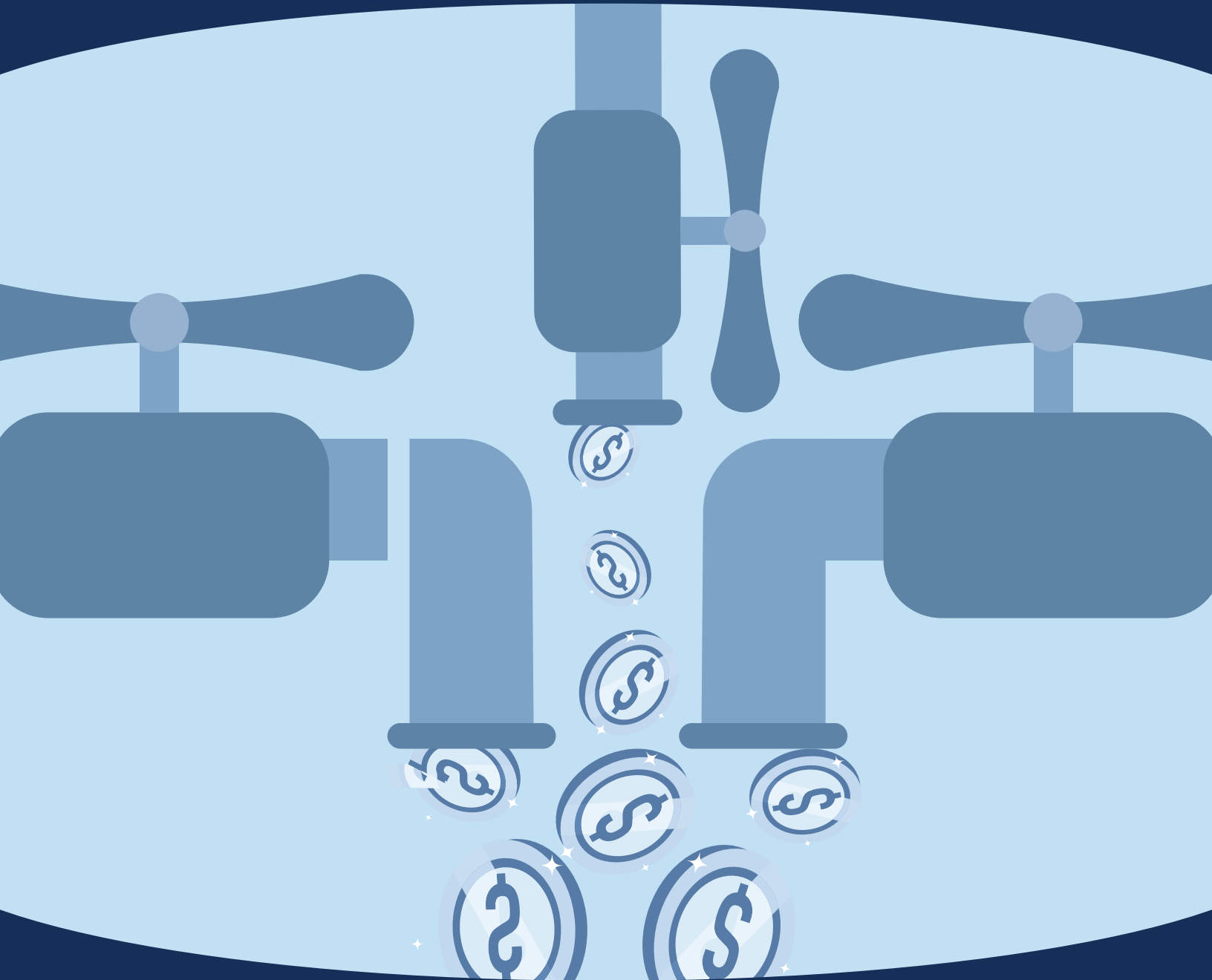


The Importance of Differentiating between Asset Streams and Capital Stack:

Uncovering the Full Wealth Building Power of Children's Development Accounts (CDAs)

By William Elliott



Acknowledgment:

This brief could not have been done without the generous support of Annie E. Casey Foundation and the Charles Stewart Mott Foundation. These organizations are not responsible for the quality or accuracy of this infographic, which is the sole responsibility of the authors, nor do they necessarily agree with any or all of the infographic's content.

Find at <https://aedi.ssw.umich.edu/sites/default/files/documents/Reports/csa-doorway/Research-BriefAssetStreams.pdf?v=1.1>

SUMMARY

This research brief distinguishes between the concepts of asset streams and capital stack and argues that making this distinction is essential to realizing the full wealth-building potential of Children's Development Accounts (CDAs). CDAs act as institutional reservoirs, efficiently collecting and leveraging resources from diverse sources. This structure extends their purpose from individual and government savings toward a community-wide effort to build wealth. Avoiding the fragmentation that comes from duplicative, overlapping asset-building accounts increases impact and reduces inefficiency. Moreover, CDAs may serve as a unifying financial institution that integrates multiple social policies—like Baby Bonds, Guaranteed Income, Free College, and financial literacy programs—into a coherent strategy to advance financial capability for all children. This approach supports the American ideal that every child should have the opportunity to pursue financial happiness and success in a meritocratic society.

Introduction

For this brief, Child Development Accounts (CDAs)—also known as Child Savings Accounts (CSAs)—refer to wealth-building vehicles established for children, often at birth. While initially envisioned as lifelong accounts to serve multiple purposes, such as paying for college, making a down payment on a home, starting a business, or retirement savings (Sherraden, 1991), CDAs have commonly become small-dollar accounts focused on modest savings. However, as suggested here, CDAs can be tools for accumulating wealth from a broad array of sources, not just individual savings. By connecting children to America’s financial infrastructure—enabling families to manage risk, facilitating insurance (like FDIC), and pooling savings for professional investment management—CDAs provide a robust

institutional framework for children’s asset-building, especially benefitting low-income children and their families.

CDAs effectively act as a reservoir where multiple asset streams can flow into them. As such, it is suggested in this brief that CDAs have the potential to serve as a dedicated institutional structure designed to transport wealth and resources across different domains to children, particularly those from low-income backgrounds. This financial reservoir and the assets streaming into it enable CDAs to gather, combine, and deliver assets from various sources beyond just individual saving, enhancing the potential they have for generating increased wealth accumulation, psychological benefits, as well as broader social benefits.

CDAs as a Type of Reservoir

CDAs can be understood as reservoirs—accounts that collect assets from multiple streams for a child. Like a water reservoir that requires flowing tributaries to remain full, a CDA’s effectiveness depends on a system of asset streams pouring into it. If only individual family savings are deposited, CDAs will not achieve their potential. But with streams like government deposits, scholarships, and contributions from third parties, the “reservoir” fills—amplifying its impact and potential for asset accumulation.

Think of a CDA where, instead of only parental deposits, the account is also topped up annually by state contributions, local scholarship dollars, and occasional community fundraising, for example.



The Concept Multiple Asset Streams

In practice, most CDA programs emphasize helping families build savings. However, they are more powerful when viewed as **community accounts**, designed to receive and combine resources from various institutional and governmental sources. Increasingly, accounts are opened for all children in a community, not only those whose families can save. The goal isn't simply to multiply individual deposits but to weave together contributions from a network of entities: states, cities, philanthropic organizations, employers, and more.

As such, CDAs are not restricted to individual saving as the primary means of building assets, they provide an institutional structure that can receive wealth from a diverse array of sources. The idea that CDAs provide an infrastructure that can receive multiple asset streams fit well with CDAs being a community account rather than an individual account. That it is, community brings to mind the idea that wealth building requires multiple streams of asset to flow into a reservoir if the reservoir is to be able to meet the demands of accomplishing such goals as paying for college, strengthening the return on degree, or reducing wealth inequality.

The reservoir analogy suggests that CDAs are a type of institution that can receive much-needed resources through a system of asset streams. Once constructed, this system of streams can carry resources to low-income children beyond what their family can provide and would not otherwise be available to them. This is a key point, and something most CDA programs have not considered, these additional asset streams need to be constructed. Programs like NYC Kids

RISE have diligently sought to construct multiple asset streams that can flow into their children's reservoirs they have created and can provide an example to others (see Glickstein & Elliott, 2023; for additional examples go to <https://aedi.ssw.umich.edu/unleashing-the-power-of-children-savings-accounts>).

The different asset streams channeled through the CDA reservoir include but are not limited to:

- **Initial Seed Deposits:** CDAs typically feature an initial seed deposit, which is intended to encourage account opening, jumpstart family saving, and foster greater balance growth. This component plays an outsized role in asset growth for low-income families.
- **Government Contributions:** The CDA structure allows for contributions from federal, state, county, or city governments. Proposals, such as Senator Casey's plan, involve significant annual progressive contributions for eligible children, far exceeding the scale of typical small-dollar CSAs.
- **Third-Party Contributions:** CDAs provide an institutional structure for contributions from a wide array of third parties, including family members, employers, philanthropists, communities, foundations, and other entities.
- **Savings Incentives:** These are often structured through matched funds for family deposits, rewards for contributions, or bonuses for saving regularly.
- **Investment Earnings:** CDAs give families the opportunity to build wealth through investment earnings while minimizing associated risks.

- **Early Award Scholarships:** CSAs provide a vehicle to convert traditional scholarships into early award programs, where funds are deposited into the child’s account years before college age. For example, New York City’s Kids RISE program, and the Community Foundation Early Award Scholarship Program have utilized this stream. By facilitating these multiple streams, CSAs expand the notion of wealth building from being exclusively a government or individual responsibility to a **community responsibility**.

This is a list of only what has been imagined, but much more is possible.

The idea that CDAs provide an institutional structure that allows for asset streams to be created that can flow into a child’s account is different from the idea that CDAs create a reservoir where capital can also stack. Both concepts, multiple asset streams and capital stack, are different concepts but have the potential to unlock aspects of the power CDAs have for building wealth. This power has largely gone unrecognized by policy makers, unexplored by most researchers, and untapped by most programs.

Let’s Talk about Capital Stack

What is capital stack? There is no standard dictionary definition of capital stack. However, in business and real estate, it refers to the hierarchical structure of debt and equity used to finance an asset or project. CDAs do not include debt and the assets in a CDA do not necessarily have a hierarchical structure. Therefore, the use of capital stack in the CDA field, while it maintains characteristics of the business and real estate usage, it is not synonymous with it. It has been popularized by the CDA program, New York City Kids RISE (see e.g., Glickstein & Elliott, 2024).

While this term is often used loosely, I suggest **capital stack** refers to how these assets accumulate, layer, and grow within the account, rather than being dispersed across multiple small accounts. Capital stacking enables the combination of different asset types (grants, philanthropic dollars, government funds) in a single account, thus maximizing compound returns.

So, as a reservoir, the CDA facilitates the stacking of government deposits, employee deposits, philanthropic deposits, personal deposits, etc. on top of each other. This raises the level of assets a child has in their CDA similar to how water flowing in from streams raises the level of water in a reservoir. This is really the power of capital stacking. The more assets there are in a CDA reservoir, the more power the CDA has to build assets on behalf of the child (i.e., assets beget assets). It is also the biggest source and reason for wealth inequality. Some start off with enough assets to maximize the wealth building power of financial institutions. It is also why financial inclusion is not an adequate solution for solving wealth inequality.

If stacking wealth is a key to maximizing the wealth building power of financial institutions, it is argued here, having multiple asset building accounts with similar financial structures and objectives reduces the amount of wealth any one of the accounts can produce if combined.

Multiple Accounts Will Reduce the Potential for Building Capital Stack

Maximizing wealth-building occurs when assets are allowed to stack within a single account, generating cumulative investment returns and reducing administrative burdens. However, the asset field appears to be racing to create an asset based social welfare system where there are multiple asset building accounts for children that have similar structures and objectives. In doing so, it is contended here, this reduces the number of streams flowing into any one account creating outflows which will keep the CDA reservoir from building wealth efficiently.

A simple example of what is meant here by an outflow can be demonstrated through how earning occurs in a high-yield savings account. Let's say a person puts \$1,000 in a high-yield savings account with a monthly Annual Percentage Yield (APY) of 5%. If they deposited nothing else that year, they would earn about \$51. However, if they had \$20,000, the account would produce \$1,023 for them; if they had \$50,000, it would produce \$2,558, and if they had \$1,000,000 to put into the account, the account would produce \$51,162. The basic, well supported, principle is that it takes wealth to build wealth (Elliott, Rauscher, & Nam, 2018; Shapiro, Meschede, & Osoro, 2013). The more wealth in a single account the more wealth that account will produce. Therefore, when you divert streams to other accounts, it is a type of outflow reducing the wealth any single account can produce.

This is particularly true when the types of accounts are very much alike. It is not as though a person is investing some money in the stock market, some money in real estate, some money in a business,

for example. These are all hybrids of the same type of accounts largely for the same investing purpose. Whether it is a Trump account, a Baby Bond, a state or local CDA, for example, the investment strategy is largely the same and the account type is largely the same. When wealth is split into multiple accounts of the same type for the same general purpose, it reduces the power of any one account to produce assets efficiently. And have we even stopped to think the cost for administering, advertising, and educating families on each one of these accounts.

What is one thing that is agreed upon and well documented over many years that plagues the income safety net (our current social welfare system for the poor with over 80 federal anti-poverty programs)? It is a hodgepodge of programs, disjointed and administered by numerous agencies each with their own bureaucracy that families have to negotiate. They lack any real coordination, produce a ton of inefficiencies, increase the chances for fraud, waste, abuse, and just the inability of families to access much needed resources. And so now, the field rushes to create a new social welfare Frankenstein. A hodgepodge, disjointed set of asset programs that have to be administered by numerous agencies at increased cost, and each with their own bureaucracy and complexities for families to attempt to navigate.

Having a single account would make management simpler, reduce costs of administering, streamline investing for families, allow for easier fund reallocation, provide political strength by unifying different asset building advocates, and not to mention build more wealth for

families. It is not as simple as just creating an ad campaign and streamlining forms so that families will be able to access the many different asset programs available to them. The asset field should learn from the experiences of the current income safety net (McDaniel, Karpman, Kenney, Hahn, & Pratt, 2023) or even its own implementation lessons from the Saving for Education, Entrepreneurship, and

Downpayment (SEED) demonstration (Sherraden & Steven, 2010)? The field is doomed to repeat the same mistakes of the income safety net, opening the asset social welfare system up to the same real complaints from those who already believe government is overly complicated, oversized, inefficient, and just not working for people on the ground.

CDAs an Integrating Social Welfare Institution

In this brief, it is contended that another power of CDAs is that they can serve as a much-needed financial institution that is capable of integrating other policy interventions and augment their own power for producing a meritocratic economic environment for people to pursue their own financial happiness (Elliott, 2025). Given they start at birth and could, as Sherraden (1991) originally envisioned, run through retirement they provide something the social welfare system in America has never had, a chance to create an integrated asset based social welfare system that includes income and financial literacy strategies.

In a new special issue by Elliott and colleagues called, [Wealth, Opportunity, and the New Social Contract: Integrating Financial Capability in American Social Welfare Policy](#), it is suggested that financial capability consists of both internal and institutional capabilities (see Elliott, Zheng, Osafo Agyare, & Min, 2025). Institutional financial capability consists of government's financial inclusion-generating functioning, its income-generating functioning, and its wealth-generating functioning. Functionings are what government can do (i.e., their performance). Within this framework,

the individual and the government have a role to play in determining financial capability. Individuals are responsible for their internal financial capability which is suggested by the authors it consists of two functionings: the level of financial knowledge an individual has, and their financial skill. Together, it is posited that internal and institutional financial capabilities make up a person's financial capability.

Elliott (2025) identifies five policy proposals that he believes can be used to develop a cohesive social welfare policy for ensuring all children have the real opportunity to pursue their own financial happiness. The policy proposals were Child Development Accounts (CDAs), Guaranteed Income, Free College, Baby Bonds, and national financial literacy training in schools. It was argued that these policies have the potential to interact with one another and produce the conditions for a meritocratic economic environment where people are able to become financially capable. According to the author, Child Development Accounts are a tool to allow government to ensure people are financially included. Guaranteed income ensures all citizens not only have enough income to meet

basic needs, but enough to spark wealth creation. Free college would serve as a wealth transfer at age 18 to incentivize some form of postsecondary education to include training in the military or other public service endeavor. Baby Bonds would be a tool to provide citizens with a wealth transfer at about age 25 giving them the opportunity to successfully launch into adulthood by strengthening the return they can receive from their postsecondary credentials. And financial literacy training would provide

government a tool to ensure all citizens have the teaching and training they need to build the knowledge and financial skills required to effectively manage institutional resources for the purpose of pursuing their financial happiness. This would be a social welfare system planned and designed based on theory that aligns with the moral philosophy America was built on, that government has the responsibility to ensure every citizen has the right/freedom to pursue their financial happiness.

Conclusion

It is important to not only form a collation capable of imagining that change is possible when most cannot, but to have a framework that provides a vision for what is next. Otherwise, it becomes an important movement in history but somewhat empty. This is a common critique of some, for example, of the Occupy Wallstreet movement (Ehrenberg, 2017). For this theory to have credence (i.e., policies be adopted), it is suggested here that it must align with the American ideal of the government providing its citizens with a meritocratic economic environment where they can pursue their own financial happiness. Further, in as much as CDAs can serve as an integrating financial institution, it must also serve as a uniting institution. An institution capable of bringing together advocates from not only the CDA field, but Baby Bonds, Free College, Guaranteed income (or Child Tax

Credit/Allowances) and financial literacy arenas. A coalition is needed that is united enough in message to make the masses understand that what might seem in the moment to be unthinkable change, is possible. To form a movement powerful enough to instill hope in a generation that finds little reason to hope, to believe real change is possible. And thus, they find themselves at best stuck making mere tweaks to the existing social welfare system that are doomed to be uninspiring when inspiration is need. And even more importantly inadequate if not destructive in their own right. Without hope of change that could lift America to reach its ideal, room is left for the moment to be won by a very different kind of movement that would take America back to a colonial period of social welfare policy as well as social policy.

References

- Elliott, W. (2025). Ensuring Financial Happiness through an Integrated Social Welfare System. *Sociology Mind*, 15, 368-401. <https://doi.org/10.4236/sm.2025.154016>
- Elliott, W. (2023). Unleashing the power of Children's Savings Accounts (CSAs): Doorway to multiple streams of assets. University of Michigan, Center on Assets, Education, and Inclusion. Find at <https://aedi.ssw.umich.edu/sites/default/files/documents/Reports/csa-doorway/csa-doorway-full-report.pdf?v=1.2>
- Elliott, W. and Rauscher, E. (2018). When does my future begin? Student debt and intragenerational mobility. *Sociology Mind* 8(2), pp. 175-201. <https://doi.org/10.4236/sm.2018.82015>
- Elliott, W., Zheng, H., Osafo Agyare, B., & Min, S. (2025). Testing a Social Welfare Theory of Financial Capability: Personal and Governmental Capabilities. *Sociology Mind*, 15, 326-367. <https://doi.org/10.4236/sm.2025.154015>
- Ehrenberg, J. (2017). What can we learn from Occupy's failure? *Palgrave Communications* 3(17062), 1-4. Find at <https://www.nature.com/articles/palcomms201762>
- Glickstein, D.E., Elliott, W. (2023). NYC Kids RISE program case study (2 OF 5). Unleashing the power of Children's Savings Accounts (CSAs): Doorway to multiple streams of assets. University of Michigan, Center on Assets, Education, and Inclusion. Find at <https://aedi.ssw.umich.edu/sites/default/files/documents/Reports/csa-doorway/csa-doorway-case-study-5.pdf?v=1.0>
- Shapiro, T., Meschede, T., and Osoro, S. (2013). *The roots of the widening racial wealth gap: Explaining the blackwhite economic divide* (pp. 1-7). Waltham, MA: Brandeis University, Institute on Assets and Social Policy. <https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/roots-widening-racial-wealth-gap.pdf>
- Sherraden, M. (1991). *Assets and the Poor: A New American Welfare Policy*. M.E. Sharpe.
- Sherraden, M., & Stevens, J. (Eds.). (2010). *Lessons from SEED: A national demonstration of Child Development Accounts* (CSD Research Report No. 10-35). St. Louis, MO: Washington University, Center for Social Development.