Lessons Learned from Children's Savings Account Programs: Tools to Leverage Spending to Facilitate Saving among Low-Income Families

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Key Insights

- Educators, policymakers, and advocates concerned about persistent achievement gaps, stagnant upward mobility, and college unaffordability are increasingly turning to Children's Savings Accounts (CSAs) as a policy intervention for catalyzing educational opportunity and equity.
- While state-run 529 college savings plans largely benefit middle- and upper-income families, these financial instruments can serve as platforms for CSAs in ways that help to distribute the benefits of college savings systems more equally.
- Asset accumulation in CSAs can be substantial. For example, some CSA models can help families accumulate as much as $31,483 by the time their child reaches 18, if they start to save at birth, use an investment vehicle such as a 529, and receive transfers and incentives that amplify their savings efforts (and here, we assume an initial deposit of $500, annual family savings of $600, and $300 in savings matches).
- The provision of CSAs—and the supports and features that accompany them—results in family savings rates between 8% to 30% for opt-out CSA programs and about 40% to 46% for opt-in CSA programs. While this savings reflects authentic engagement—and often, considerable family sacrifices—CSA advocates search for solutions to increase saving.
- Combining CSAs with reward card programs may be one way to improve saving outcomes and to increase wealth accumulation, particularly among low-income families whose ability to divert resources from consumption to saving is limited.

Introduction

Educators, policymakers, and advocates concerned about persistent achievement gaps, stagnant upward mobility, and college unaffordability are turning to Children's Savings Accounts (CSAs) as a policy intervention uniquely positioned to catalyze educational opportunity and greater equity for all American youth. Growing dissatisfaction with perceived erosion in returns on college degrees, pervasive economic insecurity, and the persistent sense that the American Dream is slipping away have vaulted issues attached to CSAs to the forefront of the U.S. political agenda.

Children's Savings Account programs are interventions that seek to build assets for children to use as long-term investments, particularly for postsecondary education (Sherraden, 1991). The asset-building accounts which comprise the core of a CSA program are provided through financial institutions (i.e., banks, credit unions, and state 529 plans). CSA programs, however, are more than just the accounts themselves. Distinct from mere financial products, CSAs include features that encourage saving and facilitate asset accumulation, such as initial seed deposits, financial incentives for attaining certain benchmarks, or matches for savings deposits (Elliott & Lewis, 2014). Many CSA programs also include financial education, materials and activities designed to cultivate identities aligned with postsecondary educational attainment, and other family and student engagement strategies.

CSA programs today are operating in several jurisdictions around the United States and are proposed in many more. By the end of 2016, there were 42 CSA programs serving 313,000 children in more than 30 states (Prosperity Now, 2017).[1] This proliferation of CSAs represents a promising chance to pivot from geographically-focused, sometimes underfunded, and potentially incomplete pilots to a scaled and sustainable national commitment to asset building. Making this shift from idiosyncratic, localized policies to a universal platform is not inevitable.

Transiting to a universal platform will require leadership, articulation of the measures by which CSAs should be judged, the best avenues through which to pursue delivery, and interim steps to an inclusive economic mobility agenda. A successful transition will also require finding ways to increase the relatively low savings rates common to most CSA initiatives to ensure that households realize maximal asset accumulation from these transformative financial opportunities and to preserve the ideological framing of CSAs as consistent with values across the political spectrum.

This brief draws lessons from and implications for practice and policy from four CSA research reports recently released by the Center on Assets, Education, and Inclusion (AEDI) at the University of Michigan. These reports draw on savings data from four key CSA Programs:

- Maine's Harold Alfond College Challenge (HACC),
- San Francisco's Kindergarten to College (K2C),
- Promise Indiana, and
- Prosperity Kids (operating in Albuquerque, New Mexico).

Although those four reports identify lessons and implications for each of the four projects individually, they do not attempt to look across programs to draw implications. The added value

[1] To see a map of CSA programs that provides details of each program, go to: https://prosperitynow.org/map/childrens-savings.

of this analysis is that we ask what can be learned when we examine findings from all four programs collectively.

Informed by this composite knowledge, this brief identifies key challenges facing the CSA field regarding enrollment in CSA programs and savings outcomes among participants. This brief concludes by discussing a possible solution to many of the identified problems. This solution could be a model program innovations and policy levers to improve CSA engagement and savings rates. In addition, AEDI considers how using mechanisms to strengthen CSA programs along these lines could not only improve the lives of individual children and their families, but also further advance and refine stakeholders' understanding of how and why CSAs can be an important policy for improving children's outcomes and addressing college affordability.

Overview of the Four Programs Examined in this Brief

The purpose of this policy brief is to discuss important takeaways from the research and identify potential solutions for identified challenges. Each of the four CSA programs are briefly described to provide context for understanding the operations of each program and to understand the challenges associated with drawing aggregate conclusions from this body of evidence.

Harold Alfond College Challenge (HACC)

The Harold Alfond College Challenge (HACC) started in 2008 as a pilot program in two Maine hospitals. It expanded statewide in 2009. In its opt-in iteration (from 2009-2013), HACC offered a $500 grant to every Maine resident infant for whom a NextGen account (the state's 529 college savings plan) was opened by the baby's first birthday. Enrollment involved a two-step process, including an addendum to the NextGen application. While the money for the $500 HACC grants comes from the Harold Alfond Foundation (a private family foundation) and is granted initially to the Alfond Scholarship Foundation (a 501(c)3 nonprofit) before being invested for eligible Maine babies, the state is an important partner. The state provides the delivery system of the 529 college savings plan, financing savings matches and some other incentive grants, and sharing data to facilitate program operations.

NextGen accountholders can get a 50% match on their contributions, automatically deposited for qualifying contributions, up to a maximum annual match of $300, with no lifetime limit or income threshold. In addition, NextGen accounts set up with automatic deposits are eligible for a one-time additional $100 match from Finance Authority of Maine (FAME). Accountholders who make contributions to NextGen accounts may also benefit from tax advantages associated with 529s. While HACC shifted in 2014 to award the $500 Alfond Grants to all children born as Maine residents starting with those born in 2013, the savings report to which this paper refers analyzed data only from 2009-2013, when families were required to take action to enroll.

Table 1. Harold Alfond College Challenge (Maine) Program Summary

Origin/Target Population	Account Vehicle	Incentives & Features	Funding and Administrator
Started in 2008 as a pilot with two hospitals; went statewide in 2009 From 2009-2013, HACC was provided to all families who opened a NextGen account for their child by the child's first birthday. Starting in 2014, the HACC shifted to opt-out enrollment, with the $500 initial seed now provided automatically to all children born Maine residents (including retroactively for those born 2013 and later). If parents want to save their own funds, they must open their own NextGen account, which can then be linked with the account holding the $500 initial deposit	Maine's 529 state college savings plan, NextGen, offered by Bank of America's Merrill Lynch	$500 initial deposit (the Alfond Grant) into NextGen 529 college savings plan The HACC is also complemented by the NextStep match, which, since 2015, has provided a 50% match on 529 contributions with a cap of $300 total match per calendar year (accounts with direct deposit are eligible for an additional one-time $100 match) Quarterly statements and parent materials re: college, child development, financial management (by mail and online) Payroll deductions, available through a growing number of employers Partnerships with Head Start programs and other philanthropies in four counties to expand reach, build trust, and encourage NextGen account openings and cultivation of higher aspirations	The Alfond Grant is provided by the Harold Alfond Foundation to the nonprofit Alfond Scholarship Foundation. Automatic enrollment in the Harold Alfond College Challenge is administered by the Finance Authority of Maine

Kindergarten to College (K2C)

In San Francisco, CSAs were rolled out in three phases to kindergarten students in 18 schools in 2010–11 (Phase I), 18 additional schools in 2011–12 (Phase II), and 36 additional schools in 2012–13 (Phase III). Kindergarten to College (K2C) is the nation's first universal CSA that automatically provides a dedicated account for higher education saving to every kindergarten student. It is funded by the city of San Francisco and some philanthropic partners and is administered by the city's Office of Financial Empowerment. Accounts are held at Citi Bank. The program design includes both seed deposits and savings incentives. While the design of K2C's incentives and other features changed in November 2017, for the period included in AEDI's savings analysis, all K2C CSAs were seeded with an initial $50 investment. Students who qualified for free or reduced-price lunch received an additional $50 investment (i.e., $100 total). K2C matched the first $100 in family contributions to the account. Additionally, students received a $100 Save Steady bonus if their accounts received at least $10 in deposits per month

for six consecutive months. Because the city of San Francisco is the custodian of K2C accounts, the assets do not count against families' eligibility for means-tested safety net programs and financial aid.

Table 2. Kindergarten to College (San Francisco, CA) Program Summary

Origin/Target Population	Account Vehicle	Incentives & Features	Funding and Administrator
Phased into elementary schools in San Francisco Unified School District (SFUSD), starting in 2011 All students in San Francisco Unified School District, at kindergarten	Custodial savings account at Citibank, provided automatically and universally to all kindergartners	**2011-November 2017** $50 initial deposit for all kindergartners, with additional $50 initial deposit for children eligible for free/reduced price lunch 1:1 savings match, up to $100 $100 Save Steady bonus for those saving six months consecutively **November-2017-present** $50 initial deposit $10 Save Monthly Bonus (up to $60 for any six months of saving) $10 Save Now Bonus (for new K2C savers) $20 K2C Account Registration Bonus, when families sign up to view K2C account activity through the online portal Bank deposit days/field trips Support for schools re: integratingcollege-going and financial education into classrooms	Accounts held by Office of Financial Empowerment, City of San Francisco Operated in partnership with SFUSD Public funding from the city and county of San Francisco for the initial seed Philanthropic support for outreach and incentives

Promise Indiana

Promise Indiana is a state-supported and community-driven CSA intervention designed to equip young children and their families with the financial resources, college-bound identities, community support, and savings behaviors associated with positive educational outcomes. The program started in the fall of 2013. Promise Indiana's CSAs are administered using Indiana's direct-sold state 529 plan, known as CollegeChoice. Families opening CollegeChoice 529 accounts through Promise Indiana use a shortened enrollment form to ease sign-up, usually conducted onsite at school during kindergarten enrollment. In addition to facilitated opening of a CollegeChoice account, children receive a $25 initial seed deposit and, if they contribute or raise $25, up to $100 in additional match. Promise Indiana's model also includes financial education and college-readiness activities, incorporated into the school experience beginning in kindergarten.

Table 3. Promise Indiana (Wabash County, IN) Program Summary

Origin/Target Population	Account Vehicle	Incentives & Features	Funding and Administrator
Started in September 2013 in Wabash County, Indiana Now operating in 18 Indiana communities (opt-in enrollment)	Indiana's state 529 college savings plan, CollegeChoice	Facilitated enrollment in CollegeChoice, particularly through kindergarten enrollment $25 initial seed deposit Matched savings (range from $50 to $100/year, in different implementing communities) Champion deposits from local philanthropies, employers, and private donors College and career discovery activities for all children in participating Promise Indiana schools, starting in kindergarten "Walk into my future" visits to college campuses	Some public dollars, mostly through local community economic development; Promise Indiana grants, mostly funded by philanthropies and individual donors Managed by Wabash County YMCA's Promise Indiana initiative

Prosperity Kids

New Mexico's Prosperity Kids CSA program provides incentives, financial education, and peer support to encourage participants—most of whom are relatively low-income Latino families—to save for their children's futures. The sponsoring nonprofit, Prosperity Works, leverages social networks and community partnerships in the Albuquerque, New Mexico area to recruit accountholders. Those who open Prosperity Kids CSAs receive a $100 initial deposit and up to $200 in a 1:1 match for their savings per year, over ten years. Parents may also earn benchmark deposits for completing activities associated with child development and academic achievement such as attending parent-teacher conferences or completing financial education sessions. These incentives are financed with a mix of philanthropic and public dollars as is the case in many CSA programs. Prosperity Kids accounts are custodial, held by Prosperity Works until used for postsecondary education or, when the child turns 23, for "transition to a stable adulthood," such as homeownership or entrepreneurship.

Table 4. Prosperity Kids (Albuquerque, NM) Program Summary

Origin/Target Population	Account Vehicle	Incentives & Features	Funding and Administrator
Started in summer 2014, to provide Children's Savings Accounts (ages birth-11) and Emergency Savings Accounts (for parents) to low-income, mostly Latino, mostly immigrant families in the Albuquerque, New Mexico area	Custodial savings account at local credit union	Required child development, financial education, and community leadership training (for parents) $100 seed deposit Savings matches up to $200 per year for 10 years Benchmark incentive deposits into Emergency Savings Accounts for parental accomplishment of financial education and parent engagement goals (up to $100/year for 5 years) Comprehensive financial capability intervention, including associated secured credit card and other supportive services	Operating by nonprofit Prosperity Works Funded primarily by philanthropic and for-profit donors, with some public funding from City of Albuquerque

Notable CSA initiative not Studied: SEED OK

While this report focuses on the four programs described above, they are not the only CSA initiatives making valuable contributions to the CSA field and to the evidence base regarding key outcomes from CSA programs. Of particular importance to the national policy discussion is the SEED for Oklahoma Kids (SEED OK) program. Research on SEED OK is the gold standard in the field, and any examination of CSA findings and their implications must take SEED OK evidence into account where relevant. The SEED OK intervention and evaluation are designed and led by the Center for Social Development (CSD) at Washington University in St. Louis. It is a large CSA experiment with random assignment and probability sampling from a full state population (Clancy, Beverly, Sherraden, & Huang, 2016).

The Folly of Attempting to Compare Programs

It is important to point out that while it may be tempting to make comparisons between CSA programs to attempt to judge whether one is more successful than another, this is not the objective of this paper. Indeed, such comparison cannot be done accurately with the analyses in the four individual reports discussed in this brief, given substantial differences in the contexts in which the CSA programs operate and in the designs they employ toward their objectives. For example, higher or lower percentages of contributions in one program compared to another does not suggest one program is doing better than another. There are several differences between the programs that would need to be accounted for before such comparisons could be made. These

differences include the socioeconomic characteristics of participants, the relative availability of other financial instruments, and the length of account ownership. Furthermore, the programs vary in sizes and enroll different populations with different economic and political conditions.

Differences along these dimensions may matter when it comes to generating participation and, then, contributions. For example, research finds that families in opt-in programs are more likely to be the type of families who save in the first place. Huang, Beverly, Clancy, Lassar, and Sherraden (2013) found that families participating in Maine's HACC during the opt-in period were more likely to be financially-sophisticated even if low-income, have college-educated parents, or have other attributes that may orient them to saving. If this is true in other CSAs that require parents to opt in, these types of CSAs may be more likely to include families who are better equipped to save, and thus more likely to contribute.

However, this does not mean that opt-in, rather than opt-out designs, are always better-suited to realize the potential promise of Children's Savings Account interventions. Randomized-control examination of CSAs in SEED OK, which uses an opt-out, universal design, has made valuable contributions to scholarship, practice, and policy, on this front. Huang, Sherraden, Kim, and Clancy (2014) find that CSAs facilitate the social and emotional development children need to succeed academically (Durlak et al., 2011), increase parents' educational expectations (Kim, Sherraden, Huang, and Clancy, 2015), reduce maternal depression (Huang, Sherraden & Purnell, 2014), and reduce disparity in social-emotional development between children of unmarried mothers and their peers with married mothers by almost 90% (Huang, Kim, Sherraden, & Clancy, 2017). Most of these effects are strongest among low-income participants. Additionally, and crucially, they do not appear to require active parent engagement—in the form of family contributions, for example.[2]

By examining a diverse set of CSA programs across the country, this research provides one of the first opportunities to begin to understand both the potential of CSAs and the challenges CSAs may encounter as they continue to scale. Moving forward, the CSA field needs more analysis like this. Future discussions should consider additional programs, selected to better represent both the diversity in America and the spectrum of CSA design choices. As a representation of the breadth of CSA design, San Francisco's K2C program automatically enrolls every child in kindergarten. In contrast, Prosperity Kids and Promise Indiana require families to opt in to their programs. Even among opt-in CSAs, there are distinctions regarding whether all children in a participating school are exposed to college-readiness and financial education content, as in Promise Indiana, or whether the accompanying interventions are mostly confined to those who have elected to open accounts (as in Prosperity Kids). Further, independent of the enrollment approach, programs vary in their interactions with accountholders. Some CSAs are relatively "low touch" while others include school programs and frequent contact with families and their children. To explore the effects of these different approaches, future research should examine outcomes in domains other than saving, to consider effects on children's social/emotional development, interim achievement in school, and educational expectations.

It is important to reiterate the main purpose of this brief. The main purpose is not to draw comparisons; rather the purpose is to highlight key implications for practitioners and policymakers. This piece proposes a potential solution to some of the problems CSAs—working

[2] For a review of this research, see Elliott and Harrington, 2016.

with different programs and using different programmatic leavers—now face.

Key Takeaways: Lessons and Implications for Practice and Policy

This section identifies five key takeaways from the four CSA programs discussed above. More research is needed before these takeaways can rise to the level of best practices. Nonetheless, this evidence may help to establish expectations for CSA administrators and policymakers attempting to determine CSAs' possibilities with respect to enrollment and saving in these programs as currently imagined. Most crucially, this review of the experiences of key Children's Savings Account initiatives may illuminate some of the important questions with which the field must contend on the path to truly scaled investments in early children's assets.

Automatic Enrollment is a Way to Make Financial Inclusion a Reality

While financial inclusion can be defined as access to a basic bank or savings account, Friedline (2015) suggests that a more expansive definition might include the "ability to include money in those accounts" (p.2). This more expansive definition better aligns with CSAs, where positioning children for success includes not only having access to institutions that broker opportunities, but also the capacity to take advantage of those opportunities.

In this brief, savings for college is in either a bank account (e.g., Bank of America, PNC Bank, US Bank) or a state 529 savings plan. The reader may not be familiar with 529s. Authorized in the Internal Revenue Code since 2001 and named after the section of the tax code that created them, 529 plans are tax-preferred vehicles for post-secondary education saving, administered by states, usually through contractual agreements with private financial institutions (Boshara, Clancy, Newville, & Sherraden, 2009; Clancy, Lassar, & Taake, 2010). Research shows among adolescents ages 12 to 17, 68% have savings accounts in a bank (Friedline, Elliott, & Nam, 2011). In young adulthood, between ages 17 to 23, account ownership rises to 84% (Friedline & Song, 2013). As with most things in America, inclusion is unequal. Among adolescents ages 12 to 17, only 40% of black adolescents and only 44% of adolescents from lower-income households have savings accounts (Friedline, 2014; Friedline & Elliott, 2011). With regard to 529 college saving plans, research shows that in 2013, only 0.3% of households in the bottom half of the wealth distribution had 529 accounts, compared to more than 11% of those in the top 5% of the wealth distribution (Hannon, Moore, Schmeiser, & Stefanescu, 2016). Similarly, with regard to CSA programs that require families to opt-in (i.e., families must sign-up for an account), they fail to achieve full enrollment. For example, in year one, Promise Indiana in Wabash County was able to enroll 59% of eligible students in year one, 33% in year two, 18% in year three, and 21% in year four (O'Brien, Lewis, Jung, & Elliott, 2017a).

Given this, it seems increasingly clear that the only known way to achieve full enrollment and to overcome inequities in financial inclusion is by automatically enrolling families into CSAs. This analysis concludes that automatic enrollment may be the key to ensuring that every child in America is saving for college and is in line with what other researchers have concluded (Clancy, Beverly, Sherraden, & Huang, 2016). The strongest evidence that automatic enrollment is the most effective way to assure every kid gets an account comes from the SEED OK CSA experiment. Parents in the treatment group are automatically enrolled in the state 529 plan and granted a $1,000 initial deposit, unless they take the explicit step of opting out. In SEED OK, only one household opted out, resulting in 99.9% account ownership (Clancy et al., 2016). Similarly, San Francisco's Kindergarten to College has achieved close to 100% enrollment using

its automatic enrollment approach (Elliott, Lewis, O'Brien, LiCasli, Brown, Tucker, & Sorensen, 2017). While the HACC savings report discussed here only examines data from the period when the program had an opt-in model, in 2014 the HACC began to automatically award the $500 Alfond Grant to every child born a Maine resident (O'Brien, Lewis, Jung, & Elliott, 2017b). Juxtaposing enrollment rates prior to opt-out (44%) and after (nearly 100%) provides a vivid example of the financial inclusion power of opt-out CSA models (O'Brien et al., 2017b). Given this evidence, automatic enrollment might be closest to what can be considered a best practice for the field. The potential of automatic enrollment to erase inequities in financial inclusion along lines of race and class is significant where outcomes from other financial systems diverge sharply.

More Low-Income Families Save for College When They Have Access to a CSA

Automatic enrollment does not mean automatic saving. That is, the fact that every child has an account does not mean that every child and her family save. Among families with an account, family contribution rates (defined as the family having made at least one contribution to the account) were approximately 18% in K2C, 46% in Promise Indiana, 40% in HACC, and 44% in Prosperity Kids (Elliott et al., 2017; O'Brien et al, 2017a, 2017b, 2017c). In SEED OK, 8% of the parents whose children were in the treatment group had money saved in a 529 college savings account (Clancy, Beverly, & Sherraden, 2016; Clancy, Beverly, Sherraden, & Huang, 2016). This suggests that the provision of the Children's Savings Account, the supports, and the features that accompany them result in family contribution rates between 8% to 30% for opt-out programs and about 40% to 46% for opt-in programs.

Low-Income Families

Some of the programs had income data which allow for some specific analysis of contributions of low-income families or among those in low-income schools. In the Harold Alfond College Challenge, 57% of those who opened a NextGen College Investing Plan account have household incomes less than $75,000 (O'Brien et al., 2017b). For context, remember that in 2010, close to half (47%) of families with a 529 account nationally reported annual incomes over $150,000 (College Board, 2015). Moreover, while the percentage of HACC families making contributions increases with income level, a fairly high percentage of low-income families, relative to national 529 participation, are making contributions in CSAs. Specifically, among households where a child has received the HACC, 26% of families with annual incomes less than $25,000, 38% of families with incomes $25,000 to $49,999, 51% of families with incomes $50,000 to $74,999, 68% of families with incomes $75,000 to $149,999, and 76% of families with incomes $150,000 or more had contributed least once to their account (O'Brien et al., 2017b). In the case of Promise Indiana, annual income is not available, we used the child's eligibility for free/reduced lunch as a proxy for household economic status. Promise Indiana families who qualified for free/reduced lunch (48%) were classified as "poor" and those who do not as "non-poor."[3] Using this classification system, 31% of poor families in the Promise Indiana CSA contributed at least once to the account. San Francisco's K2C does not have individual-level income data, so we used school-level data (O'Brien et al., 2017a). Children who attend schools with a high number of low-income students are classified as attending a high-poverty school, and children who attended schools with a lower number of low-

[3] Families must earn at or below 185% of the federal poverty level to be eligible for reduced-price lunch and no more than 130% of the federal poverty level to be eligible for free lunch.

income students are classified as attending a low-poverty school.[4] Findings from K2C indicate that 15% of students in high-poverty schools made at least one contribution, compared to 20% of students in low-poverty schools (Elliott et al., 2017).

What is clear from the data is that CSA programs are enrolling more low-income families than what is otherwise seen in state 529 college savings plans, even when the CSA program requires parents to opt in. These findings confirm that when low-income families are given access to rewarding savings options, more than an inconsequential percentage of them do save.

CSAs Reduce the Poor/Non-Poor College Wealth Gap

In the Harold Alfond College Challenge, families with incomes less than $25,000 have average contributions of $2,732, compared to $2,634 among families with annual incomes of $50,000 to $74,999. Even after annual incomes rise to between $75,000 and $149,999, the contribution gap is rather small ($2,732 compared to $3,767, or a gap of $1,035 over five years). It is not until families' incomes climb to $150,000 or more that the gap grows exponentially (gap of $7,101) (O'Brien, 2017b). K2C provides additional evidence that CSAs can narrow the contribution gap between privileged and disadvantaged households (Elliott et al., 2017). In the K2C analysis, after controlling for school- and community-level factors, there is no statistical difference in total contributions in years one through three between high-poverty and low-poverty schools. It is not until year four that we observe a statistical difference (a p-value of less than .05). While this underscores how small differences may accumulate over time, it appears that giving families equitable access to savings vehicles can narrow the college savings contributions gap between low-income and high-income families, at least over several years. Regarding total asset values, providing low-income families with access to CSAs in the Promise Indiana program is helping to reduce the college wealth gap. When we observe the median total account values between the poor and non-poor families ($150 vs. $200, respectively), there is not a large difference. Furthermore, the mode (most frequently occurring) total asset value is the same for both groups, at $125 (O'Brien et al., 2017a). So, except for a few extreme outliers among the non-poor, the total value of accounts is similar for the poor and non-poor.

Initial Deposits Reduce College Wealth Inequality

The HACC initial deposit of $500 makes up 75% of the asset value of all HACC participants and 37% of the balance of savers (O'Brien et al., 2017b). Moreover, there is evidence from HACC that the initial grant makes up the biggest single component of poor households' wealth accumulation in CSAs. In contrast, these initial grants are only a small part of non-poor households' asset accumulation, especially for those with the highest family incomes. This speaks to the importance of the initial deposit to potentially reduce wealth inequality. To further explore this point, this brief includes some additional analysis of HACC data. Table 5 illustrates that without considering the initial deposit of $500, families with annual incomes of less than $25,000 earn about 58% less on their HACC 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

[4] Schools with 75% or more of the students eligible for a free or reduced-price lunch during the 2014–15 school year were considered high-poverty, and schools with less than 75% of the students eligible for a free or reduced-price lunch were considered lower-poverty. These definitions are consistent with the Title I funding definitions of higher-poverty schools.

$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%, even though the initial deposit is not itself progressive (i.e., both low- and high-income families receive the same amount).

Table 5. Harold Alfond College Challenge Earnings Data for Savers Only

	Average Asset Value	Average Asset Earnings (Difference)	Average Alfond Grant Value	Average Alfond Grant Earnings	Average Earnings on Assets and Alfond Grant
< $25,000	$4646	$1912	$865	$365	$2277
$25,000 - $49,999	$3716	$1803	$880	$380	$2182
$50,000 - $74,999	$4896	$2262	$885	$385	$2647
$75,000 - $149,999	$6458	$2691	$886	$386	$3077
$150,000	$14412	$4579	$882	$382	$4962

Note. 1,324 missing income data; N = 5896

Progressivity May Further Reduce Wealth Inequality

Evidence from the end of year one indicates that students in the K2C CSA program who attend high-poverty schools have a larger average total asset value (about $373) than students in low-poverty schools (about $350); this difference is not statistically significant after controlling for school- and community-level factors (Elliott et al., 2017). By year four—when the initial deposit makes up a smaller proportion of the total asset value—students attending high-poverty schools have a statistically smaller total asset value than students attending low-poverty schools ($802 vs. $962, respectively). Higher average total asset values for students in high-poverty schools in year one of K2C might reflect the fact that K2C students in high-poverty schools were more likely to receive a larger initial deposit than high-income students ($100 vs. $50, respectively, based on eligibility for free/reduced lunch).[5] This may again speak to the significance of the initial deposit but also the importance of the principle of progressivity in effectively tackling inequality. Nonetheless, given that K2C's initial deposit is small ($50 to $100), as is the total asset difference between low- and high-income students in years one through three, gains from the initial deposit may dissipate over time, allowing the higher contribution values of high-income families to overtake those of their low-income counterparts.

Research done by the Institute on Assets and Social Policy supports the importance of initial deposits and progressivity. They find that a universal, progressive children's asset-building intervention with an initial deposit of $7,500 for low-wealth households and incremental declines 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). In the effort to improve children's outcomes, tackling existing wealth inequality in the United States (e.g., Oliver & Shapiro, 2006) must be an imperative of Children's Savings

[5] The incentive structure in San Francisco's K2C CSA program changed in November 2017; the incentives described here were those in effect during the period of analysis.

Account programming and policy. This analysis underscores how seemingly minor gaps can create and exacerbate wealth inequality, which has roots not only in astronomical inheritances but also in smaller sums that can make a huge difference when put into an investment account at an early age.

Investment Accounts Make Capitalists out of the Poor

We posit that some poor people, given their financial circumstances, come to see saving more as storing money they earn from work for future use, rather than see it as an investment. For example, Xiao and Anderson (1997) find that low-income consumers are more likely to report saving for daily expenses (survival needs), middle-income consumers are more likely to report saving for emergencies (security needs), and high-income consumers are more likely to report saving for growth. From this "hierarchy of needs" perspective of saving, it might not matter if money is stored in a bank or under poor families' beds, so long as it is there when they need it. Higher-income families may have a different understanding of what it means to save. For higher-income families, saving may be a way to earn additional or "new" money above and beyond what they earn from wages (e.g., Xiao and Anderson, 1997). A part of what CSAs are meant to do is to provide low-income families access to an institution that provides them with the opportunity to build assets (i.e., growth) which in turn has the potential to reduce wealth inequality. The evidence from the studies examined here would suggest that investment accounts like 529s are best equipped to create growth and reduce wealth inequality.

Examining programs that use a 529 and programs that use a bank account can help us better understand the importance of investment accounts for building wealth in CSAs. While there is evidence in the studies examined in this brief to justify making a preference for growth investment vehicles a "takeaway," making comparisons is difficult to do given the differences in the data and the differences between the programs. However, while the evidence from the current studies is a bit muddled on this point, there is other evidence that can be used to illustrate the potential importance of investment returns more clearly. Tellingly, the Federal Reserve Bank of Boston used historical data from 1997 through 2014 to calculate potential CSA balances over the course of 18 years (Elliott, Lewis, Poore, & Clarke, 2015). The assumptions used in the model were based on the Harold Alfond College Challenge (investment in a 529 college savings plan, an initial deposit of $500, annual family savings of $600, and $300 in savings matches).[6] They found potential asset accumulation of approximately $24,677 to $31,483, depending on the type of investment the family might choose (10 Year Treasury Note or S&P 500 Index, respectively) (Elliott, Lewis, Poore, & Clarke, 2015). More importantly, they ran the model using the same assumptions and program features, but with the money placed in a savings account instead (interest based on a 90-day CD). The model indicated potential asset accumulation of $18,282. In either case, CSAs have the potential to provide substantial assets for college. According to the College Board (2016), the average annual cost of college is $10,000 at a four-year public college (tuition and fees) and $3,520 at a public two-year college. Therefore, if the goal is to pay full tuition and fees, students would have enough for two or three years at a public four-year college depending on the type of CSA program.[7] This is not inconsequential, especially given the

[6] Of course, a challenge for CSA programs is helping families—particularly low-income families—reach the $600 annual savings mark. This mark can be even more difficult when families have more than one child, which many do.

[7]Unmet need in 2015 was estimated to be $8,000 per year for those in the bottom quartile (Pell

corrosive effects of student debt dependence on young adults' financial well-being, as noted in other research (e.g., Elliott, Rauscher, & Nam, 2018). However, it must be noted that wealth accumulation appears greater in the investment vehicle.

It should be emphasized that this does not mean that CSA programs that choose to use banks to administer their programs have made a "bad" decision. There are currently many reasons why they might do so. For example, bank-administered CSAs allow for automatic enrollment without the need for any paperwork or Social Security Number disclosure (Elliott, Lewis, Poore, & Clarke, 2015). Additionally, financial institutions may be providing funding for CSA initiatives (Loya, Yeoman, & Antolin, 2018), and these relationships may influence programs' selection of account platforms. With CSAs using both account platforms, families come away with a sizable amount to help pay for college. The debate here is less about banks *or* 529s than about the larger questions, such as: what can be learned from CSA programs and from financial models regarding the potential of an investment account to produce greater returns for families?

CSAs can also Help Grow Wealth Inequality

While there is evidence that investment accounts build more assets than bank accounts they also can increase inequality. Not all state 529 college savings plans perform equally; as a result, CSAs using these platforms can create a type of geographic inequality where people living in some locations benefit more than others simply because of the kinds of 529 account they have available. There is some indication among the CSA programs examined in this study that there are generally differences, for example, in how HACC's NextGen 529 plan and Promise Indiana's CollegeChoice 529 plan perform. Among savers, the average total earnings for Promise Indiana accounts open between 36 to 48 months is $45; in contrast, average total earnings for HACC accounts open between 48 to 60 months is $2,016. Because the account tenure and initial deposits do not match, it is difficult to compare these returns. However, because the earnings difference is so large (approximately $1,971), the one-year tenure difference cannot explain the magnitude of this difference. Plan performance may help explain at least some of this difference. Publically-available data show that HACC's NextGen 529 plan has historically outperformed Promise Indiana's CollegeChoice 529.[8] Therefore, if someone joins a CSA in one location and the account platform on which it is built does not perform as well as others, they will earn less from their investment.

Of course, differences in 529 performances may also be compounded by differences in the availability and generosity of particular CSA features (initial deposit, match, incentives). Take the case of differences in initial deposit. For illustration, the asset value (total account value + earnings) for Promise Indiana is $685. Out of the $685, $147 comes from initial deposit and match (O'Brien et al., 2017a). In contrast, in HACC, $787 (initial deposit + earnings on the $500 initial deposit) of the total asset value ($2,303) comes from initial deposit and earnings from the initial deposit itself (O'Brien et al., 2017b). Thus, differences in the amount of initial deposit programs are able to provide can lead to significant wealth inequality. Where one lives and what opportunities one has often determines who is better positioned in the end. This may speak to the

Institute for the Study of Opportunity in Higher Education, 2015).

[8] You can find out information about each plan's performance at https://www.collegechoicedirect.com/indtpl/fund/pricePerformance.cs and http://www.nextgenforme.com/wp-content/uploads/2017/04/DIRECT-Performance.pdf

need for a national CSA policy.

In addition to program features, higher-income families may earn more in their CSAs than lower-income families. Among the CSA programs studied here, HACC most easily illustrated this, although this dynamic is not unique to Maine's CSA. HACC shows that the earnings in higher-income families are far greater than those of the lowest-income families, although both earn. This is simply a function of financial institutions in a capitalist market; financial institutions reward those who can put the most money into their account. Therefore, progressive initial deposits may be imperative for reducing inequality. Today, for the most part, initial deposits, incentives, and matches in CSA programs are not progressive (or not progressive enough), although higher-income families earn more and are able to save more in their account.

In this way, CSAs may increase inequality even while building assets among low-income families. This outcome is the same, however, regardless of the financial product used and it is a feature of most financial systems in capitalist economies. Even features such as savings matches, which were built into CSAs to benefit low-income families, do not reward low-income and high-income families equally; high-income families are more likely to be able to contribute amounts large enough to receive the full match as offered. Some might contend that this is "fair," as long as everyone starts off at the same point. Some may argue that differences exist because one person "sacrifices" more to save than another person does. However, this is not the case. While progressivity does not require absolute equality of outcomes, some equalization is a perquisite for providing equal opportunity in a capitalist society characterized by gross inequality. To make CSAs appear more politically palpable by making them look less like a wealth transfer, the need for progressivity is rarely discussed seriously in the context of CSAs. Despite this, the evidence suggests that progressivity is at least worth discussing, if CSAs are to be maximally-potent as tools to reduce wealth inequality.

Potential Policy Response to Existing CSA Challenges

What is evident from the research discussed above is that while families are saving in CSAs, limits exist regarding how far CSAs can go currently in facilitating savings currently. There seems to be a de facto "cap" on the proportion of families that save in these programs and how often they save. One way the CSA field has attempted to address this problem is by focusing research on the effects of owning an account or the potential for small-dollar effects (e.g., Elliott, 2013). However, while there is considerable evidence that owning an account matters in and of itself, indicators seem to be emerging that different effects may occur at different levels of engagement with the CSAs.[9] If that is the case, while certain effects or certain potency of those effects may occur simply when a child owns an account, different effects or stronger effects may occur if the CSA accountholder *also contributes*. That is, just by owning a CSA account, families and children experience important effects, but different or stronger effects occur when they also are able to contribute financially to the account. This does not diminish the importance of just owning a CSA account, but at the same time, it suggests intervention to catalyze contributions may also be required to realize the potential of CSA.

[9] For a review of this research, see Elliott & Harrington, 2016.

Evidence of Effects by Level of Engagement

When comparing two groups of low-income students (no contributions/at least one contribution) in the Promise Indiana CSA, Elliott, Kite, O'Brien, Lewis, & Palmer (2018) find that students who own a CSA and have contributed to the account possess higher math and reading scores than those who own an account but no contribution. However, just owning an account is not statistically significant when compared to students without an account. Analysis by Elliott, Lewis, O'Brien, LiCalsi, Rickles, Brown, and Sorensen (2018) find similar results when examining the K2C CSA program. While they find no statistical evidence of differences in absences and expected math and reading performance when comparing children with a CSA to children without a CSA, when they compare students with CSAs according to whether their accounts have had a contribution, they do. In addition, it might also be suggested that stronger effects yet might occur if the CSA accountholder also has more money in the account. Elliott, Kite, et al. (2018) find some evidence that may support this proposition. They find that for every additional $100 contributed to a Promise Indiana CSA, reading scores increased by 2.08 units and math scores by 2.02 units. This evidence should not be taken as conclusive. However, it does highlight the possibility that engagement with the accounts may vary the effects of CSAs.

These findings provide some early evidence that, while giving everyone an account is important, finding ways to facilitate families' contributions may also be crucial. Importantly, these kinds of effects might not even be the result of contributing, per se, but about what contributing signals to the child. For example, making contributions to the account might signal to a child that 'people like me save and go to college', which may strengthen the child's sense that college-going is congruent with her identities. Congruence has been shown to be an important component of whether children act on an identity or not (e.g., Oyserman & Destin, 2010). Parents' contributions may also be ways to convey expectations of future college attendance, and other research has found that parental expectations are associated with children's educational outcomes (Davis-Kean, 2005; Englund, Luckner, Whaley, & Egeland, 2004; Zhang, Haddad, Torres, & Chen, 2011). More research is needed to understand differences in CSA effects by level of engagement.

There are other reasons why CSA programs might value contributions. Another important reason is the goal of building assets in the accounts to reduce wealth inequality. This seems of interest in the case of small-dollar accounts. Finding ways to increase saving is paramount if CSAs are to be a meaningful source of asset building as many CSAs open with only $25 or $50 deposits. Additionally, while understanding of the ways in which *how* one pays for college matters for *how well* one does is still incomplete. It may be the case that feeling as though you have contributed to your own future makes a difference for the postsecondary outcomes that are the longer-term objective of many CSAs. For instance, Hamilton (2013) states 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 hold true of money in a CSA that is in a child's own name or in an account over which the child has some control. The fact that it is *their* money and they are asked to participate in accumulating it may influence how they spend it. In contrast, Hamilton (2013) finds that parental investments to pay college costs reduced GPA in college but were positively associated with college completion. If one considers the process of obtaining a college education as an example of a consumer transaction, "spending" one's investment on higher education also includes how one engages with the education, suggesting that empowered "student consumers" may differ from others in some characteristics important for determining academic success.

Finally, an even simpler reason may exist, but it may be as important as any of the others: American values demand that people contribute. There is a steadfast belief in America that effort and ability should determine outcomes. While the American public recognizes that low-income families need help and are willing to provide that help (Schieber & Sussman, 2015), people still want to see everyone contributing. This same belief is held by many low-income families themselves (Rank, 1994). People who subscribe to the American Dream also demand it of themselves (Rank, 1994). That is, they too want to tell the story of contributing to their own success. Additionally, American political realities demand that a contribution be made by individuals to receive societal help. Thus, there are a variety of reasons why finding ways to help people save, despite the possibility of positive effects from CSAs even without saving, may be important for strengthening the CSA intervention.

How CSA Programs Are Attempting to Solve the Savings Problem

Within this framing, the question becomes: How should Children's Savings Account interventions increase contributions? Given that CSAs are built on institutional theory (Sherraden, 1991), it may seem that an institutional approach would best align with CSAs' articulation as an intervention. Institutional theorists posit that saving is a function of institutions, not individual behavior. For example, Sherraden (1991) observes that a higher-income family "participates in retirement pension systems . . . not [as] 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). However, evidence presented in this brief suggests that providing families with a CSA account is not enough to get saving rates up much beyond 46%, even when people self-select into the program. Modest saving participation is in part because CSA designs do not completely adhere to the principle of institutional theory regarding the act of saving. Even in CSAs where *enrollment* occurs automatically, *saving* does not. Instead, CSAs have sought to use other program features to solve the problem of limited saving engagement. These levers include matches and incentives, found in some CSA evaluation to encourage the development of a savings habit in participants (e.g., Mason et al., 2009).[10] Saving in CSA programs is typically thought of as a function of behavior, not institutions as a result.

Nonetheless, behavioral approaches cannot fully overcome the fact that American families often have little—if any—money to save after they pay for basic needs such as food, clothing, and shelter, especially if they are low-income (Pew Charitable Trusts, 2015c). Society asks higher-income families to save from what they have left over after they pay basic needs. While they only save a small percentage of that, it may still end up being enough because they have so much left over. For these higher-income families, saving does not prohibit them from doing everyday things like eating out or even bigger things such as taking a vacation or buying a larger home. In contrast, the poor are expected to save, but without any foundation of financial security from which to do so. The reality of this harsh accounting has led some researchers, policymakers, and educators to reject the idea of diverting money from income-based programs, such as cash assistance or need-based financial aid, to CSAs (Bernstein, 2005). From this perspective, it is borderline immoral to ask the poor to save. Until now, the response of the CSA field to such criticisms has largely been (1) to say that people must build assets if they are ever going to be able to rise out of poverty and (2) to turn to behavioral levers or more intensive supports, to try to

[10] This does not mean that matches and incentives do not serve other purposes as well, such as helping families build wealth.

overcome the savings obstacles families face. There has been no good answer to the fundamental moral problem that the poor have little money to save and therefore are essentially being asked to neglect basic needs to invest in their children's educational assets. Despite the steep cost of college saving many low-income families do save to their great credit.

This analysis is not meant to overvalue the role of money or income in people's ability to save. Institutional theory teaches us that providing families with money alone will not lead to more saving. In order for saving to happen, people need access to institutions. Nonetheless, low-income families and many others need money if they are going to be able to save on a regular basis. In the next section, a policy solution will be discussed that has the potential to provide families with money to save for college in a way that aligns with an institutional theory of saving.

Rewards Card Programs May Provide a Way to Institutionalize the Act of Saving

This brief suggests that reward cards can be adapted to address many of the existing challenges CSA programs face in increasing contributions. These cards represent an approach to increasing contributions that aligns with CSAs' core institutional principles and respects the concern that low-income families have a difficult time finding enough money to pay for their basic needs, let alone to save for their children's future college educations. The rewards card intervention transforms spending into saving. By doing so, what has traditionally been seen as a negative—the natural tendency of people to value spending over saving (Fisher, 1930)—becomes a positive regarding people's ability to save in CSA programs.

The Rewards Card Model

Community Link Foundation (CLF) is a private foundation located in Ann Arbor, Michigan that provides reward cards that may work well in conjunction with CSA programs. CLF launched the Ferdinand Promise Fund as an innovative charitable financing system that is—at least conceptually—sustainable. CLF would provide families in participating CSA programs the opportunity to sign up for an innovative rewards card that would allow them to save each time they make a purchase at a participating vendor's store (in person or online). In the existing CLF model, retailers choose to offer a percentage of their sales from CLF loyalty card users to CSA programs, on the expectation of increasing sales volume when CLF users shop at their store instead of a competitor's. For example, CLF has a contract with Kroger grocery stores, the biggest supermarket chain in the United States by revenue (Stores Media, 2013). Kroger's has agreed to provide up to a 4% discount on any purchase made with the CLF card.[11] Because the product is being discounted, using the rewards card adds no additional cost for the consumer. At the same time, the transaction is generating rewards that can be directed to an external beneficiary—such as a family's Children's Savings Account. The maximum rewards are $150

[11] The reward is on a sliding scale from 1% to 4%. It rises depending on the amount of money spent at the store in the program. That is, it is not based on what an individual household spends, but on the amount the overall program spends. So, in this example, if there are $200 in eligible purchases per month by the program, each individual household will receive a 1% rebate on eligible purchases; $200.01 to $350 will bring a 2% rebate; $350.01 to$500 means a 3% rebate, and over $500 will generate a 4% rebate. The consumer pays the full price and the rebate goes into their account.

per quarter or $600 annually, per household.[12] Additionally, households are also eligible for a rounding up option at the point of sale. This can potentially add an additional $300 per household per year. And while CLF offers their own Ferdinand Fund Education Savings Account through a state 529, CSA programs could continue to use their own existing bank or 529 plan while utilizing the rewards card system. The rebate is automatically deposited into the individual's CSA at the end of each quarter. Each time a CSA participant buys something with the rewards card, she receives a progress reminder, similar to a real-time statement. The frequent purchasing process provides a powerful feedback loop to reinforce saving. Furthermore, this could support the development of a college-saver identity by signaling that college—which is far off—is close and requires action now (Elliott, 2013).

How Does CLF Get the Money to Run these Programs?

While there are no upfront fees to the CSA program or individuals, CLF receives 15% of the 4% discount for administering the program. Again, because the 15% is coming out of the discount, it does not cost the consumer or the CSA program anything.

Summary of Rewards Card Features:

- No upfront management fees or financial commitment to initiate participation
- The maximum rewards are $150 per quarter or $600 yearly per household in the current model
- Rounding up option at point of sale adds an additional average of $300 per household per year
- Family can keep existing 529
- Flexibility to shift reward card to another family member
- Each household can have more than one card from different vendors for the same account; households can merge reward card accounts into one account

The rewards card is designed to build savings without depending on any changes of behavior. Given this, CLF's approach of transforming spending into saving aligns better with the institutional roots of CSAs than with the behavioral interventions woven into many of the existing CSA programs. Furthermore, reward cards provide a good answer to the moral dilemma of asking poor families to lower their standard of living even further to save for their children's education.

Community Spending can be Leveraged in Order to Help Fund CSAs and Target the Most Vulnerable: The Case of Children in the Foster Care System

In addition to helping solve the problem of increasing contributions in a way that aligns with institutional theory and alleviates the dilemma of asking poor people to save out of money they need to survive, CLF can be used to provide a dependable, long-term revenue source to CSA programs. In this way, consumer reward cards can help CSA programs enhance their operations and, crucially, improve outcomes for the most disadvantaged households. CLF does this by

[12] Of note, because this amount matches the amount of savings assumed in the Federal Reserve Bank of Boston's model discussed earlier, that model provides some indication of how much could be potentially earned if families were able to save this amount for each child.

supporting the development of new partnerships for giving between individual consumers, government institutions, merchants, nonprofits, and financial institutions (such as bank or 529s).

Vulnerable Children: The Case of Children in Foster Care

At any given point in 2015, there were approximately 428,000 children in foster care in the United States (Child Welfare Information Gateway, 2017). Almost 22,000 young people aged out of foster care in 2015 without being reunited with a parent or being placed with a family member or other guardian (Child Welfare Information Gateway, 2017). While these are not the only children who will face steep odds in their effort to attain postsecondary education and transition successfully to adulthood, evidence suggests that they will face unique and daunting odds. These realities warrant additional, targeted intervention. While many CSAs have developed ways to encourage children to save from the limited funds they control, few have developed good approaches for meeting the unique needs of children in foster care or with incarcerated parents. Here, again, however, a general fund created through the use of reward cards by companies or cities can augment CSA programs' budget and improve CSAs' ability to meet the needs of these special populations. An example of how CLF reward cards can be used to set up a general fund can be found in Long Beach, CA. In this case, the City of Long Beach negotiated rebates with its vendors so that every time the city makes a purchase using its p-card, a 1.51% rebate goes into a general fund for establishing CSAs. This fund is estimated to gross up to $15,000,000 annually.

Such tools can provide the necessary resources needed to build CSAs in ways targeted to those in need such as foster care children, but also on the principle of progressivity. As emphasized earlier in this paper, progressivity is mandatory for meaningfully addressing the issue of wealth inequality through a CSA program. Today many CSAs are consumed with securing enough funding to operate and are, therefore, unable to provide the size of initial deposits or generosity of incentives they would need to substantially reduce wealth inequality.

Additional Limitations/Challenges

Like every intervention, reward cards have limitations. Even though each household can have multiple cards, rewards earned cannot exceed $600 annually per household in the current model. This means that families with more than one child end up benefiting less from this tool than families who have only one child. This disparity builds in inequality. One way to help overcome this is by directing some of the general funds to families with multiple children, perhaps in the form of another type of match. For every dollar the family earns from spending, a match could be drawn from the general fund and put into each additional child's account.

Other challenges will emerge as reward card programs are taken to scale. For example, what happens if every vendor in a city joins the program? What would that do to the profit incentive of vendors? While this does not seem like a problem CSA programs would confront any time soon, it is possible, especially if scaling occurs quickly. It is also possible that the market will help correct this problem. That is, if this ever becomes the case, it is likely that consumers will gravitate toward those vendors with the best goods. And while some vendors would drop out of a rewards program they see as insufficiently lucrative, others will have incentive to continue. Furthermore, it is possible that people would have come to see this rebate as an expected reward, leading to resistance if it was threatened, as was seen in the case of President Obama's proposed cuts to tax benefits for 529 plans. This political pressure could create an additional incentive for

businesses to maintain their investments in families' college savings plan. However, as this is speculative, additional changes may be needed in the future, particularly as the reality of college financing continues to shift under families' feet.

Conclusion

This brief examined implications of recent findings regarding family contributions and asset accumulation in prominent Children's Savings Account programs. To complement families' savings efforts, increase modest deposits, and fuel greater wealth creation, this brief recommends a policy solution that institutionalizes saving and allows for progressive CSA funding. Research discussed here underscores the ability of CSAs to increase college savings, particularly among low-income families. Research simultaneously highlights the need for further advancements in this area. Combining CSAs with reward cards like those developed by the Community Link Foundation may be one way to enhance CSAs' capacity to improve saving outcomes and increase wealth accumulation among low-income families.

While CLF rewards cards appear to hold potential for solving some of the most important challenges facing CSAs today, they are untested. The Center on Assets, Education, and Inclusion (AEDI) is working with CLF and CSA programs—including some examined in this brief—to design a randomized control trial to test these ideas. Potential research questions are:

- Do families in CSAs save more when enrolled in a CLF rewards program than if they were not?
- Do families in CSAs save more frequently when enrolled in a CLF rewards program than if they were not?
- Do CLF rewards programs close gaps in family contributions and asset accumulation, between high- and low-income households?
- Do children whose family contributions and asset accumulation are increased with CLF reward programs evidence stronger effects of CSAs on outcomes such as social/emotional development, educational expectations, and early school achievement, compared to children with CSAs but without CLF-fueled family contributions?

Adoption of rewards cards does not mean that the CSA field should not continue to seek federal dollars for establishing a meaningful, progressive initial deposit. In contrast to the widespread acknowledgment of the saving problems facing the CSA field, there is little discussion of progressivity problems within existing CSA models. However, progressivity may be crucial for efforts to restore the American Dream that all children should have an equitable opportunity to achieve, based on their own merits and efforts. For CSAs to rise to their full potential as a tool for battling the growing wealth inequality in the United States, they must incorporate progressive measures into their designs, which will require additional funds. CLF reward cards' ability to establish a general fund may be one way to help do this. There are several other ways to help do this as well. For example, some have suggested repurposing the Pell Grant so that a portion of it is placed into a CSA early on in a child's life (Millett, 2017). However, there is no reason to rule out allocating new money to fund such a program.

Furthermore, the adoption of rewards cards does not rule out the need to find other ways of providing low-income families with additional income from which to save, through programs like a Child Trust Fund or an increase in the Earned Income Tax Credit (EITC). However, if

these funds are not designed for asset building, providing income beyond what families need for basic needs, presents the same moral dilemma described earlier. That is, development policy for the poor often ends up asking them to take money designed to facilitate upward mobility to instead meet their basic needs, even while higher-income families benefit from policy structures that encourage their wealth-building. In a society based on the ideal of equality for all, this is a bad model. America cannot say it has anything like an equitable opportunity pipeline if climbing the proverbial ladder requires poor Americans to forgo basic needs while other more affluent families do not have to make such sacrifices to climb, or, indeed, to stay at the top.

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