

Why Having Multiple Streams of Assets is Important: CSAs Provide Valves that can Be Used to Control Asset Flows

In a previous blog, I stated, “It is my observation that different policy proposals, groups of academics, and practitioners have treated income and wealth inequality solely as an institutional problem (i.e., inadequate plumbing), a lack of wealth problem (i.e., not enough water), or a lack of financial literacy problem (i.e., inability to turn the water into food).” In this blog I am going to focus on the importance of plumbing (i.e., CSAs) and water (i.e., assets). More specifically I am going to focus on the importance of having additional sources of assets, beyond government funds, flow to children living in poverty. I must note, in doing so, I do not mean to diminish the importance of the role of government for reducing wealth inequality. It is not either or, but both-and.

Interestingly, policies whose primary goal is increasing the amount of water (e.g., Baby Bonds) have focused mostly on government funds as the only source for reducing wealth inequality. It appears, they have adopted this approach, at least in part, because of concerns that allowing multiple streams of assets to flow into accounts will result in more affluent children having more assets flowing into their accounts and at a higher volume than children living in poverty. The logic goes, allowing for multiple streams of assets could exacerbate wealth inequality in America, rather than reduce it. However, this seems to ignore the fact that wealthy communities already have access to financial institutions that can facilitate multiple streams of assets flowing to children living in wealthy families.

Wealthy Children Already Have Access to Financial Institutions.

To be clear, I am not saying that by giving children living in poverty access to a CSA which can deliver multiple streams of assets that they otherwise would not have, that wealthy children then would not have access to financial instruments that serve similar purposes. The only thing that would happen is that children living in poverty would be given the same opportunity to have multiple streams of assets flow to them.

And while it might seem that providing all families with access to the CSA infrastructure would potentially allow children living in wealthy communities to receive more resources than those living in low-income, low-wealth communities, as stated, this already happens. So, in a real sense, children living in families and communities that are poor, not only



receive less because their communities have less to offer, but they also cannot easily access what their communities could offer them if they had access to the plumbing CSA provide. As a result, wealth inequality is further intensified by lack of access to financial institutions that allow for the flow of multiple streams of assets.

But there are also wealthy families who understand the negative consequences that wealth inequality creates and who wish to have an easy way to divert some of their assets to children and families who are living in poverty. The CSA plumbing allows them to divert assets quickly and easily from their families and direct them to children living in low-income families. This can help balance out the flow of assets that all families receive. And so, while it is true some communities have greater amounts of assets to distribute than others, these assets exist in wealthy families and communities with or without CSAs, and they have access to financial institutions that allow them to move these assets freely to their families and communities.

It is important to also point out, the CSA infrastructure is not only valuable from an asset distribution perspective, but also from a networking and community building standpoint. By facilitating multiple asset streams to flow to children living in poverty, in addition to building wealth among these children, it also increases connections between the community and the children living in the community. Maybe also connections to people outside the community who contribute to their accounts building their social capital as well.

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To learn more about how CSAs can act as a doorway to multiple streams of assets please read the following report and case studies:

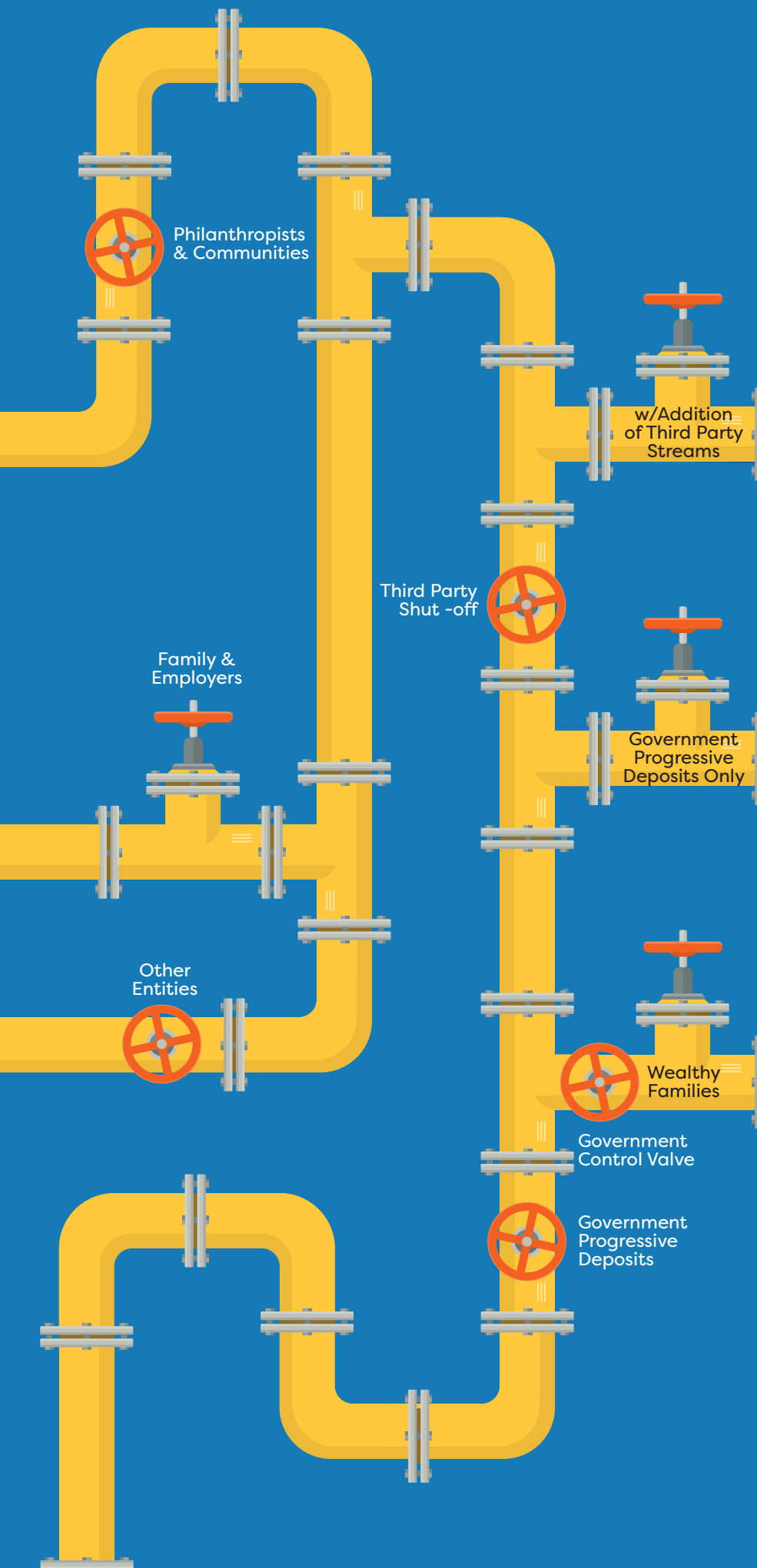
Unleashing the Power of Children’s Savings Accounts (CSAs): Doorway to Multiple Streams of Assets

- Keystone Scholars • Early Award Scholarships • Oakland Promise
- CollegeBound Saint Paul • New York City Kids RISE

You can find the report and case studies at:

<https://aedi.ssw.umich.edu/unleashing-the-power-of-children-savings-accounts>.





A Valve for Controlling the Flow of Water.

Moreover, the potential for increasing wealth inequality by creating a national CSA infrastructure may be reduced when principles of targeted progressive deposits are included as part of the strategy. The ability to provide targeted progressive deposits provides the government with a tool or a valve that can be used to turn on or off the flow of water into accounts of children living in poverty. So, given that wealthy families can provide more streams of assets at different amounts into a CSA than parents of children living in poverty, a system is needed where the government can easily balance out the flow of assets into households when and where needed. Having everyone in (high- and low-income families) in the program might even make it easier to track when more water is needed. Thus, once every child in America has an account, targeted progressive deposits provide a type of valve by which the government can easily adjust the flow of water to children living in low-income families. And by allowing for multiple streams of assets to flow into accounts, in essence there will be many smaller valves that can be used to increase the flow of water as well. And so, when the government is not able to turn enough water on, refuses to act, or just acts too slowly there is the opportunity for third parties (e.g., family members, employers, philanthropists, communities, and other entities) to increase the flow of water quickly and easily to children living in low-income families.

https://aedi.ssw.umich.edu/sites/default/files/documents/Blog/CSA_Waterflow.pdf