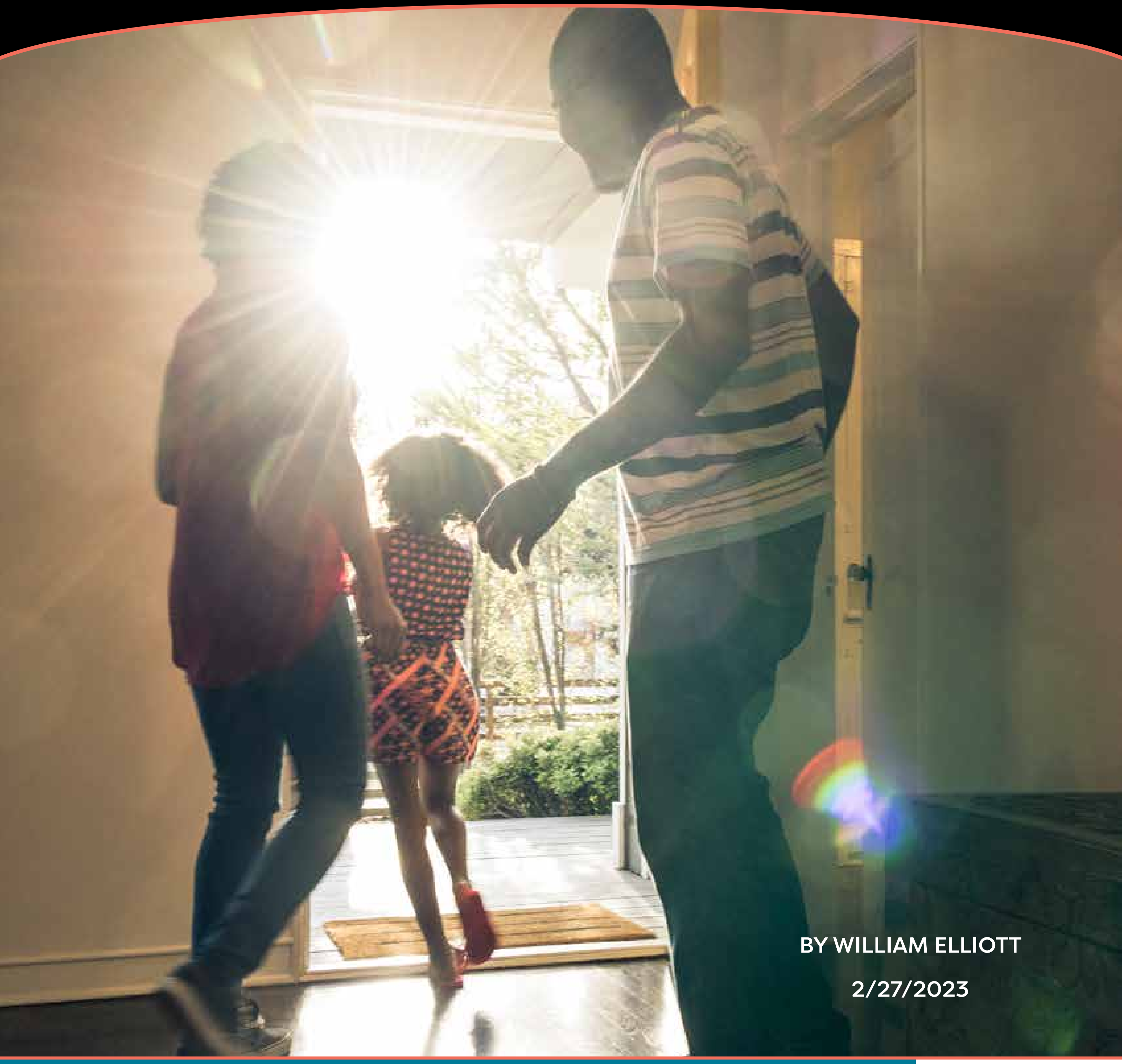
Unleashing the Power of Children's Savings Accounts (CSAs):

Doorway to Multiple Streams of Assets



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FOREWORD

This paper is being released as part of a lead up to a Webinar, *Children's Savings Accounts (CSAs), a Doorway to Multiple Streams of Assets*, that will take place on March 29, 2023, at 2:00 p.m. (EST). Five programs that have created innovative solutions for providing families with streams of assets outside of individual contributions will be featured as part of the webinar. The five programs are:

- Kids Rise (New York City, NY)
- Oakland Promise (Oakland, CA)
- Community Foundation Early Award Scholarship Program (Wabash, IN)
- CollegeBound (St. Paul, MN)
- Keystone Scholars (Pennsylvania)

Representatives from each program will participate in the webinar as panelists. In addition to the webinar and this report, in the weeks leading up to the event, there will be individual case studies released on each program and their innovation(s).

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.

TANGIBLE HOPE

At different spots throughout in this report, you will see where it is mentioned that the broad purpose of CSAs is to give all children the opportunity to reach their full potential. **Part of children being able to realize their full potential, however, is providing them with an environment rich for dreaming. To see a version of themselves not yet fully realized, one that others in their lives might not yet even be able to imagine for them.**

However, not all dreams are the same. Some dreams are merely an escape from one's own reality, these types of dreams serve as a means to endure the day. I have given the example of my mother and I walking through more affluent neighborhoods and talking about one day owning a house there (Elliott, 2021). There was nothing in our lives that would suggest this would ever be possible beyond hitting a number or some miracle. Another type of dream is what I have called, a tangible dream (Elliott, 2022). Tangible dreams are grounded in the here and now, even though they are about what is possible in the future. There are grounds for believing they are possible in your life if you work hard and have the requisite ability to make them come to pass. That is, they come with a sense of attainability, a sense that whether you realize these dreams or not is within your control.

The story about the discovery that the world is round may help further illustrate what is meant by tangible hope. In the 3rd Century BC, a Greek named Eratosthenes of Cyrene first provided mathematical evidence that the world was round. In 1519 Portuguese Ferdinand Magellan provided the first practical evidence that the world was round. Prior to this most people thought the world was flat and ships were designed to go short distances for fear of falling off the end of the earth. However, Eratosthenes and later Magellan provided people with the grounds they needed to be able to dream that there was something more beyond the horizon that could be discovered. They did not know yet what was out there; however, dreaming of new lands became possible for many more people in a way that was not possible before. This example might be useful to think through and connect to what is discussed in this report. If a purpose of Children's Savings Accounts (CSAs) is to help children reach their full potential, then an important part of what CSAs have to do is to facilitate them dreaming about their possible future selves (e.g.,

college goer) and not just any dreams but tangible dreams.[1] Unlike wishful dreams, tangible dreams have some grounds/roots in the child's reality.

It is also important to point out that in many ways Eratosthenes and Magellan were exceptional. Eratosthenes and Magellan needed far less grounds to imagine a round world than most would need. Most people needed some practical evidence that the world was round, Magellan provided that for them. And we could imagine still others needed to experience it for themselves, this is probably on the other end of the spectrum. But even Eratosthenes needed some grounds for believing it was possible. He observed that ships disappeared over the horizon while their masts were still visible which suggested to him the world was curved indeed. The point here is that dreaming typically requires grounds (i.e., some connection to our current realities), at least to be thought of as rationale and not merely wishful or even delusional (i.e., when the wishful dream starts to also change behavior). And so, when a poor, homeless child finds it hard to form tangible dreams (we might call these expectations as opposed to the more wishful aspirations) of one day being able to pay for and go to college, it is not unreasonable. **To bridge the gap between mere wishful dreams and tangible dreams (which are more often associated with planning and acting) requires providing children with grounds for believing going to college is possible. Further, children might need different levels of evidence to form tangible dreams.**

I have suggested that CSA programs that build assets for children help to transform what might have been mere wishful dreams (e.g., I aspire to attend college) into tangible dreams (e.g., I expect to attend college):

> **Assets give people a stake in the future; that is, the power to purchase a piece of the future today. Another way to say this is that assets allow people to clearly see how they will be able, for example, to pay for college, buy a home, retire comfortably. Assets are real money stored away today for future purchases, making the future tangible as though I can touch it, experience it—even own a piece of the future today. In this sense, assets allow us to purchase stock in our future selves. (Elliott, 2022, p. 2)**

Again, what this suggests is that sometimes poor children might lack the grounds in their day-to-day lives to dream of one day going to college (starting a business, buying a home, being better off than their parents, etc.). As they look at their lives, they do not hear stories of people like them going to college. When they think of being able to pay for college, they are reminded of last Christmas when their families did not have money to buy them gifts, or when they went to Walmart and their debit card was declined and they had to put back much needed food. All they see is difficulty no strategies for overcoming their ability to pay for college.

[1] For information on the concept of future selves or possible selves, see Daphna Oyserman. She is the leading scholar in this area. You can find a list of her publications on the topic at https://dornsife.usc.edu/daphna-oyserman/identity/.

However, this does not mean that no poor child can envision themselves going to college, it just means it is a much harder dream to formulate and make tangible for them given the realities of their daily lives. Importantly, this likely has implications for the amount of effort we should expect them to put into realizing them. There will be an occasional Eratosthenes or a Magellan that can manage to dream from mere crumbs of evidence, but these are exceptions not the average child. The exceptions only need a glimmer of hope, but social policy that seeks to create a sense of equality, should not be built with the exceptions in mind, it will be doomed to fail.

This may help CSA programs understand how much they should provide, for example, in initial deposits if the hope is to move the needle for most children and not just the exceptional child. Given this, I suggest the purpose of CSAs is to help most if not all children reach their full potential, not just the exceptional. **They help children reach their full potential not only by helping children build assets, but by helping them build dreams. Not just any dreams, though, tangible dreams about who they can become. These dreams are grounded in their ability to accumulate assets that allow them to begin imagining purchasing goods and experiences they will need in the future to become the person they want to become. At the same time, CSAs help children to begin to develop the knowledge and skills needed to navigate mainstream institutions (educational and financial) now, and in the future.**

THE RETURN ON A DEGREE

Another underlying theme that needs some discussion to help the reader better understand this report, is the importance of the return on degree and what it means for education becoming the “great equalizer” it is meant to be in the American welfare system. **The goal of financial aid policy has been narrowly understood as solving the problem of paying for college. Seeing it as solely a lack of resources, resulted in policy makers putting very little value on where the money came from to pay for college (e.g., student debt, family assets, or grants and scholarships). Moreover, it also meant that they gave little attention to the position children were in once they graduated from college, indebted, or with a store of assets from which to launch into adulthood.**[2] Research has shown that this mattered to the kind of return children received from their degree, which ultimately impacts the effects of education as part of a large poverty strategy and economic mobility strategy (for a review of this literature see Elliott & Lewis, 2015).

Given this, current financial aid policies largely fail to tackle the overlapping and accumulating effects of wealth inequality and instead treats inequality in higher education as only a problem of paying tuition. This ignores the role it must play in influencing children’s early education, postsecondary completion, and post-college financial health. Given the narrow focus of current financial aid policies, including free college proposals, children and their families are largely left to their own devices except for when it comes time to pay for college. This has resulted in a situation where education is unable to provide low-income and minorities the same return on a degree that their counterparts receive helping to exacerbate or at the very least maintain economic inequality in America:

Wealth gaps remain even at the post-graduate level

- Hershbein (2016) findings indicate that young adults from low-income families start their careers earning about one third less than those from higher income families.
- Researchers find Hispanic ($68,379 income/$49,606 net worth) and Black students ($52,147 income/$32,780 net worth) receive less benefit from having obtained a college degree than their White ($94,351 income/$359,780 net worth) and Asian ($92,931 income/$250,637 net worth) counterparts (Emmons & Noeth, 2015).
- Wealth gaps remain even at the post-graduate level (Emmons & Ricketts, 2017).
- Hamilton and colleagues (2015) 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.
- Traub, Sullivan, Meschede, and Shapiro (2017) determine that even if Blacks graduated college at the same rate as Whites, this would only slightly reduce the racial wealth gap.
- In a survey of 900 adult college graduates, more than half said that those leaving college with a degree today will see lower returns than those 10 to 15 years ago (Bidwell, 2015).

Buried in the perspective that financing college is solely about paying for college is the belief that just getting a college degree by itself will equalize the return on degree, nothing more is needed of our financial aid system. However, it is likely assets, both early assets and assets after graduation, help determine children’s return on a degree:

Household income and net worth are higher for adults who received parental financial support for college than for those receiving no such support.

- Shapiro, Meschede, & Osoro (2013) find that a $1 increase in income translates to a $5 increase in wealth for White families but only a 70-cent increase for Black families. However, when Black families start off with similar levels of assets, they have a return of $4.03 (Shapiro et al., 2013).
- Hiltonsmith (2013) finds that an average student debt burden for a dual-headed household with bachelor’s degrees from four-year universities leads to a lifetime wealth loss of nearly $208,000.
- Elliott & Rauscher (2018) findings reveal that those who acquired student debt take longer to reach the midpoint of the net worth distribution. Acquiring $10,000 in student loans is associated with an 18% decrease in the rate of achieving median net worth.
- Rauscher (2016) finds that predicted household income and net worth are higher for adults who received parental financial support for college than for those receiving no such support.

Therefore, for education to become the great equalizer society proclaims it to be, I suggest what poor children need is a financial aid strategy that works in concert with America’s poverty reduction strategy delivering assets to all children at different stages of their development, not only when they reach college age. One that not only carries financial assets from multiple streams to children, but also produces social and psychological effects in children that then can be reproduced by them in others. In this report, I suggest that CSAs can act as a type of scaffolding capable of connecting the education problem (college prep and access) to the poverty problem (return on degree) while carrying multiple asset streams and their effects to all children, when they are needed.

[2] For a very practical short story of what this might look like, see the three-part blog series called “Two Paths to the American Dream: CSA On Ramp to the Asset Empowerment Path” at https://aedi.ssw.umich.edu/blog.

WHAT IS IN A NAME

In this report I use the term Children's Savings Accounts or CSAs. However, CSAs are also often referred to as Child Development Accounts (CDAs). I have stuck with using CSAs instead of CDAs (in most of my writings) because it is the term I most often see used in mainstream media, among politicians, and within the field. I must confess, I have not done an analysis to figure out which one is used most, this is just my perception. Further, it is the language used in some key federal proposals and I would rather create as little confusion as possible at a time when change seems possible and bigger issues need to be addressed. However, I also acknowledge that the use of saving in the name might seem a little off base in this report since a part of what is being suggested is that programs have over emphasized saving as a way of building assets. Further, in this report I contend that a broad purpose of CSAs is to help children reach their full potential. This might further make it feel like CDA would be a more appropriate name here. Despite this, I have chosen to stick with using the term here that I think more people are familiar with. My hope is that when a major federal policy is adopted a new more fitting, more uniting name will be chosen. Regardless of which name you favor, my goal is after reading this report, you will have a better understanding of the fact that individual savings is not the primary way these programs have for building assets. At the same time, I want to avoid tilting the balance of the scale so far that you end this report feeling that saving has no value and that programs should not allow poor families to save. Saving is important, even for the poor, it is just not the only or best way to build assets in CSAs.

PART ONE

CSAS ARE A DOORWAY TO MULTIPLE STREAMS OF ASSETS

Part I of this report starts off with a discussion about why it might be important to give more attention to the capacity of Children's Savings Accounts (CSAs) to build wealth through multiple pathways and focus less on individual saving in programs. Part II moves into discussing why starting CSA programs when children are young is important even if families do not start saving shortly after programs are started.

CSAs are asset building accounts that provide a type of financial scaffolding for facilitating transfers of wealth from multiple sources to children for the purpose of giving all children an equal opportunity to reach their full potential.[3] Most CSA programs consist of these key components:

- Opportunity to own a wealth-building account, either through a traditional deposit institution (such as a credit union or bank) or through a state 529 college savings plan
- Initial seed deposit to encourage account opening, jumpstart family saving, and/or foster greater balance growth
- Savings incentives, such as matches for family deposits, rewards for recruiting contributions, and/or bonuses for saving regularly
- Support for children's academic and financial preparation for higher education in the form of provision of account statements, college and career readiness activities, and/or efforts to promote early identification with the aspiration of college attendance

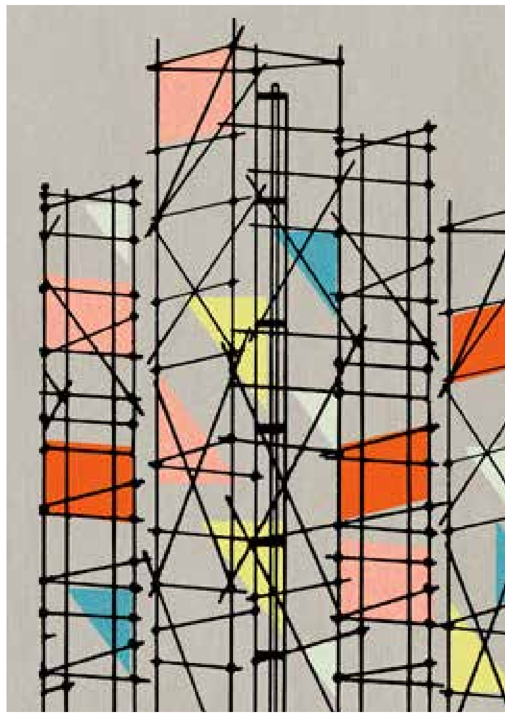
However, these key components are not what CSAs are, they represent how CSAs have been operationalized in practice. How they are operationalized is based on different social, economic, and political factors at the time they are started. I am suggesting there is room to expand on how CSAs are operationalized. Some programs have begun to do just that. A few of these programs will be discussed in this report.

[3] When I use the term college in this report, I am using it in a very broad sense to include all forms of postsecondary education.

A. CSAs, a Type of Scaffolding?

When I use the term scaffolding, the picture that might immediately jump into your mind is one of a system of boards hung outside of a structure in need of repair. Scaffolding serves as a means for transporting much needed materials as well as workers to different parts of the structure. The scaffolding makes repair as opposed to tearing down the structure possible. This might provide an instructive illustration for understanding an important function that CSAs can play in social policy. From this perspective, CSAs act as a type of financial scaffolding for transporting streams of resources (i.e., assets) to families through an economic system that must be repaired to be able to serve low-income families adequately. Because capitalism rewards owners of capital (i.e., wealth), and because of America's long history of racial wealth inequality, for example, it seems fair to say the American economic system needs repair. But I need to also point out, so that it does not get lost in the discussion or minimized, our capitalism also does not serve many poor White families well without modification. Poor White families find themselves also trapped in cycles of poverty because of an uneven playing field that will not allow them to compete fairly with families who start off with wealth.

CSAs are a type of scaffolding constructed around mainstream institutions for the purpose of carrying much needed resources throughout the system, and therefore do not attempt to create a new *separate* institution for the poor. Instead, they attempt to provide the poor with the support they need to function within mainstream institutions. This is one way that CSAs differ from a lot of other types of policy proposals for the poor. This acknowledges that poor families and children need an institutional structure that considers where they start off in the race and augments their ability in a way that can make up for their start (i.e., an equalizer). But it also acknowledges that poor children are born with the innate ability to function within mainstream institutions, it is just a matter of repairing the playing field so that their abilities are augmented in the same way that wealthier children's abilities are.



Furthermore, institutions designed for the poor often take a very different set of learned skills to navigate than do mainstream institutions. Therefore, when some people leave the institutions designed specifically for the poor (e.g., Temporary Assistance for Needy Families, Medicaid, Supplemental Nutrition Assistance Program, WIC, etc.), they might not be as prepared to be successful in mainstream institutions as are people who have been navigating them all their lives. **In some ways, the problem CSAs are trying to solve, from my perspective, is how poor families can be put in a position to compete in and leverage the mainstream institutions they ultimately must navigate to reach their full potential.** Not to mention, mainstream capitalist institutions are one of the best ways for producing wealth that we know of. If this is the case, it would appear to disadvantage the poor if they are removed from mainstream institutions and not provided opportunities to learn how to be successful functioning within them. Given this, CSAs provide families with the opportunity to save, for example, even if they cannot save a lot or even consistently. They also provide them with the opportunity to build wealth through investment earnings (Clancy, Beverly, Schreiner, Huang, & Sherraden, 2022), but minimize the risk associated with investing. Learning to save and how to invest are skillsets that low-income families will need to thrive in a capitalist economic system even if they are given a substantial government investment.

A.1. *CSAs Augment Families' Financial Capability*

CSAs not only augment families' ability to build wealth in mainstream institutions, but they also augment their financial capability. Experimental research from SEED for Oklahoma Kids (SEED OK) finds that CSAs provide participants (in this case mothers aged 18-24) with a context for practicing financial knowledge and skills and in turn positively impact their financial capability (Huang, Sherraden, Sherraden, & Johnson, 2022). These are skills poor families need to build wealth long-term. **Remember, though, CSAs are a type of scaffolding. As such, I am not suggesting that they are a replacement for financial literacy courses or coaching (i.e., a silver bullet), for example. Instead, it might be more appropriate to think of CSAs as augmenting what people learn in financial literacy courses and coaching. They do this by repairing the playing field on which they practice the things they learn through financial literacy classes and coaching. Repairing consists of providing access to mainstream financial institutions and multiple streams of assets for building wealth early on in a child's life along with the many different type of asset effects discussed in this paper that come from owning assets.** So, CSAs give poor families access to the same kind of tools for building wealth that the non-poor have but with the necessary support needed to have a fair chance in these settings.[4] As a result, when poor families are ready to launch and move out of poverty, they are comfortable functioning in mainstream institutions because they have been doing so the whole time.

A.2. *CSAs as a Doorway to other Financial Services*

CSAs do not stop with providing families access to a mainstream financial institution, providing assets, and deepening their financial capability. They also might serve as a doorway to other financial services. For example, Friedline and Elliott (2013) find that children between ages 15 to 19 who have savings are more likely to have a savings account, credit card, stocks, bonds, vehicle, and a home at age 22 to 25 than if they did not have

[4] In *Making Education Work for the Poor: The Potential of Children's Savings Accounts*, Melinda Lewis and I discussed how having assets and these types of financial skills are also important for children to be able to receive an equal return on having gone to and graduated from college (see Elliott & Lewis, 2018). This is to say, education can never be the great equalizer in society if education is not blended with wealth building proposals that allow children to maximize their return on their degree.

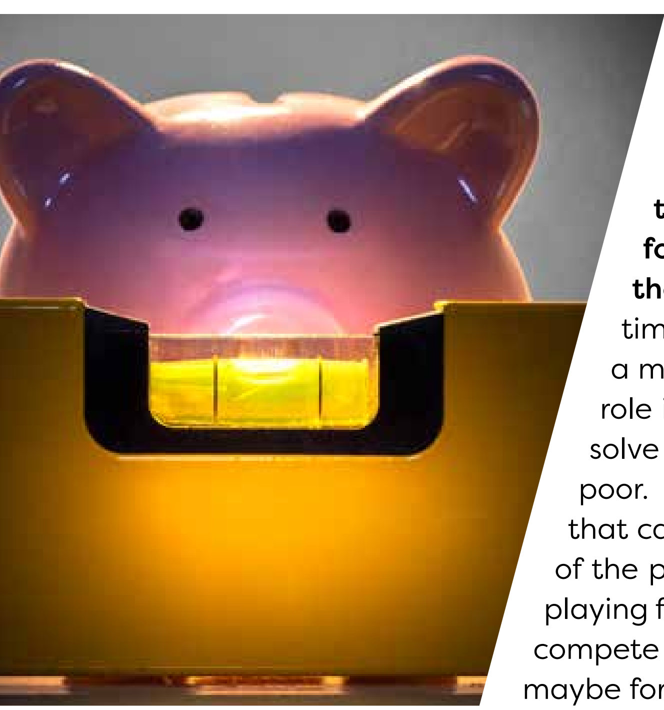
savings of their own between ages 15 to 19. Friedline, Johnson, and Hughes (2014) find that most young adults owned a savings account at or before the acquisition of all financial products including checking, CD, money market, savings bond, stock, and retirement accounts. Huang, Sherraden, Sherraden, & Johnson (2022) also find that CSAs increase mother's use of other types of asset and debt products (e.g., stocks, mutual-funds, bonds, credit cards, home mortgages, among others).[5] As such, it might matter less if children and their families are able to save large amounts in their CSAs. For example, Friedline et al. (2014) find that while owning a savings account as a young adult only contributed $50 toward liquid assets, the added contribution of combined stock and retirement accounts—themselves products of savings account ownership—was $5,283. This is a different type of indirect effect (or asset effect) than the social and psychological effects more commonly discussed in the field (see Part I, Section C for a discussion social and psychological effects). This type of asset effect is almost never talked about when discussing the potential impact/reach of CSAs. **So, CSAs, not only might be a doorway to multiple asset streams for building wealth, but they also might act as a gateway financial instrument, leading to even greater asset accumulation opportunities outside of CSA ownership.**

As a type of scaffolding CSA programs can be constructed to span across and bind together multiple domains (e.g., education and economic). As such, they can be constructed to work hand-in-hand with broader efforts to reduce inequality in early education, facilitate college completion, improve post-college financial health of low-income children, and even efforts to reduce racial wealth inequality. I will provide an example of using CSAs as a scaffolding that spans across the domains of education, income, and wealth inequality later when I discus St. Paul, Minnesota's CollegeBound Boost (Part I Section D). Lastly, this CSA scaffolding is constructed by the community on the behalf of individual children and their families, a topic I will discuss in more detail later in Part I Section E.

[5] For a complete list see Huang, Sherraden, et al. (2022, p. 40).

B. The Problem of Being Poor, and the Role of CSAs

The potential to act as a type of financial scaffolding that connects a variety of different problems might be why sometimes it is said, CSAs appear to be a solution in search of a problem. That is because they stretch across a variety of different problems, it can be said of them that they do not fully address anyone problem. This statement fails to recognize the nature of being poor as a problem. Being poor is not a single isolated problem (e.g., not enough money to buy goods). Instead, there are a number of interrelated problems that add up to someone being poor. Treating any one problem by itself cannot be expected to solve the problem of someone being poor. Further, in as much as it is not a single problem, it requires a policy structure that can stretch across multiple domains and bind solutions together to combat the large problem of being poor. But all too often interventions are created that treat financial constraints and inadequate academic preparation, for example, as though they are independent phenomenon acting separately on children's educational and economic outcomes. This is done even though it has been known for a long time that education reproduces economic inequality and economic inequality reproduces educational inequality (e.g., Blau & Duncan, 1967; Hout, 1988). By treating educational inequality and economic inequality as separate problems we not only lessen chances for improving children's outcomes on either front, but we also divide ourselves into different camps constantly seeing ourselves as being in competition weakening the coalition needed to bring about any real change.



CSAs provide a type of financial scaffolding that can allow resources to be carried throughout the expanse of the problem of being poor in a way that augments the efforts to solve what have appeared and often have been treated as separate solutions for solving separate problems. Note, not only do the CSAs themselves act as a vehicle for transporting resources to families, but families who have a CSA (in the scaffolding illustration they are the people running along top of the boards carrying the resources to wherever they are needed) can also act as vehicles for transporting resources as asset effects manifested in them. So, a reason for why CSAs have been thought of at times as a solution without a problem to solve is because of a misunderstanding of the nature of the problem and their role in helping solve the problem. CSAs are not designed to solve an isolated problem impacting children growing up poor. Instead, they are meant to provide a policy structure that can be used to deliver resources across multiple domains of the problem of being poor. Thereby, potentially leveling the playing field and providing the poor with the opportunity to truly compete in the American economic system with the non-poor, maybe for the first time.

C. What Makes CSAs a Big Policy Idea?

Researchers and practitioners in the CSA field frequently say that CSAs are more than bank accounts for saving. When they say this, they are often referring to the capacity of CSAs to produce social and psychological effects (i.e., asset effects or indirect effects).[6] This aspect of CSAs, their ability to produce asset effects, is different from the power they provide families to purchase an asset such as college (i.e., direct effect of owning assets). **I suggest their ability to produce asset effects is a reason for why CSAs might be considered a big idea and one of the best (i.e., most likely to produce success) vehicles for transferring wealth to families.**

Since more detailed reviews already exist on asset effects, here I will only offer a few examples in hopes of painting a more vivid picture of the potential power of CSAs as an investment portal and how they can act as a type of scaffolding for connecting what might otherwise been seen as different unrelated domains (for a more detailed review see Elliot & Harrington, 2015; Huang, Beverly, Clancy, Schreiner, & Sherraden, 2021). For instance, an experimental test of CSAs finds infants who were randomly assigned to receive a CSA demonstrated significantly higher social-emotional skills at age four than their counterparts without a CSA (Huang, Sherraden, Kim, & Clancy, 2014). Research suggests that these positive effects on children's social and emotional well-being are realized through influences on parent/child interaction, including by reducing maternal depression (Huang, Sherraden, & Purnell, 2014) and interrupting the effects of material hardship on children's development (Huang, Kim, & Sherraden, 2016). Moreover, findings indicate that CSAs reduce punitive parenting and promote positive parent-child interactions (Huang, Nam, Sherraden, and Clancy, 2019). Importantly, positive parenting practices are associated with more positive school adjustment and fewer behavior problems in school (Pettit, Bates, & Dodge, 1997). It is worth emphasizing here, the ability of CSAs to produce asset effects is a reason why even if families do not start saving early on in a CSA program, these programs still matter and produce important effects apart from saving.

It is as important for the reader to recognize here the role that CSAs play in this discussion as a type of scaffolding connecting, in particular, the financing of education to the return on a degree (i.e., children's economic outcomes post-college). This may help shed some light on how CSAs are not only a doorway to multiple asset streams, a topic to be discussed in the next section, but a type of scaffolding (or policy platform) for connecting social and psychological interventions to the financing of education and the return on a degree that children receive post-college. **Insofar as education is believed to be a big part of the social safety net in America, it can never live up to its moniker as the great equalizer if it is not more directly attached to wealth building programs.** Domains that might work in isolation from one another if CSAs did not provide a policy structure capable of tethering them together.

[6] I have often also focused on explaining the power of small dollar accounts to produce social and psychological effects (e.g., Elliott, 2009).

C.1. *CSAs Connect Poor Families to Multiple Streams of Assets*

As indicated, there has been considerable conversation and research on the social and psychological effects of CSAs as a way of, at least in part, explaining why small dollar (accounts that provide a relatively small one-time initial deposit) CSAs should be understood as being on the scale of free college or Baby Bonds proposals. Conversely, there has been much less discussion or development in the field (conceptually, empirically, or in practice) on the capacity of CSAs to build wealth through multiple streams.[7] Their ability to build wealth through multiple streams makes them unlike any other financial aid or wealth building tool at our disposal for low-income and minority children. **Further, the lack of discussion about and development of these other streams for building wealth that CSAs offer, to include even discussions about larger initial deposits, leaves CSAs to some feeling like they are not on the same scale of free college and Baby Bonds proposals.** Therefore, at times they have been portrayed as a conservative alternative to much grander ideas at a moment when it feels like something grand is needed.

However, CSAs provide an institutional structure that allows for third party (e.g., family members, employers, philanthropists, communities, and other entities) contributions as well as government contributions (i.e., federal, state, county, or city). Therefore, for CSAs to reach their full potential, programs and policies might consider focusing more on the different ways that assets can flow into these accounts. From this perspective, despite some of the narratives around CSAs, they are not all or even mostly dependent on what individuals can save from their earnings to build assets in these accounts. The real power of CSAs is in their ability to facilitate multiple streams of assets from a wide variety of sources that can than flow into these accounts. Furthermore, if these programs rely less on family contributions and more on other asset streams for building wealth, they might become a better wealth building tool for poor families. For example, state 529 plans (529s) mostly rely on individual saving and investment earning for building wealth. However, research shows that 529s largely benefit wealthier families who are in the best position to take advantage of their largely tax-based incentive structure (e.g., General Accounting Office, 2012). For example, according to Sallie Mae (2015), 27% of college savers report having a 529 account, with utilization more than twice as likely among high-income (49%) as middle-income (20%) or low-income (17%) families. The ability to give access to multiple asset streams for building wealth is an important distinction between CSAs and 529s and might make them a better asset building tool for low-income families.

This lack of discussion and development of how CSAs provide access to multiple streams of assets has left a void to be filled within the field and outside of it for building wealth on a larger scale. And too often this void has resulted in CSAs being criticized for focusing too much on individual saving for building wealth. However, CSAs augment families' ability to build assets for their children not only through their individual saving but by providing an initial deposit, matched saving, investment earnings, along with opportunities to earn incentives**. In this way CSAs may expand the notion of wealth building for the poor from being exclusively a government responsibility to a community responsibility as well. As such, it might be argued that they have the potential to far exceed the potential of free college and Baby Bonds proposals as wealth building proposals, though that currently is not the perception within the policy world.** Moreover, this expansion beyond government as the only source of wealth building for the poor, might have greater potential to cultivate bipartisan support. CSA's ability to facilitate multiple asset streams along with their ability to produce asset effects, I suggest, are some reasons for why CSAs might be considered a big policy idea.

D. Understanding How CSAs Fit into the Racial Wealth Inequality Discussion

Inasmuch as CSAs are not in conflict with the idea of a significant federal investment and, in fact, can help facilitate one, it seems reasonable to include them in the discussion of potential tools for reducing racial wealth inequality. However, because there has been a lack of discussion and development in the CSA field of the multiple ways CSAs can build wealth, they are often left out of policy discussions on racial wealth inequality. It is just that, for some people the small dollar version does not seem like it can live up to the challenge. In fact, the CSA pilot in New York City, Kids RISE, which wanted a greater connection to the fight against racial wealth inequality went as far as to

[7] For more information on free college proposals see President Biden's American Families Plan at https://www.cnbc.com/2021/04/28/biden-american-families-plan-could-make-free-college-a-reality.html. For more information on Baby Bonds proposals see Senator Booker's American Opportunity Act https://www.booker.senate.gov/news/press/booker-pressley-reintroduce-bicameral-baby-bonds-legislation-to-tackle-wealth-inequality.

rebrand themselves as a Baby Bonds program when they went from a pilot program to a citywide program (see Parry, 2021). This is because Baby Bonds programs are more clearly understood as being programs that can help fight racial wealth inequality given their demand for a significant government investment. Similarly, states like Massachusetts[8] that already have a statewide CSA program, when considering how to tackle racial wealth inequality, looked to Baby Bonds and not to how it's CSA program could be used in the battle.[9] What this suggests is that both the goals and the scale of CSAs and Baby Bonds are thought to be different. However, it is not as though CSAs have to remain small dollar programs. Research shows that a progressive children's asset building intervention with a larger initial deposit of $7,500 for low-wealth households that incrementally declines down to $1,250 for the highest wealth households could close the Black/White wealth gap by 23% and the Latino/White wealth gap by 28% (Sullivan, Meschede, Shapiro, Asante-Muhammed, & Nieves, 2016).

It is also important to point out that CSAs with a significant federal investment (i.e., large dollar CSA) are not simply pie in the sky. For example, Senator Casey as part of his Five Freedoms for children to reach their full potential has proposed a large dollar CSA. His proposal starts at birth and puts $500 a year into a CSA for every child living in a family earning less than $100,000 (Casey, 2022). Further, CollegeBound in St. Paul, MN is currently experimentally testing an intervention that provides families individual interventions related to education, income, and the racial wealth gap using CSAs as the scaffolding to bind them together:

a. No-treatment control condition

b. Quarterly CSA deposits only condition ($250 quarterly, total of $1,000 annually)

c. Guaranteed income payments ($500 per month) + quarterly deposits condition

Everyone in the study, to include the control group has a CSA.[10] They refer to this intervention as CollegeBound Boost, this is fitting because it first augments the ability of families to save by providing them with additional cash to meet their basic needs which in turn increases the amount of income they have left over to save. It also boosts total assets they have for paying for college by directly transferring city funds into the CSA accounts of children living in the city. **Note, that unlike in the case of Massachusetts which did not turn to their CSA program as a financial mechanism to deliver a Baby Bond like program to their constituents, St. Paul purposefully chose to test just that. If a small dollar CSA could be a delivery system for a Baby Bond like program.** However, beyond CSAs not being thought of as providing a big enough initial deposit to be part of the racial wealth inequality discussion, there is also the limitation that CSAs in practice have largely been constructed as being limited to paying for college whereas Baby Bonds proposals include

[8] Some examples of other states with a statewide CSA program that are considering Baby Bonds are Nevada, Connecticut, and California.

[8] Their CSA program is called Baby Steps for more information see https://www.mass.gov/babysteps. For information on their Baby Bonds task force see https://www.mass.gov/service-details/massachusetts-baby-bonds-task-force.

[10] For more details on the research design see Elliott, Sorensen, & O'Brien (2022)

other types of asset expenditures such as buying a home or starting a business. But, while I am not at liberty to fully discuss here, there are policy proposals being considered that do expand the usage of CSAs beyond just college.

Free college proposals and College Promise programs might also fall into this discussion of being delivered through a CSA. Instead of being a promise of money, they would be transformed into early award programs where kids would grow up with the money in their CSA from a young age. As a result, poor children, just like their wealthy counterparts, would be able to grow up with the knowledge 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 earlier in this report.

What this section reveals, is that sometimes the potential of CSAs to be a tool for delivering significant assets whether it is for college or reducing racial wealth inequality is being undervalued sometimes because of the small dollar nature of the CSAs that now exist. These programs are small dollar, in part, because of a lack of federal investment, a misunderstanding by states and local communities about the potential of CSAs as an asset building tool, and CSA programs' sometimes singular focus on increasing individual saving while neglecting the development of other forms of contributions.

E. CSAs are Community Accounts

CSAs have typically been thought of as a type of individual child account. This idea of a CSA being an individual account took hold among programs and in the minds of the public, in large part, because of their connection to what ironically was called Individual Development Accounts (IDAs). IDAs were the precursor to CSAs, and they put the focus on facilitating individual savings, and asked "can the poor save?" IDAs are a savings account designed to help lower-income individuals 18 or older build assets for things such as paying for college, starting a business, or a downpayment on a home. However, this is the wrong conceptualization of what a CSA is or can be. This conceptualization has led to programs, but also people outside of the CSA field, wrongly focusing on individual saving as the crucial way for asset building in these accounts and as a key indicator of their success. Furthermore, this has led to CSA programs spending too much time and resources on trying to figure out how to increase individual saving and too little time on figuring out how to increase the many different streams into CSAs.

If CSAs are understood as an individual account, then it is understandable that many programs would disproportionately focus on individual contributions. But, despite being assigned to individual children which may be important for producing some of those social and psychological affects discussed earlier, I suggest CSAs are really community accounts opened on behalf of a child. In this way they may provide a policy structure that can bring to life the idea that it takes a community to raise a child. CSAs provide a trusted institutional structure for dispersing the primary responsibility of funding college or even solving racial wealth inequality from squarely on individuals to society. This idea that CSAs are not only or even mostly about building assets through individual saving is also critical to understanding why CSAs can be an effective asset building strategy, even if currently most CSA programs provide relatively small initial deposits. People largely understand that individual saving, particularly among low-income families, will never be a sufficient policy strategy for paying for college. **Understanding CSAs as a community financial instrument for building wealth and not an individual financial instrument, better positions CSAs as a viable solution within the asset building conversation whether it is regarding financing college or racial wealth inequality.**

This framing also brings attention to the fact, if CSAs are not growing at a desired rate, this does not only or even mostly mean that families are not saving enough, but instead the community (community here includes government, philanthropists, foundations, employers, etc.) is not putting aside enough assets for its children to reach their full potential. When we see low asset development in accounts (or low saving), we all might need to pay as much attention to what the community can be doing as we do on activating children and their families as savers. This is even more so in the case of low-income families who in the end of the day have limited income to save. Because they have limited income to save, it means the amount of responsibility they have for building wealth in their CSA should be understood as also being less. Thus, focusing on low-income families as savers as the primary or even secondary path to building wealth in their CSAs might be flawed from the start.

F. CSAs as Scaffolding for Connecting Income and Asset Approaches

The goal of income policies has been singularly focused on ending poverty. From this perspective poverty means something like the inability to purchase enough food, clothing, and shelter to make it through the day, week, or month. However, I think it is important to point out that income policies when combined with asset polices can also be a potential way to increase the power of poor families to save. This makes me think back to the potential of CollegeBound Boost in St. Paul, MN that I discussed early in this report (see Part I, Section D). Specifically, how it connects families in the City's CSA program to an income-based strategy (i.e., guaranteed income). A potential outcome of connecting income programs with asset programs is that they will better position poor families to save particularly if the goal of such programs is expanded from ending poverty, to helping children reach their full potential. In this scenario asset building is seen as being equality important to increasing the amount of money families have and thus it becomes ok to provide families with opportunities to save.

However, many advocates of an income approach to solving poverty might shiver at the idea of poor families saving because it means less money for day-to-day needs. And because ending poverty and providing children the opportunity to reach their full potential have been seen as separate problems, even asset advocates have often prioritized income approaches. A clear example of this can be found in comments by Dr. Jared Bernstein, former chief economist, and economic adviser (2009-2011) to then Vice President Joe Biden. Dr. Bernstein (2005), in talking about the potential of assets strategies wrote, "Yet for these economically constrained and highly stressed families, assets were an unthinkable luxury.... Due to the immediacy of the poor's income constraints, we were—and I suspect most still are—focused exclusively on providing consumption, not savings, opportunities" (p. 354). He went on to say, "Also, the immediacy of consumption deficits among the poor continues to militate for the primacy of the income-based approach" (p. 358).[11] It makes sense than to prioritize and focus on income policies even at the expense of asset policies (i.e., income first, assets later; poverty first, reaching full potential later). Similarly, there would also be very little reason for considering a scaffolding like CSAs that can serve to connect income and asset strategies together.

[11] In case you're like me and did not know what "militate" quite means, here it means something like be a powerful factor for determining why income approaches should be favored.

In this section, up until this point, I have presented poverty and reaching full potential as different problems. However, I would contend that they are actually different parts of the same problem (i.e., different sides of the same coin). The problem of being poor is not only that a child does not have food, but also equally that they do not have the opportunity to reach their full potential. Deciding, which is more destructive, while it seems clear that lack of food, clothing, and shelter is, feeling as though you do not have a future can be as destructive to children reaching their potential. When we think of the problem of poverty in this way, we have become captives of the moment. Even though, for example, seeing a hunger child is shocking to behold, it can be as shocking seeing that child as an adult sitting in a prison cell with no clear future beyond those prison walls. Therefore, I suggest, it is impossible to separate these two sides of the same coin from one another and solve the problem of being poor.

In a country like America, people are drawn to its shores by the hope of not only surviving the day but the hope of finding something to live for. This requires of America something more than policies singularly focused on ending hunger. In talking about the New Deal, President Franklin Roosevelt helps us see what more is required when he says: "Liberty requires opportunity to make a living decent according to the standard of the time, a living that gives man not only enough to live by, but something to live for." Without this opportunity, he continued, "life was no longer free; liberty no longer real; men could no longer follow the pursuit of happiness." From my perspective, when Roosevelt talks about "a living decent according to the standard of the time," he is giving us a picture of what income policies are designed to do. And when he talks about having "something to live for" he is giving us a blueprint for what assets are designed to do. Assets give people a stake in the future by giving them the power to purchase a piece of their futures today. That is, assets allow families to clearly see how they will be able, for example, to pay for college, buy a home, retire comfortably. As such, they make the future tangible so that a person can touch it and experience it today. Therefore, solving poverty requires scaffolding capable of connecting income and asset strategies if we understand the problem of being poor as being more than the inability to purchase food, clothing, and shelter but also the lack of opportunity for a child to reach their full potential which resides in the future.

G. The Importance of Progressivity in CSAs Reaching their Potential as Wealth Building Tools

Acknowledging that while poor families can save, they only have small amounts of money from which to draw, speaks to why emphasizing the importance of progressivity in CSA programs is also so important for their success as a strategy for repairing the playing field. To make this clearer, when all families receive the same amount of initial deposit, for instance, poor families have less potential to save. Therefore, overtime as non-poor families outpace poor families in saving whatever reduction in wealth inequality was initially achieved will evaporate. Programs that provide all children with the same initial deposit are less likely to have as much success at reducing inequality than programs that incorporate elements of progressivity into them.

Take data from MyAlfondGrant as a case in point. The MyAlfondGrant (formerly the Harold Alfond College Challenge), the oldest statewide CSA in America, illustrates how initial deposits have the potential to play a far more important role in asset growth among low-income families than do individual contributions. MyAlfondGrant gives every child born in Maine a $500 initial deposit. Research shows that the HACC initial deposit of $500 makes up 75% of the asset value of all MyAlfondGrant participants and 37% of the balance of families who made at least one contribution of their own (O'Brien et al., 2017). Moreover, there is evidence from MyAlfondGrant that the initial grant makes up the biggest single component of poor families' wealth accumulation in their CSA. In contrast, these initial grants make up only a small portion of non-poor households' asset accumulation. This is even more the case for those with the highest family incomes.

Data from MyAlfondGrant also illuminates the outsized role that the initial deposit can play in building wealth in CSA programs and reducing, in this case, the college savings gap. For example, when the initial deposit of $500 is not considered, families with annual incomes of less than $25,000 earn about 58% less on their MyAlfondGrant CSA than families with annual incomes of $150,000 or more. However, when the initial deposit is considered, families with incomes less than $25,000 earn about 54% less from their CSA than families with annual incomes of $150,000 or more. This suggests that the initial deposit of $500 reduces the earnings gap between high- and low-income families by about 4%. This occurs even though the initial deposit is not itself progressive (i.e., both low- and high-income families receive the same $500).

Evidence from a citywide CSA program in San Francisco, CA called Kindergarten to College (K2C) provides additional evidence of the potential importance of progressivity in programs like CSAs that facilitate individual saving. Unlike MyAlfondGrant, K2C had a progressive component. They provided children who were eligible for free/reduced lunch with a $100 initial deposit and children who were not eligible received $50. Evidence from the end of K2C's first year shows that students in K2C who attended a high-poverty school had a larger average total asset value (about $373) than students who attended a low-poverty school (about $350) (Elliott, 2018). By year four—when the initial deposit made up a smaller proportion of the total asset value—students who attended high poverty schools had statistically smaller total asset values than students who attended a low-poverty school ($802 vs. $962, respectively) (Elliott, 2018). **This might suggest, to be most effective at reducing wealth inequality, progressive CSA policies at the very least must be large enough to eliminate the gap in what poor families save (can be expected to contribute) and what non-poor families save.**

Moreover, in both the case of MyAlfondGrant and K2C deposits would still be categorized as small dollar CSAs in comparison to, for example, Senator Casey's proposal discussed earlier ($500 per year from birth until 18). Also, remember the research study by Sullivan et al. (2016) discussed earlier. It modeled a progressive children's asset building intervention with an initial deposit of $7,500 for low-wealth households that incrementally declined down to $1,250 for the highest wealth households. Findings from this study indicated that such a progressive large dollar deposit would reduce the Black/White wealth gap by 23% and the Latino/White wealth gap by 28%. Senator Casey's progressive large dollar CSA proposal would more than double the initial deposit in Sullivan et al. (2016) potentially having an even much greater impact on racial wealth inequality. Further, Senator Casey's proposal which is built on the back of a CSA infrastructure would allow for multiple asset streams beyond a government transfer. From this, one might conclude that racial wealth inequality can be a thing of the past if we have the collective will to end it and we are able to come together. Particularly when we consider the potential CSAs have for giving families access to multiple streams of assets beyond the initial deposit not considered in Sullivan et al. (2016).

H. The Untapped Power of CSAs: The Potential for Multiple Streams of Assets

The idea that CSAs provide the opportunity to have multiple streams of assets is not merely theoretical. Some CSA programs have begun to tap into the power of CSAs to bring together multiple streams of assets into a child's account. One stream that some programs are beginning to explore is converting traditional scholarships into early award scholarships. For example, New York City's Kids RISE program announced in December of 2022 that 1,200 first graders from Canarise and East Flatbush will receive a $1,000 community scholarship to be placed into their Kids RISE accounts (Cox, 2022). These types of early award scholarships are different than early commitment scholarships. In the case of an early award, it is not just the promise of money, the funds are actually deposited into the accounts prior to the child reaching college age. Another example can be found in Indiana. Instead of providing funding for a traditional scholarship, a donor opted to put $1,000 in the accounts of all children in K-4 who are participating in the Community Foundation Early Award Scholarship Program (Weaver, 2020). By doing so, this donor paved the way for other donors to follow suit. Similar ideas have been proposed at the federal level as well. 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. And so, CSAs can be a tool that provides a way for government, foundations, faith-based organization, philanthropists, employers, and many others to help finance college and reduce the racial wealth gap.

I will end this section by pointing out that having this scaffolding in place provides potential charitable contributors with access to children in their community and across the country. Charitable giving does not have to be as random in reaching children as it currently is; it can be much more systematic in who it reaches through the CSA structure. Just finding out who to give to or how to contribute can be very difficult for donors leaving it up to luck whether a child is touched by charitable giving or not. CSAs provide a trusted vehicle for people to contribute to children's futures, one where they money gets directly to children, and where all children can be reached.

PART TWO

WHY STARTING YOUNG REMAINS IMPORTANT EVEN WHEN FAMILIES DO NOT START SAVING EARLY ON

As discussed earlier, saving is another way that CSAs augment families' ability to build assets. Further, starting to save for college early in a child's life increases the opportunity for asset accumulation (Clancy, Beverly, Schreiner, Huang, & Sherraden, 2022). When describing how institutions like CSAs help families save, Sherraden (1991) said that saving, "... is not a matter of making superior choices. Instead, a priori choices are made by social policy, and individuals walk into the pattern that has been established." (p.127). While CSAs augment families' capacity to save by making the act of saving easier and more appealing, it is not as though, when people are given a CSA, no action on their part is required. That is, saving in CSAs, as they are currently constructed, still require families to make decisions and act. When CSA programs experience less than expected savings outcomes early on, a question sometimes arises about whether it makes sense to start CSAs early if many families do not start saving for college until later.

A. Overcoming the Cultural Norm of Waiting to Save for College

To start, a deeper understanding of why families might not start saving early, could help us better understand why starting early is important. **I suggest a seldom discussed reason for why some families wait to save in CSA programs might be because of a cultural norm in America that suggests families don't need to begin to plan and save for college until children are older and closer to college age.** Interventions and policies that seek to reverse this norm, I suggest, are important given the potential for increased asset accumulation. There is data in national surveys that suggests this "wait to save" norm while maybe not as prevalent as it was when 529s were first introduced in 1996, it still exists in American culture over 25 years later.[12] For example, Sallie Mae and Ipsos (2020) found that 44% of families start saving when their child is age six or younger, 32% start when their child is between ages 7-12, and 16% do not start until their child is a teenager. Similarly, research by Morningstar reported in the New York Times indicates that on average 529 accounts are opened for children at age 7 (Carrns, 2019). They go on to say, however, that if the account was opened at birth, it would have accumulated about an additional 38% by the time the child turned 18 (Carrns, 2019). So, while a lot of families are starting to save earlier, more than half still wait until the child is age 7 or older, and this matters when talking about potential for asset accumulation.

For many years in America students could simply get a job and pay for their tuition. Many of us have heard older people tell these types of stories or have read them in the media. However, in prior times college was in less demand and just much cheaper. Therefore, paying for college did not require families to have to build assets over an extended period (see Scatton, 2021). Planning to pay for college was just easier. As a result, there was very little penalty for waiting, waiting just kind of worked during this era. However, as most people know now, college costs have skyrocketed as have many other things in society. But, once entrenched in a society, cultural norms take time to reverse. **Given this, it is not surprising if families do not start saving immediately in a CSA program even though most families have a general sense that college costs a lot today. The more realistic expectation for CSA programs is to begin to see the cultural norm regarding when to start saving for college to start to shift over time, not immediately. As more and more families start to save earlier because of having access to CSAs, it is likely that this norm will slowly begin to change over time.**

[12] I could not find data from 1996 or any other data that looked at how this has changed over multiple years.

There is some evidence that indicates that such a shift could happen in the case of CSA programs. For example, in the years shortly after 529s were introduced, few people used them. However, over time more and more people have started to save in these plans. Sallie Mae and Ipsos (2022) report that at the end of 2022 there were 15.81 million active 529 accounts. In comparison, the College Board (2015) reported that there were only 10.1 million in 2009. Similarly, the average amount families saved in 529s has increased over time. In 2002 families saved on average about $10,000 in 529s, by 2022 this rose to over $25,000 (Welding, 2023). This suggests over time, more families are saving in 529s plans and they are saving more money. Given this, there are grounds to suggest that providing families access to CSAs has the potential to reverse the norm of starting to plan and save for college when children are older.

B. The Possibility for Producing Asset Effects, a Reason for Starting Young

Importantly, however, asset accumulation is not the only reason for programs to start early. Research indicates that the returns of interventions earlier in a disadvantaged child's life are higher than from interventions in adolescence, and there is no trade-off between equity and efficiency in these early interventions (e.g., Cunha & Heckman, 2010; Heckman & Masterov, 2007). Because of this, there is reason to expect that CSA programs designed to start at birth or when children enter kindergarten are important even if families do not start to save until they are older. For example, as already discussed in this report, in *Assets and the Poor,* Michael Sherraden (1991) theorized that CSAs produce social and psychological effects. However, when asset researchers have talked about the ability of CSAs to create social and psychological effects, they have primarily talked about them from the perspective of CSA programs' influence on individuals and society. For instance, Kim, Sherraden, Huang, and Clancy (2015) using experimental data from SEED OK, have found that parents who were in the treatment group (received the CSA) have higher expectations for their children and that their expectations are more likely to remain constant or increase during this time than parents in the control group (did not receive CSA). These findings are important not only because research indicates that parents' educational expectations can fade over time but because fading expectations can be transmitted from the parent to the child (Sandefur, Meier, & Campbell, 2006; Singh, Bickley, Trivette, Keith, & Anderson, 1995). The significance of this will hopefully become more evident in the next section.

C. Starting Young May be Important for Producing Cycles of Thriving

It is not just the case that assets produce effects in people, they also can empower people to produce social and psychological effects of their own. In this way, assets influence people and people influence assets, creating a type of virtuous circle for getting out of poverty and staying out of poverty (e.g., Yadama & Sherraden, 1996; Elliott, Choi, Destin, & Kim, 2011). **This is similar to how some researchers have talked about cycles of poverty forming (Lewis, 1966). However, here I am describing potentially how cycles of economic thriving might develop.** In this way, CSA programs can be thought of as also providing parents with a context for helping to produce positive social and psychological effects in their children (maybe another way to think of this it helps parents fulfill their roles as socializers).[13]

An example of how CSAs can empower parents to produce social and psychological effects of their own, can be found in research that shows how CSAs programs provide a context for parents and children to communicate about going to college and how these communications are associated with children forming positive college expectations (Zheng, Elliott, & O'Brien, 2022). This is important because research shows by the time most students are freshman or sophomores in high school (around 15 or 16 years of age) they have made their decision on whether they will attend college (Hossler, Braxton, & Coopersmith, 1989). So, forming positive educational expectation early matters. The question becomes how young children can start to form these expectations. Research tells us that children as early as age four or five can understand that their future selves might have different desires than their current selves (Atance & Metzhoff, 2005). So, parental influence on children's educational expectations begins at a very young age. The potential influence of parents on children's educational expectations is also why it is relevant that CSAs can help parents form positive educational expectations and that they help these expectations persist over time. **We see here another way, by acting as scaffolding, that CSAs may produce a reinforcing cycle of thriving from one generation to the next. This is interesting because within the asset fields there has been a lot of conversation about the role of intergenerational wealth transfers, but less talk about the potential importance of intergenerational psychological transfers between parent and child, and the potential role they play in producing wealth and maintaining economic status.**

Significantly, once children have decided not to attend college, or even if they just remain undecided when they enter high school, providing them with information about college is not likely to result in them attending college (Hossler & Maple, 1993). Children forming positive educational expectations is worth paying attention to because research has consistently shown that more positive educational expectations lead to increased effort at school tasks and improved achievement (e.g., Beal & Crockett, 2010; Cook et al., 1996; Marjoribanks, 1984; Mickelson, 1990). That is, what children expect for their future selves,

[13] I acknowledge that children can also use the CSA institutional structure to influence their parents once they get to a certain age. But for the sake of time, focusing here on the parent.

from an early age, may influence how they perform in school. So, forming positive college expectations at a young age is important for whether children will ultimately go to college. Besides, this also suggests that lack of early saving in CSA programs does not mean that families are not engaging in these programs. Communicating to children about college is a form of engagement, and benefits children even if families are not saving.

C.1. *CSAs, Scaffolding for Connecting Children's Expectations to Parents Saving for College*

Building on the importance of early communications and the formation of positive expectations in both parents and children, positive educational expectations are important not only to children's educational success but to whether parents start to plan and save for college (back to the virtuous circle). Children forming positive expectations about graduating from college may also be related to parents investing more in children (Elliott & Friedline, 2013; Flint, 1997; Powell & Steele, 1995). For example, Elliott and Friedline (2013) find evidence that when high school students expect to graduate from college, they are more likely to report that their parents contribute to paying for college when they enroll than if they do not expect to graduate from college. Related, Sallie Mae and Ipsos (2020) indicate that parents with a plan to pay for college are more likely to be saving for college than those who do not have a plan (73% vs 19% respectively). Moreover, parents with a plan are also more likely to expect their child will complete college (77% vs 47%). It is also worth pointing out that they find that parents who have a plan are also more likely to report starting to save when their child is six years old or younger (48% vs 29%). **And so, again we see how CSAs can act as a scaffolding connecting what might otherwise be thought of as isolated social, psychological, educational, and economic domains to form a type of virtuous circle where each is working to augment the powers of the other, better enabling children to reach their full potential.**

C.2. *CSAs have the Potential for Mimicking Early Educational Transfers*

As discussed in Part I, a reason it is important to start CSA programs early is because once the structure is in place, community contributions can begin to flow into these accounts. So, even if families are following societal norms about when to save or are living through a recession that makes saving difficult, starting CSAs earlier allows for other sources of asset to continue to flow into these accounts. **This matters because in the case of poor children, CSAs have the potential of mimicking early educational transfers wealthy parents provide to their children.** Often, enough credit is not given to the fact that growing up with an asset appears to make a difference for children's educational and post-college economic outcomes. For instance, wealthy families spend more on their children's education and their children are more likely to graduate from college (Pfeffer, 2018). Crucially for this conversation, these early parental educational investments by wealthy parents turn into financial advantages in adulthood. Rauscher (2016) finds that

predicted household income and net worth are higher for adults who received parental financial support for college than for those receiving no such support. In this way, we can see how CSAs can provide a type of scaffolding that extends across a child's lifetime.

D. Family and Child Contributions Still Have an Important Role in Building Wealth

All of what has been said in this report does not diminish the fact that saving is still important. For instance, Hamilton (2013) suggests that merit-based aid and work-study monies might, "come with a sense of having been earned rather than bestowed" (p. 91). The same might be true of money in a CSA that is in children's own names or over which children have control. It is their money, and they are asked to participate in accumulating it (for more information on children as agents capable of saving read Assets and Education Initiative, 2013, pp. 56-58). This participation may influence how they spend it. For example, if you consider the process of obtaining a college education as an example of a consumer transaction, spending your investment on higher education also includes how you engage with the education, suggesting that empowered student consumers may differ from others in some characteristics important for determining academic success. There are many other reasons for why saving is important for families, some of which were discussed earlier in this report. However, since this is not the focus of this report, the discussion here is limited.

Instead, one of the main points of this report was simply to point out the outsized role that individual saving has come to take when people think about and discuss CSAs and what that has meant for developing other streams of assets. Further, it was to point out that individual family contributions really are a small portion of how assets can, and in the case of low-income families, should largely grow in CSA programs. This has important implications as programs and outside parties evaluate savings data from CSA programs but also for understanding how CSAs might fit into discussion about financing college and the racial wealth gap. It might also have important implications for how CSA programs should be designed and what programs might want to focus most on when thinking about how to best grow CSA accounts.

CONCLUSION

The potential for large dollar CSAs is different from other policy proposals in that while a significant federal investment in our children must be included, it helps us to realize so much more is possible. As a result of the community nature of CSAs, they have the potential for providing multiple avenues for building wealth. Some of these avenues have been discussed in this report but others have not yet even been imagined. These additional asset streams should only enhance a substantial investment by the government. Beyond the multiple asset streams into CSAs, they also have the potential to act as a doorway to other financial services also designed for building wealth.

Being able to accumulate assets matters. Research shows that wealth has a strong relationship with moving up the economic ladder (Pew Charitable Trust, 2013) allowing children to reach their full potential. However, CSAs do more than help families build wealth. They also have the potential to produce important social and psychological effects or asset effects. Asset effects have been shown to not only help improve the mental health of parents (Huang, Sherraden, & Purnell, 2014) and children (Huang, Sherraden, Kim, & Clancy, 2014), but also help improve children's educational outcomes (Elliott, 2013). And being able to attain a college degree not only improves children's chances of moving out of poverty and up the economic ladder (Haskins, 2008), it also helps them build wealth (Yellen, 2017). In this way, instead of reproducing poverty, CSAs can help put all children in a position to reach their full potential. Further, this suggests that, while important, individual contributions in CSAs play only a small role in why CSAs are a potentially powerful tool in the fight against educational and economic inequality. Because of this, I suggest there has never been a better vehicle for transferring wealth to the poor in American history than CSAs.

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