monthly in a Child Trust Fund account. Mr. White asserted, “Don’t tell me low-income families won’t save. Don’t tell me low-income families don’t want a better future for their children, because it is not true.”

“We must provide Americans the tools to save earlier, save more steadily, and save more effectively.”
-SENATOR BLANCHE LINCOLN

Having worked with then Prime Minister Tony Blair and current Prime Minister Gordon Brown to structure the Child Trust Fund program, Mr. White was aware of policy questions over the best way to deliver these accounts. “I know there has been some debate [in the United States] over whether a program like this should be federally-run, or run by private firms...but I can tell you my team at The Children’s Mutual is clear: Our business – and their livelihoods – live or die based on the success in the market and that makes a big difference.”

SENATOR LINCOLN’S CHILD ACCOUNTS PROPOSAL SUMMARY

- At birth, every American child will be provided with a \$500 Child Account Contribution Certificate from the Department of the Treasury.
- Parents will open a savings account in the name of the child and deposit the certificate at participating financial institutions.
- The standard Child Account will have a simple design, one basic investment fund structured for an 18-year investment horizon, and limits on account fees and expenses.
- Up to \$2,000 can be contributed annually by the child or on behalf of the child.
- Low- and moderate-income families will be encouraged to save through matching contributions.
- Account funds will be locked up until the child reaches age 18. At that time, the assets can be used for any purpose.

Mr. White concluded, “Our children give us their trust without reservation. It is time for us to do the right thing. It is time for us to repay that trust and give all children a stake in the future.”

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-DAVID WHITE

Bill Bynum then spoke on the real life impact a federal Child Account policy could have if instituted. A financial services executive in the Delta region, Mr. Bynum has worked for over 25 years to provide the access and the tools necessary to help low- and moderate-income families build assets, helping to create more sustainable communities. “We [at ECD & HOPE] work very closely with families on the ground. We have seen the value of asset building,” said Bynum. “Assets are ladders that bring opportunity and financial security within closer reach to our nation’s families.”

After Hurricane Katrina, Mr. Bynum and his team at ECD saw the devastating impact the lack of assets can have on a family and a community following an unexpected tragedy. To help fill the asset void, Mr. Bynum, along with the Aspen Institute’s Initiative on Financial Security, sought to institute Child Accounts in Mississippi. “We were lined up and at the starting line ready to go... the banks and credit unions were ready; the schools were ready with a curriculum to teach the children... Mississippi was ready to lead the way,” said Bynum. “But when the financial crisis hit, the state could not fund the program,” lamented Bynum.

“We know that many people are disconnected from the financial mainstream – that is part of reason we are in the mess we are in today. This program could help ensure no child, no family, will be in that position going forward,” Bynum said. “As they grow up, each of the 4 million children born, along with their families, will learn how finances work. It will help them be more responsible in their financial decisions and jump start them on a path to becoming more productive, tax-paying citizens.” Mr. Bynum spoke plainly, “Child Accounts are a game changer; an investment that will pay for its self many, many times over.”

“Assets are ladders that bring opportunity and financial security within closer reach to our nation’s families.”

-BILL BYNUM

Angela Duran then offered real examples of how test demonstrations of Child Accounts are already showing promise in the United States. Ms. Duran, as President of the Southern Good Faith Fund, has spent the past several years working on the SEED demonstration.¹ SEED seeks to test and promote matched savings accounts for children in America. “About 1,200 children around the country have participated in the SEED initiative, and in a huge variety of places,” said Duran. “In Harlem, Michigan, the Cherokee Nation in Oklahoma, in Puerto Rico, and Texas – these children have already saved two million dollars.”

Witness to the power Child Accounts, Mr. Duran confirmed, “Savings for our kids are possible,” She concluded affirming the preparedness of all relevant actors, each ready to make a federal policy of Child Accounts a success, “Everyone is ready to do their part:

¹ The **Saving for Education, Entrepreneurship, and Downpayment (SEED) Policy and Practice Initiative** is a multi-year national initiative to develop, test and promote matched savings accounts and financial education for children and youth. The initiative seeks to set the stage for universal, progressive American policy for asset building by bringing together national and community partners to design, administer, and document specific aspects of children’s savings programs.

Individual families, non-profits, banks – it is now time to add the missing element, which is Federal action.”

“Everyone is ready to do their part: Individual families, non-profits, banks – it is now time to add the missing element, which is federal action.”

- ANGELA DURAN

THE APPROPRIATE ROLE FOR THE PRIVATE SECTOR

The Aspen Institute’s Initiative on Financial Security also took the ‘Add the Kids’ event as an opportunity to release its latest publication, “Child Accounts: The Appropriate Role for the Private Sector.” In the report Aspen IFS describes its research into the appropriate delivery system for the 4 million new accounts each year that a universal program of Child Accounts would require. The report’s key finding endorses a private sector delivery system where the government defines and regulates Child Accounts but the private finance sector performs all other account functions: “On balance, critical system delivery questions all favor a retail model.”

Citing over four years of “consultation with industry leaders and in-depth work with industry design teams,” the report asserts, “that a retail model can meet the feasibility test.”

Using the UK Child Trust Fund experience as a test case, the paper elaborates on the benefits of the private sector model. “Through a retail model, large numbers

of previously-unbanked Americans can be brought into the financial mainstream.” At the same it addresses the major pitfalls of alternative delivery methods – namely an “institutional” or “hybrid” model – which rely more heavily on government account establishment and administration. The paper concludes, “The U.K.’s choice of a retail delivery system was pragmatic and correct... The U.K. experience, combined with the ability of U.S. institutions to play a comparable role, argues for the [retail model] CA policy.”

And Senator Lincoln proposes to do just that. “[Child Accounts are] modeled after UK Trust Child Fund. With a simple design and efficient private sector delivery, Child Accounts promise to provide a first class savings account for every American child.”

‘ADD THE KIDS’

“This is our moment,” said Lisa Mensah. “We have our leaders. We have our inspiration. We have the right idea. And we are ready to work.” Echoing Senator Lincoln, Ms. Mensah declared, “We really do feel that this Administration, and this time, is a serious moment where savings is on the table... This is such a powerful moment to add the children.”

Senator Lincoln reminded the audience of the challenge ahead and of this “important opportunity to strengthen the country’s most precious resource – our children!” “If we have missed that,” said Lincoln, “than we have missed a lot.”

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