UNLEASHING THE POWER OF CHILDREN'S SAVINGS ACCOUNTS (CSAs): DOORWAY TO MULTIPLE STREAMS OF ASSETS

by William Elliott, Patty Grant, and Joanne Case

March 17, 2023

The Center on Assets, Education, and Inclusion (AEDI) recently released the report *Unleashing the Power of Children's Savings Accounts (CSAs): Doorway to Multiple Streams of Assets.* This is the second of five case studies being released as companion pieces to this report, and as part of a leadup to a webinar discussing the report and the five programs. The webinar will take place on March 29, 2023, at 2:00 p.m. – 3:45 (EST). The four other programs featured are:

- Keystone Scholars (Pennsylvania)
- Kids Rise (New York City, NY)
- Oakland Promise (Oakland, CA)
- CollegeBound (St. Paul, MN)

The focus of these case studies is for imagining different ways that Children's Savings Account (CSA) programs can leverage these accounts and connect families to multiple asset building streams for the purpose of helping all children reach their full potential. We use the term "imagine" here purposefully. We invite the reader to look for more than just ideas to replicate in their own programs, but to also find grounds for dreaming of new and innovative ways to build on what these programs are doing. The full potential of CSAs has yet to be reached. It can only begin to be reached if policy makers and practitioners can see beyond what they are today and begin to see what they can become.

The Full Report and the Five Case Studies can be accessed at https://aedi.ssw.umich.edu/unleashing-the-power-of-children-savings-accounts. To register for the webinar on March 29, 2023, please go to https://ssw.umich.edu/assets/rsvp-request/index.php? page=register&id=W539.

SCHOOL OF SOCIAL WORK
UNIVERSITY OF MICHIGAN

Produced by the Center on Assets, Education, and Inclusion (AEDI)

AEDI

EARLY AWARD SCHOLARSHIP (EAS) PROGRAM DESCRIPTION

Case study #2 provides an example of asset streams flowing into an Early Award Scholarship (EAS) Program. In this section some of the motivation for starting EAS is discussed. Even though Wabash County is a predominately white community, it is a rural area where poverty is all too common. Here is a quick snapshot of Wabash County in 2016 when EAS was established:

- 35 percent of the children ages 0 to 5 in Wabash County live in poverty
- Only 46% of Wabash County high school graduates pursue post-secondary education
- approximately 12 percent of adults have less than a high school education, and
- approximately 75 percent of the county's citizens do not have degrees beyond high school.
- 60% of Wabash County citizens 25 years and older do not have the skills required for 21st Century jobs
- One in three Wabash County residents do not earn enough to be self sufficient

In 2013 a CSA program was initiated in Wabash County Indiana by the Wabash County YMCA. All public-school students in grades K-3 were eligible to participate in the Wabash County Promise (now known as Promise Indiana – Wabash County) whose program mission was to enroll all Wabash County K-3 students in Indiana CollegeChoice 529. Elements included an enrollment deposit and a $3:1 match, Walk into My Future event and in-school career-related curriculum for grades K-3 during College-Go week. In 2016, the Community Foundation of Wabash County (CFWC) created the Early Award Scholarship Program, (organizationally independent of Wabash County Promise) to continue the momentum and awareness created by the Wabash County Promise. However, the primary focus of EAS is re-imagining the delivery of post-secondary financial aid using a CSA platform.

The Community Foundation of Wabash County pursues its strategic goal to advance the level of educational attainment in the county through its grantmaking, leadership position, and its traditional scholarship program. Traditional scholarship programs across the country focus on providing awards for post-secondary education to children towards the end of their high school careers who have established records of success. This is well and good, but it leaves behind those children whose circumstances make it far more challenging to successfully navigate the K-12 educational system. CFWC saw the advantages to the EAS model because it has administered traditional scholarships for numerous years and are keenly aware of their limitations.

From CFWC's experience in administering traditional scholarships, they observe that it is not enough, particularly for children from low-income families, to offer traditional financial support in the senior year for college and post-secondary education. What is critical is helping young children and their families think about the future and see it as education dependent.[1] CFWC holds as foundational, the evidence from CSA program initiatives around the country, assets change the way children and parents think about the future and serve as a tangible commitment to, and belief in, the potential to pursue education after high school.[2] Reflecting on this core insight, CFWC designed the Early Award Scholarship Program—to award funds to students earlier in their schooling years in order to harness the motivational power of assets to influence aspirations and educational outcomes, provide hope, encourage in-school learning and persistence.

EAS Program Elements

- **Eligibility Criteria of EAS:** Students enrolled in Wabash County Public School in grades 4 through 8 are eligible to participate in the Early Award Scholarship program and can earn up to $1,000 over the 5-year program. The EAS scholarships are invested by the CFWC in age-based portfolios, and they are available to pay directly to the institution of the student's choice up until the age of 26.
- **Type of Enrollment:** Two step targeted enrollment procedure. Must be enrolled in: (1) Indiana College Choice 529 Direct plan, naming the student as the beneficiary, and (2) sign an EAS participation agreement with the CFWC. These two steps can happen at any age, not just in grades 4 through 8 when the participants are earning scholarships. In fact, the CFWC strategically works to enroll students in the EAS program in grades K-3. The targeted approach is in partnership with the Wabash County YMCA which administers Promise Indiana-Wabash County.
- **Initial Deposit Amount:** The Early Award Scholarship Program awards small dollar deposits quarterly to the participating student's Community Foundation Early Award Scholarship Fund. Students earn awards in grades 4-6 by completing schoolwork in Math, Reading and Language Arts and by completing college-prep activities in grades 7 & 8. Savings matches are available in all grades, 4 through 8.
- **Rate of Return:** Early Award Scholarship funds are invested in age-based portfolios. Returns vary.
- **Match:** A savings match is available each academic semester, grades 4 through 8.
- **Incentives:** EAS awards scholarships for learning behaviors that lead to in school success. Scholarships are available quarterly. Based on the learning behaviors that were recommended by public school teachers, the CFWC offered an expansive array of scholarships across grades 4-8 (For more information on types of scholarships offered see Appendix A.).
- **Savings Vehicle:** Savings deposits by family are held in Indiana's CollegeChoice 529 savings plan.
- **Funding:** The Community Foundation's Early Award Scholarship Program is funded by donations from Wabash County citizens, the Community Foundation's discretionary grant funds, repurposing traditional scholarship endowments to early award, and grants from the Charles Stewart Mott Foundation.
- **Administration of Accounts:** Early Award Scholarship assets are invested and administered by the Community Foundation of Wabash County.

EDUCATION SCHOLARSHIPS AS A TYPE OF ASSET STREAM

While the EAS Program includes a savings match, common to many CSA programs, the crowning innovation is its merit-based educational scholarships. The scholarships are earned by students through their efforts in school and are awarded into their Community Foundation Early Award Scholarship Fund, and upon graduation granted by the CFWC to the educational institution of the student's choice.

The reader might begin to see from Appendix A, Table 1 how these scholarships are earned and that each time the child performs an incentivized activity they are essentially being reminded of how their CSA is linked to their academic performance (i.e., help them engage in school activities) and how their academic performance is linked to the CSA (i.e., helps them build wealth). This reminds us of a reciprocal relationship where CSAs are associated with better academic performance and academic performance is associated with more saving.[3] Such a program provides opportunities for children to talk to parents about school activities and parents to talk to children about the importance of doing their schoolwork. It also provides the opportunity for teachers to talk to both children and their parents about school and its connection to the CSA program. The CFWC hypothesizes that structured opportunities to discuss future education make postsecondary education feel like, even though far away, something that requires action now.[4] Acting now means doing well in school today so that the child can reach their full academic potential tomorrow. However, the major policy lesson that EAS provides is not about the types and amounts of scholarships a program provides. In the next section we will discuss how converting traditional financial aid from end-of-high-school to early award, generates a potential asset stream.

THE POWER OF CSAs TO CONVERT TRADITIONAL FINANCIAL AID INTO AN ASSET STREAM

CSA programs provide an institutional structure for converting traditional financial aid into an early award. Using the same money for the same students, traditional scholarships and other post-secondary financial aid deployed *early* in a student's life have the potential to encourage early learning and influence a young student's college bound identity. This is especially true of students from low-income families who often do not even apply for financial aid because they have decided early on that post-secondary education was not attainable for them.

The idea of converting traditional grants and scholarships into an early award had been suggested by others. For example, the College Board (2013) recommended supplementing the Pell Grant program by opening savings accounts for children as early as age 11 or 12 who would likely be eligible for Pell once they reached college age and making annual deposits of 5% to 10% of the amount of the Pell Grant award for which they would be eligible. But EAS is the first program we know of to carry out this idea. Moreover, EAS has been able to go beyond the original model of merit-based scholarships to include placed-based scholarships. For example, recently a donor working with CFWC opted to put $1,000 in the accounts of all children in K-4 who are attending a Wabash City School and participating in the Early Award Program.[5] Note that this is not a merit-based scholarship as described above in Appendix A, Table 1, but instead, it is a type of placed-based scholarship for children living in and attending certain schools in Wabash County. We see here how the CSA provides the donor(s) with the opportunity to target a specific place and facilitates getting the funds directly to the kids living there.

Through this innovation, EAS might provide the reader with necessary grounds for imagining how traditional scholarships can be another asset stream into CSAs. It also provides a glimpse into how CSAs are a type of community account that goes far beyond personal contributions as a means for building wealth. Instead, they can used to facilitate community participation in helping build assets for children in their neighborhoods. With such a vision in mind, CSA programs might begin to talk to donors about converting their traditional scholarships into an early award scholarship to achieve greater impact in the lives of the very students they want to support. It is important to note, that the EAS example, if shared, also might provide grounds for donors to be able to imagine more easily converting their traditional scholarship into an early award scholarship.

SCHOLARSHIPS AS AN EARLY AWARD, A BETTER IDEA?

Each year the federal government and private donors invest a significant amount of money into grants/scholarships for the purpose of helping children pay for college. In the 2021-2022 school year, the U.S. Department of Education awarded about $46 billion in scholarships and another approximately $7.6 billion was awarded in private scholarships.[6] Given this, funding for scholarships represents a potential large stream of assets flowing into CSAs, far more than personal contributions will ever be able to equal. Therefore, programs spending the time exploring this stream, would seem to make sense, and feels more tangible because we have the EAS example.

Moreover, it is well known that the college access problem in America is not solely about having the money to pay for college, it is also about whether children are prepared to attend in the first place.[7] This raises the question of whether a better type of financial aid is one delivered through a well-funded CSA program that not only helps children pay for college but also prepares them for it. In the case of converting financial aid funds to early awards in a CSA, poor children, just like their wealthy counterparts, would be able to grow up with the knowledge that they have money to pay for college. And because they would be given the chance to grow up with assets in their CSA, these assets would have the chance to produce similar social and psychological effects discussed in more detail in the full report.[8] Finally, it is also worth pointing out, that another potential advantage to early awards placed in a CSA, is that these funds would be combined with multiple other asset streams increasing the overall earning potential of any single stream of assets.

CONNECTING THE DOTS: CSAS AND THE FREE COLLEGE MOVEMENT

As explained above, one donor uses the EAS platform to award a placed-based scholarship. Place-based scholarships delivered through a CSA might provide some grounds for bringing CSAs more squarely into the College Promise and free college discussion. Like EAS's placed-based scholarship example, College Promise programs are placed-based scholarship programs that make college tuition free or at least reduce the price of attending. The potential connection of CSAs and College Promise programs has been discussed in other places so we will not spend a lot of time on it here.[9] However, the basic idea is that because College Promise programs are scholarship programs, instead of these programs providing children the promise of money in the future, it might be better to put a portion of the total amount a child could receive into a CSA for the child each year they lived there. To receive the full amount, they would have to stay in the same place (e.g., Wabash County) from the time they were born until the time they reached college age. This aligns with the goal of many College Promise Programs, to increase the number of families and children staying in a community.[10] Again, by delivering College Promise programs through a CSA, there is the opportunity to better leverage the funds provided because of the possibility of multiple asset streams.

LINKING EARLY ASSET BUILDING TO RETURN ON DEGREE

The next step just beyond the horizon if we can imagine it, is linking financial aid investments to children's post college financial health, or the return on a degree they receive. EAS does not teach us much about this yet, since students who participated in the full five-year program have not reached college age. However, measuring a financial aid innovation's impact on post college financial health is important because education has long been thought of in American politics and society as one of the main investments, we make for leveling the playing field. For example, in the 2021-2022 school year the U.S. Government invested $234.6 billion dollars in financial aid by itself. This does not count state aid, school aid, or private aid. However, education cannot level the playing field if poor children do not receive the same return on a degree as more privileged children with the same degree. Unfortunately, this seems to be the case. Findings indicate that young adults from low-income families start their careers earning about 1/3 less than those from higher income families.[11] Findings are similar regarding race/ethnicity. Research shows that people of color with a degree have less income than their White and Asian counterparts.[12] Similarly, Hamilton and colleagues find that Black families who have a head of household who graduated from college have about 33% less wealth than White families who have a head of household who dropped out of high school.[13] Finally, results indicate that even if Blacks graduated college at the same rate as Whites, this would only slightly reduce the racial wealth gap.[14] As a result, education is doomed to fail at becoming the great equalizer society needs it to be without finding a way to help children to receive an equal return on their degree.

Receiving an equal return requires more than the ability to pay college tuition, it requires preparing children for postsecondary education as well as providing them with some assets to start their lives with. What this suggests, is that how education is financed is as important as whether children have money to pay for college. So, it matters if children are forced to leave college with debt.[15] Student debt only works to help reduce the return on a degree that children can receive.[16] However, it is also not enough to simply give children free college tuition. Children likewise need money to start off life after college if education is truly going to be an equalizer.

IN CLOSING

Converting traditional scholarships to early awards and placing them in a CSA not only allows for children to receive the benefit of the social and psychological effects that having assets has been shown to have,[17] but it also allows children to benefit from multiple assets streams so that the can build assets not only to pay for college but so that they can leverage their college degree and achieve an equal return on their degree.

NOTES

[1] This concept comes out of work on Identity Based Motivation (IBM) theory. Daphna Oyserman is a leading scholar on IBM. To learn more about her work on IBM go to https://dornsife.usc.edu/daphna-oyserman/identity/. For a general overview of IBM and it basic components see Oyserman, D., & Destin, M. (2010). Identity-based motivation: Implications for intervention. *The Counseling Psychologist, 38*(7), 1001-1043.

[2] See for example Kim, Y., Sherraden, M., Huang, J., & Clancy, M. (2015). Child development accounts and parental educational expectations for young children: Early evidence from a statewide social experiment. *Social Service Review, 89*(1), 99-137.

[3] This is discussed in the companion report to this case study see Elliott, W., Choi, E. H., Destin, M. & Kim, K. (2011). The age old question, which comes first? A simultaneous test of children's savings and children's college-bound identity. *Children and Youth Services Review, 33*(7), 1101-1111. Further, for evidence of this type of relationship, see Elliott, W. (2023, March). *Unleashing the power of Children's Savings Accounts (CSAs): Doorway to multiple streams of assets*. University of Michigan, Center on Assets, Education, and Inclusion. https://aedi.ssw.umich.edu/sites/default/files/documents/Reports/csa-doorway/csa-doorway-full-report.pdf?v=1.0.

[4] This concept, something far off requires action now comes out of Identity-Based Motivation theory. See Oyserman, D. (2013). Not just any path: Implications of identity-based motivation for school outcome disparities. *Economics of Education Review, 33(1),* 179-190.

[5] Weaver, W. (2020). Wabash City Schools announces $1,000 award for K-4 students. Yournewslocal.com. Retrieved from https://www.yournewslocal.com/wabash-city-schools-announces-1000-award-for-k-4-students/

[6] See Hanson, M. (2022, November). *Scholarship Statistics*. Education Data Initiative. Retrieved from https://educationdata.org/scholarship-statistics.

[7] Reber, S. and Smith, E. (2023). College enrollment disparities: Understanding the role of academic preparation. Washington, D.C. Center on Children and Families at Brookings. Retrieved from https://www.brookings.edu/wp-content/uploads/2023/02/20230123_CCF_CollegeEnrollment_FINAL2.pdf

[8] Elliott, W. (2023, March). *Unleashing the power of Children's Savings Accounts (CSAs): Doorway to multiple streams of assets*. University of Michigan, Center on Assets, Education, and Inclusion. https://aedi.ssw.umich.edu/sites/default/files/documents/Reports/csa-doorway/csa-doorway-full-report.pdf?v=1.0.

[9] Elliott, W. & Nielsen, S.* (2020). Reimagining college promise programs: A wealth perspective. College Promise, Washington D.C. https://www.collegepromise.org/newsandinsights/csapolicybrief.

[10] Miller-Adams, M. & Austin, J. C. (2019). How promise programs can help former industrial communities. Washington, D.C. Brookings. Retrieved from https://www.brookings.edu/blog/the-avenue/2019/07/17/how-promise-programs-can-help-former-industrial-communities/.

[11] Hershbein, B. (2016). A college degree is worth less if you are raised poor. *Brookings Social Mobility Memos.*

[12] Emmons, W. R., & Noeth, B. J. (2015b). Education and wealth (The Demographics of Wealth Essay No. 2). St. Louis, MO: Federal Reserve Bank of St. Louis. Retrieved from https://www.stlouisfed.org/~/media/Files/PDFs/HFS/essays/HFS-Essay-2-2015-Education-and-Wealth.pdf?la=en

[13] Hamilton, D., Darity, Jr., W., Price, A. E., Shridharan, V., & Tippett, R. (2015). Umbrellas don't make it rain: Why studying and working hard is not enough for black Americans. Report produced by The New School, The Duke University Center for Social Equity, and Insight Center for Community Economic Development. Retrieved from http://www.insightcced.org/wp-content/uploads/2015/08/Umbrellas_Dont_Make_It_Rain_Final.pdf.

[14] Traub, A., Sullivan, L, Meschede, T., & Shapiro, T. (2017). The Asset Value of Whiteness: Understanding the Racial Wealth Gap. Washington, DC: Demos and IASP. Retrieved from: http://www.demos.org/publication/asset-value-whiteness-understanding-racial-wealth-gap.

[15] Elliott, W. and Lewis, M. (2015). *The real college debt crisis: How student borrowing threatens financial well-being and erodes the American dream*. Broomfield, CO: Praeger.

[16] IBID

[17] Elliott, W. & Harrington, K. (2015). *Identifying short term outcome metrics for evaluating whether children's savings accounts programs are on track*. Retrieved from https://www.bostonfed.org/commdev/issue-briefs/2016/cdbrief12016.htm

ACKNOWLEDGMENTS

Funding for "Understanding the Real Power of Children's Savings Accounts (CSAs): Doorway to Multiple Streams of Assets" Report, Case Studies, and Webinar come from the Charles Stewart Mott Foundation, whose support is gratefully acknowledged. The Report and Case Studies can be accessed now at https://aedi.ssw.umich.edu/unleashing-the-power-of-children-savings-accounts. The webinar, which is on March 29, 2023, will also be available at the same link no later than a week after the date of the event.

AUTHORS

William Elliott III is Professor of Social Work in the University of Michigan School of Social Work, Founding Director of the Center on Assets, Education, and Inclusion at the University of Michigan, and Faculty Director in the Center for Social Development at Washington University in St. Louis.

Patty Grant has been the President and CEO of the Community Foundation of Wabash County for ten years. As Executive Director in 2016 Patty led the Foundation's team in development of the innovative Community Foundation Early Award Scholarship Program, which utilizes Indiana's CollegeChoice 529 Plan to build college going identities and assets for post-secondary education.

Joanne Case is the Program Director for the Early Award Scholarship Program and has been with the Community Foundation for six years, nearly since the program's launch. Joanne enjoys partnering with schools and families to encourage students to pursue lifelong learning.

SUGGESTED CITATION

Elliott, W., Grant, P., and Case, J. (2023, March). Early Award Scholarship (EAS) 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. https://aedi.ssw.umich.edu/sites/default/files/documents/Reports/csa-doorway/csa-doorway-case-study-2.pdf

Appendix A.

Table 1. 2022-2023 Early Award Scholarship and Savings Match Opportunities

	Q1	Q2	Q3	Q4	Total
4th Grade					
Goal Setting	$10				
Reading assignments and reach goal in Q4	$20	$20	$20	$20	
Math assignments and reach goal in Q4		$20	$20	$20	
Language Arts essays		$20	$20		
Savings Match (if $20 is deposited into 529 account each semester)		$20		$30	
					$240
5th Grade					
Essay/Presentation			$20		
College Go Activity #1		$25			
College Go Activity #2				$25	
Savings Match (if $20 is deposited into 529 account each semester)		$20		$30	
					$120
6th Grade					
Goal Setting	$10				
Reading, Math, and Language Arts assignments and reach 2 goals in Q4	$35	$35	$35	$35	
Essay/Presentation			$20		
College Go Activity #1		$25			
College Go Activity #2				$25	
Savings Match (if $20 is deposited into 529 account each semester)		$20		$30	
					$270
7th Grade					
Essay/Presentation			$20		
College Go Activity #1		$25			
College Go Activity #2				$25	
Savings Match (if $20 is deposited into 529 account each semester)		$20		$30	
					$120
8th Grade					
Personal Career Inventory	$20				
High School Course Planning	$20				
College Application Essay		$20			
Lifetime Earnings		$20			
Personal Finance			$20		
Compare College Costs			$20		
Pathways to Success	$20				
21st Century Scholars application (parent)				$40	
Watch video: "Paying for Career Training / College" (parent)				$20	
Savings Match (if $20 is deposited into 529 account each semester)		$20		$30	
					$250
Total possible Early Award Scholarships for 4th-8th grade					**$1000**

Note. A frequent comment from others considering the EAS program is that it is expansive and includes many incentives. While this may be true, anyone interested in initiating an early award model is not required to incent so many behaviors. Program administrators can start slowly, for example, and choose only one grade, like the 4th, or choose only one discipline – like math or reading.