Verbal Testimony

U.S. Senate Finance Committee
Hearing on Child Savings Accounts and Other Tax-Advantaged Accounts Benefitting American Children

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Chair Wyden, Ranking Member Crapo, and distinguished members of the Committee, it is an honor to testify before you today regarding the promise of Children's Savings Accounts (CSAs) for building wealth for children. I am grateful for the opportunity to address this Committee and appreciate your continued attention to the urgency of wealth inequality—and to the potential of improving children's chances through investments in children's asset interventions.

CSAs are asset-building accounts that provide a type of financial structure that can facilitate wealth accumulation from multiple sources for the purpose of giving all children an equal opportunity to reach their full potential. A group of CSA experts identified 8 key principles for designing CSAs at scale:

- Eligibility for all
- Automatic enrollment
- Automatic initial deposit
- Start young
- Targeted additional deposits
- Centralized savings plan
- Investment growth
- Simplified investment options

Importantly, the 401Kids bill includes seven of the eight principles. As a practical example, you will hear more about how Maine is utilizing these principles in Colleen Quintes' testimony.

By the end of 2023, there were 121 CSA programs in 39 states serving over 5.8 million children in the U.S. Currently, there are seven states with a statewide program: California, Illinois, Maine, Nebraska, Nevada, Pennsylvania, and Rhode Island. All seven states built their programs upon their State 529 Savings Plan structure.

In the absence of passage of national CSA policy, some states and localities have developed their own children's savings initiatives. Without federal funding, existing CSA programs provide relatively small initial deposits ranging from $5 to $1,000, but research shows CSAs still build wealth.

For example, at age 14, the average treatment child in the SEED for Oklahoma Kids experiment - a group that includes low-income and Black children - has about $4,373 dollars in their account. So, even when families' savings are minimal, significant assets accumulate in these types of accounts.

CSAs provide an infrastructure for potentially leveling the playing field. Once every child has an account, it gives the government a tool, like a water valve that can be used to control the flow of assets into households. By allowing multiple streams of assets to flow into accounts, in addition to giving the government a valve, third parties such as extended family members, employers, philanthropists, communities, as well as other entities are also given access to smaller valves that can be used to increase the flow of assets going to low-income children.

The potential of different types of assets flowing into a CSA, makes them tools that can provide a way for not only government but people and groups outside of the government to help finance college and reduce the racial wealth gap.

Existing CSAs have been designed to not only give low-income children access to the asset arm - as opposed to the credit arm - of financial institutions to build wealth to pay for college, and for launching them into adulthood, they also have been shown to have impact on children's preparedness for college. Research findings indicate that CSAs are associated with children's early social and emotional development, math and reading scores, improve children's educational expectations, and increase the likelihood they enroll in and complete college.

Research also shows effects on parents. They increase parental educational expectations, reduce punitive parenting practices, and reduce maternal depression for example. Importantly, some findings are consistently strongest among low-income children, revealing that CSAs are the rare and valuable intervention that works *best* with those who need it most.

In conclusion, children's asset investments are more than just financial benefits for higher education: they have demonstrated the potential to transform the opportunity landscape—and in the process, to reset young people's confidence in U.S. institutions and their ability to deliver equitable returns.

In our context of rising student debt, encroaching artificial intelligence disruptions, and considerable post-pandemic disruption, CSAs help create an environment for forming tangible hopes. What makes them tangible is that they give children a stake in the future—their own, and ours. They give them the power to purchase a piece of their future today.

Thank you again for the opportunity to testify, and I look forward to your questions.