



Center for Social Development

GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK

 Washington University in St. Louis

Child Development Account Research: Lessons for the Field

Margaret Clancy

Lawrence, KS

November 11, 2016



SEED for Oklahoma Kids Research

SEED OK is a large-scale
policy test of **automatic**
and progressive CDAs
and the first universal model
in the US



SEED OK
SEED for Oklahoma Kids

OK
Oklahoma's 529
College Savings Plan

Nam, Kim, Clancy, Zager, & Sherraden, *Journal of Policy Analysis and Management*, 2013



Universal Participation

Without **universal participation**
(full inclusion), **those left out**
will be disproportionately
the most **disadvantaged children**





Full Inclusion



Full inclusion
is not possible without
automatic account opening
and initial deposits

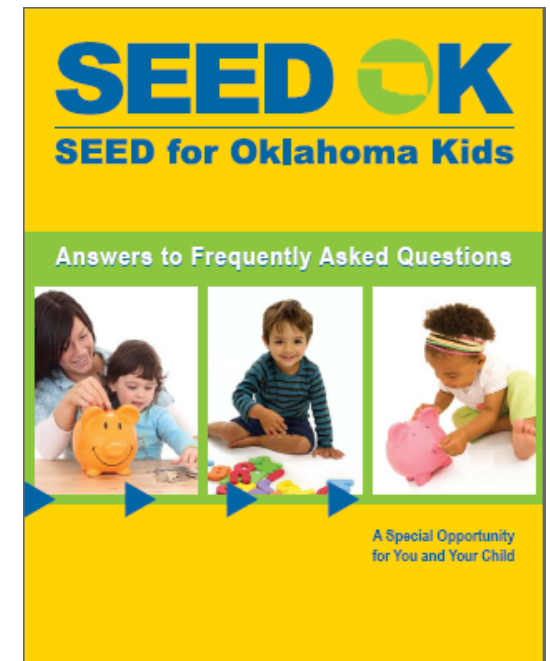
Sherraden, et al., *Journal of the Society for Social Work and Research*, 2015



Automatic Features

Because of the **automatic accounts**
and initial deposits for *all children*,
SEED OK has large impacts on OK 529
savings among disadvantaged children

The automatic components
of the CDA in SEED OK
reduce asset inequality early in life



Huang, Sherraden, Kim, & Clancy, *JAMA Pediatrics*, 2014



Early Funding

If CDAs are funded early
with a **sizable deposit**,
children may accumulate
meaningful levels of assets over time,
even if families do not contribute



Clancy, Beverly, Huang, & Sherraden, *Social Service Review*, forthcoming



Wealth Accumulation



In SEED OK,
1/3 of asset accumulation
is due to **investment growth**

The \$1,000 **OK 529 deposit**
increased by 50% in < 9 years

Clancy, Beverly, Huang, & Sherraden, *Social Service Review*, forthcoming



Savings Behavior



College savings initiatives
that **primarily rely on individual behavior**
will **strongly favor advantaged children**

Beverly, Kim, Sherraden, Nam, & Clancy, *Children and Youth Services Review*, 2015
Sherraden, et al., *Journal of the Society for Social Work and Research*, 2015



Savings Match

**A savings match
has only limited potential
to incentivize and subsidize saving
for those who **most**
need asset accumulation**



Clancy, Beverly, Huang, & Sherraden, *Social Service Review*, forthcoming



Conclusions

Full inclusion paves the way for more **equitable use of public funds** (cash or tax subsidies)

Ensuring that ***all children have college savings*** is important because modest savings have financial and nonfinancial benefits for children and their families





Resources



Center for Social Development
GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

| MARCH 2016 | RESEARCH SUMMARY 16-07 |

Universal Accounts at Birth: Results from SEED for Oklahoma Kids

By Sandra G. Beverly, Margaret M. Clancy, and Michael Sherraden

Child Development Accounts

Child Development Accounts (CDAs) are savings or investment accounts to help people accumulate assets for postsecondary education and other long-term developmental purposes. This research summary presents findings about the implementation and impact of CDAs from a number of studies tied to the SEED for Oklahoma Kids (SEED OK) experiment.¹

Proponents of CDAs envision accounts that would be universal, progressive, and lifelong.²

They would be universal—that is, fully inclusive—in that every child would automatically receive an account and initial deposit. Under most proposals, the federal government would automatically open an account for every child when the or he is born. Each account would receive an automatic initial deposit, and parents and others would be encouraged to make additional deposits. The accounts would be progressive in that personal savings deposited into the accounts of low- and moderate-income children would be matched by public and private funds. Low-income children might also receive automatic deposits at certain milestones—for example, when they enter kindergarten or graduate from high school. The accounts would be lifelong in that CDAs are meant to be held and used for multiple purposes throughout the life course.

The emphasis of early CDAs on postsecondary education is appropriate because educational decisions are often the first major milestone in the transition to adulthood. This emphasis also reflects the fact that the largest CDA programs in the United States—statewide CDA programs in Maine, Nevada, Rhode Island, and Connecticut—are built on state 529 college savings plans.³

Researchers expect CDAs to increase college attendance and graduation rates. A key suggestion is that CDAs raise the educational expectations of youth and their parents, thereby increasing engagement and investment in education.⁴ In general, if CDAs make parents more hopeful about their children's future, the accounts may boost parents' mental health, motivate parents to invest more in their children, and improve parent-child interaction. All of those changes could positively affect child development and eventually improve educational outcomes. The impacts of CDAs are likely to be stronger if children have more assets in their accounts. However, CDAs may have positive effects on attitudes and behaviors, regardless of the amount of money in the account and even if account opening and deposits are automatic.⁵

The automatic components make the CDA in SEED OK inclusive and reduce asset inequality early in life.

SEED for Oklahoma Kids

The SEED OK experiment, which began in 2007,⁶ is a large-scale policy test of universal, automatic, and progressive CDAs. The CDA in SEED OK consists of an Oklahoma 529 College Savings Plan (OK 529) account automatically opened with an initial deposit of \$1,000.⁷ It also includes an optional Individual OK 529 account, a \$100 account-opening incentive, a savings match, and educational materials.

The sampling frame for SEED OK consisted of birth records for all children born in Oklahoma during certain periods in 2007. Study participants are the primary caregiver—mostly mothers—of the infants identified in the sampling frame. Mothers and their infants were assigned randomly to the treatment group or control group after the mothers completed a baseline survey (Figure 1). Children in the treatment group received the

Washington University in St. Louis



Center for Social Development
GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

| JUNE 2016 | CSD FACT SHEET 16-23 |

Financial Outcomes in SEED for Oklahoma Kids

By Margaret M. Clancy, Sandra G. Beverly, and Michael Sherraden

The SEED for Oklahoma Kids (SEED OK) experiment is a large-scale policy test of universal, automatic, and progressive Child Development Accounts (CDAs). The CDA in SEED OK consists of a state-owned Oklahoma 529 College Savings Plan (OK 529) account automatically opened with an initial deposit of \$1,000. It also includes an optional Individual OK 529 account with a \$100 account-opening incentive, a savings match for low- and moderate-income children, and educational materials.

This fact sheet highlights selected SEED OK financial outcomes from 2007 to 2014. For more SEED OK details and an extensive summary of all research findings, including nonfinancial impacts such as improving educational expectations and child development, see *Universal Accounts at Birth: Results from SEED for Oklahoma Kids* (CSD Research Summary No. 16-07).

SEED OK is an unusually rigorous test of social policy. Mothers were randomly selected from state birth records. Children in the treatment group (1,280) received the CDA in SEED OK; children in the control group (1,346) did not.

Financial outcomes are measured as of December 31, 2014, when SEED OK children were 7 years old.

All OK 529 Accounts

The most important financial outcomes in SEED OK relate to having an OK 529 account and OK 529 savings, regardless of the source. Savings include deposits minus withdrawals, investment services, and, for treatment children, SEED OK initial deposits and incentives. About 7 years after SEED OK began, key findings include the following:

- 99.9% of treatment children have OK 529 college accounts and savings, compared to 3.2% of control children.
- Thus, treatment children are 30 times more likely than control children to have OK 529 accounts and savings.
- On average, treatment children have \$1,851 in total OK 529 savings, almost six times that of control children (\$313).
- Despite the Great Recession, the \$1,000 initial OK 529 deposit increased by more than 40% over 7 years.
- The average savings across all treatment children are \$949. The median earnings, even for those who received no other deposit, than the \$1,000 seed, are \$426.
- Across all treatment children, savings accumulated in OK 529 accounts total \$2,266,873, over six times that of control children.

Mother-opened OK 529 Accounts

Individual savings is not the primary objective of CDAs, although SEED OK offered treatment mothers incentives to open and save in the optional OK 529 accounts for their young children. Here, individual savings includes deposits minus withdrawals, plus investment earnings, in mother-opened accounts. It does not include any SEED OK deposits. About 7 years after SEED OK began, key findings include the following:

- 17% of treatment children have an OK 529 account opened by their mother, and 8% have individual savings in this account type.
- Treatment children are 15 times more likely than control children to have a mother-opened OK 529 account.
- They are almost 8 times more likely to have individual savings in this OK 529 account type.

Washington University in St. Louis



Center for Social Development
GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

| REVISED JUNE 2016 | CSD RESEARCH BRIEF 15-08 |

The Early Positive Impacts of Child Development Accounts

By Sandra G. Beverly, Margaret M. Clancy, and Michael Sherraden

Child Development Accounts (CDAs) are savings or investment accounts for long-term developmental purposes. Children who grow up knowing they have some assets for postsecondary education may be more future-oriented and may fare better in the long run than children without these assets.

SEED for Oklahoma Kids (SEED OK) is a large-scale policy test of automatic and progressive CDAs, and it is the first truly universal model in the United States. The SEED OK CDA is universal in that it opens an Oklahoma 529 College Savings Plan (OK 529) account on behalf of every newborn in the treatment group and automatically deposits \$1,000 into every account. It is progressive in that it offers a savings match to low- and moderate-income families. All treatment families receive regular account statements and information about the importance of saving for college. These features—automatic account, automatic initial deposit, progressive savings match, account statements, and information about college—make up the SEED OK CDA.

This summary of early research findings from the SEED OK experiment may help CDA proponents communicate the value of such accounts to policymakers, educators, and others.

The universal and automatic features of the SEED OK CDA eliminate essentially all inequality in OK 529 account holding and asset ownership by income, education, race, marital hardship, and other socioeconomic characteristics. Without the automatic CDA, very few children (especially those who were disadvantaged) had an OK 529 college savings account or any OK 529 college assets. With the SEED OK CDA, virtually all children had OK 529 accounts and assets. SEED OK's universal, automatic, and progressive CDA model gives all children—not just those who are advantaged—the opportunity to benefit from having college accounts and assets.

The SEED OK CDA increased the likelihood that mothers had taken steps to save for their children's college. The CDA increased 529 plan participation for a number of disadvantaged groups, including low-income, African American, American Indian, and unpartnered mothers. Mothers experiencing marital hardship, and mothers receiving public assistance. The CDA also increased the

likelihood that mothers—including low-income mothers and mothers receiving public assistance—had saved for children's college expenses in an OK 529 account.¹

The SEED OK CDA improved mothers' expectations for their children's education. Over the first four years of the experiment, mothers of children with CDAs were more likely to maintain or raise their educational expectations for their children. Expanded discussions with mothers also suggest that the CDA helps some mothers view their child as an "college-bound" if those changes in attitude persist, parents may engage with their children in ways that improve educational outcomes.

The SEED OK CDA boosted mothers' mental health. Experimental evidence shows that the CDA reduced maternal depressive symptoms. The impact of the CDA was especially strong for disadvantaged mothers, including low-income and less educated mothers.²

The SEED OK CDA improved disadvantaged children's early social-emotional development. Experimental evidence indicates that the CDA had positive effects on social-emotional development for children aged approximately four years, and the effects appear to be greater for disadvantaged groups, such as low-income children and children with less educated mothers.³

Often, the positive effects of the SEED OK CDA seem to be related to automatic features of the CDA—account opening and initial deposit—rather than parental saving. For example, the CDA reduced maternal depressive symptoms and improved children's social-emotional development regardless of whether parents had saved in the CDA. And mothers of children with CDAs seemed to feel more positive about the future even though they were not yet saving for their children's college expenses.⁴

Even at this early stage, SEED OK research findings are informing the design of CDAs at the state level. SEED OK research has directly informed adoption of CDA policies in four states—Maine, Nevada, Connecticut, and Rhode Island. In Maine, for example, SEED OK research directly influenced the decision to change the statewide CDA from an opt-in program reaching about 40% of Maine newborns to an opt-out program expected to reach 100% of Maine newborns.⁵

Washington University in St. Louis



Resources and Contact Information

csd.wustl.edu

mclancy@wustl.edu



Center for
Social Development

GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK



Washington University in St. Louis