Quarterly Newsletter **January 2018**

This is a quarterly newsletter produced by the Center on Assets, Education, and Inclusion (AEDI) at the University of Michigan School of Social Work.

New Research on Saving in CSAs

In August 2017, AEDI released new research assessing family contributions and asset accumulation within the CSA programs with which the Center has ongoing research partnerships: Maine's Harold Alfond College Challenge, New Mexico's Prosperity Kids, San Francisco's Kindergarten-to-College, and Promise Indiana. Reports and briefs detailing these findings are available on AEDI's website at the University of Michigan. AEDI shared these reports in a webinar, available for viewing.

In a new report, based on the savings data from the four CSA programs identified above, Dr. Elliott synthesizes key takeaways for the CSA field and identifies some potential approaches to facilitate stronger savings engagement and greater asset accumulation in CSAs.

One key insight from the report is that current CSA models and the supports and features that accompany them seem to have reached a ceiling, of sorts, regarding how many families save in these programs. Based on the programs examined in this report, family savings rates range from between 8% to 30% for opt-out CSA programs and about 40% to 46% for opt-in programs. Additional insights include the importance of automatic enrollment, the effect of facilitated savings instruments on increasing families' saving efforts, and the power of initial deposits and progressive features to help close wealth gaps.

At the same time, Dr. Elliott concludes that CSAs as currently constructed are unlikely to erase wealth disparities and, indeed, may even contribute to them, to the extent to which more privileged families tend to save more and to earn more from their savings, than low-income families. As a tool to confront this contradiction, this new report proposes incorporating consumer rewards cards into CSA designs, as described on page 3 of this newsletter.

CSAs in AEDI's Backyard: Report from the Michigan Consortium

On Friday, November 3, 2017, the Michigan Children's Saving Account (CSA) Consortium hosted its first statewide partner meeting. Organizations from across the state of Michigan representing community foundations, nonprofits and local governments met to discuss the future growth and development of Children's Saving Account (CSA) programs in Michigan. CSAs are long-term savings or investment accounts that help families save for their child(ren)'s future. The primary purpose of these accounts is to save for post-secondary educational expenses, such as college tuition, trade school, technology and books. In addition, some programs allow for small business development, homeownership and other asset building purchases.

Led by the Community Economic Development Association of Michigan (CEDAM), Barry Community Foundation and City of Lansing – Office of Financial Empowerment, the role of this consortium is to advance the field of CSAs in Michigan. At our first meeting the Consortium discussed how they can bring CSAs to their local communities, tackle asset building policy issues in Michigan and ways to support their local CSA efforts.

When asked why organizations were inspired to launch a CSA program, representatives cited CSAs' potential as a tool to end generational poverty, give low-income families hope for their child's future, combat the student loan crisis and create communities that care.

The Michigan CSA Consortium plans to host its next meeting in mid-February. Interested organizations can contact Brian Rakovitis at rakovitis@cedam.info or call CEDAM's office at 517.485.3588.

New Research Investigating Math/Reading Outcomes for Accountholders in SF's K2C

In collaboration with the American Institute for Research, AEDI analyzed the effects of San Francisco's K2C CSA on students' absences and standardized math and reading scores. While the study found no statistically-significant differences in absences for children with K2C accounts and those who just missed the cutoff for enrollment, students with 'active' CSA accounts (defined as having received at least one family contribution) were more likely to meet or exceed the third-grade math and reading expectations than similar students with passive accounts. This was particularly true for English/Language Arts, where the average student with an active account was 53% more likely to meet expectations than the average student in the 'passive' group. This research provides some preliminary evidence, directly from a CSA program, that children's asset interventions may complement schools' academic objectives, and that encouraging family contributions may help to support stronger student achievement. Further, this study provides some additional evidence that there may be 'levels' of CSA effects, which vary by family interaction with children's accounts. To further probe these dynamics, more research is needed over an extended period.

New Article in *The Conversation*

Dr. Elliott recently authored a piece in *The Conversation* titled, Why Children's Savings Accounts Should Be America's Next Wealth Transfer Program. This publication promises "academic rigor, journalistic flair" and provides researchers with a platform to present their analysis for popular consumption. Dr. Elliott's essay traces development and expansion of CSAs around the country but centers on the introduction of the policy proposal highlighted in the forthcoming book *Making Education Work for the Poor*, which essentially calls for CSAs with a more robust wealth transfer. Here, such accounts are positioned within the context of the nation's history of facilitating wealth accumulation as a gateway to opportunity, particularly the GI Bill and the Homestead Act. It outlines research on the potential of early children's assets to address educational outcomes and close the racial wealth gap. Winning a wealth transfer will, however, require more than even the most convincing evidence. It will demand the creation of a political constituency that insists on more equitable distribution of wealth and the power it confers. AEDI is eager for any chance to share our analysis and insights with different audiences, and in different formats. We welcome the conversation.

Asset Building in the Foster Care System: New Project with Casey Foundations

Children's asset interventions, including CSAs, show tremendous promise to improve children's outcomes—strengthening social and emotional development, supporting stronger academic achievement, and facilitating progress toward enrollment and completion in postsecondary education.

Recent CSA research has even highlighted how early children's assets may close gaps in child well-being related to poverty and differences in family status. However, given that many of these positive effects are understood to be catalyzed through the mechanism of parents' educational expectations for their children, there are open questions regarding whether and how CSAs can have a substantial impact on the trajectory of some of the nation's most vulnerable young people: children involved in the child welfare system.

With an ultimate objective of policy changes at the state and federal levels, a new AEDI project collaborates with key stakeholders within Casey Foundation family to explore these questions. Interim deliverables will include consultation to inform ongoing evolution of Casey's Opportunity Passport asset-building program for youth transitioning from foster care and publication of a white paper examining the intersections of CSA research and policy innovation in child welfare.

If CSAs are to realize their full potential as equalizing agents creating pipelines of opportunity for all children, policy must address the unique challenges facing children in child welfare. With the support of the Casey Foundations, this project aims to outline such a vision.

Community Link Rewards Cards: Leveraging Spending to Fuel Families' Saving

Research in Children's Savings Account programs has confirmed what earlier asset-building initiatives had postulated: that families can and will save for their futures. Within the past year alone, AEDI has produced reports documenting families' savings efforts and outcomes in CSAs such as Promise Indiana, San Francisco's Kindergarten-to-College, and Maine's Harold Alfond College Challenge. These accomplishments are meaningful, and the sacrifices they often reflect are laudable. At the same time, this same research has also underscored the real limits to families' saving, as a source of asset accumulation and a viable college affordability strategy. Low-income families, in particular, have serious constraints on their saving, such that efforts to encourage families to save more can be criticized as potentially compromising families' ability to meet their basic needs. This has posed a crucial quandary for CSA advocates, policymakers, and the researchers who seek to inform them: if saving in CSAs needs to increase so that account balances grow and so that CSAs are framed as policy investments that require families to make substantive contributions, how are CSA programs to catalyze that kind of saving without expecting parents to forego necessities on which their children depend?

While this dilemma likely has multiple resolutions, including the establishment of basic income/child allowance policies of the sort that many Canadian families use to finance their own education saving, one recent innovation AEDI believes holds great promise is the consumer rewards card, such as that pioneered by the Community Link Foundation (CLF). CLF is a nonprofit organization that has developed a rewards card that can be used by families to save each time they make a purchase from a participating vendor. 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. For example, CLF has a contract with Kroger grocery stores, which has agreed to provide up to a 4% discount on any purchase made with the CLF card. At the same time, the transaction generates up to $600 in annual rewards per household that can be directed to an external beneficiary—such as a CSA. Additionally, households can elect a round up option at the point of sale, which could potentially add an additional $300 per household per year. While CLF offers their own Ferdinand Fund Education Savings Account, CSA programs can continue to use their own existing account platform. Although the rebate is automatically deposited into the individual's CSA at the end of each quarter, CSA participants receive a progress reminder—similar to a real-time statement—every time they buy something with the rewards card. In this way, using a rewards card in conjunction with a CSA could add not only additional contributions to the account, but also a powerful feedback loop. This could support the development of a college-saver identity by signaling that college—which is far off—is actually close and requires action now.

The rewards card is designed to build assets and facilitate saving without depending on any behavioral changes or extra requirements on the family. This approach—leveraging institutions to transform spending into saving—aligns with CSAs' institutional roots. Further, it provides a good answer to the moral dilemma of asking poor families to lower their standard of living even further in order to save for their children's education.

There are still details to iron out, including how localities might wield their government purchasing power to provide additional CSA funding for the benefit of those with special constraints on their saving, such as children in the child welfare system, as well as how the Community Link model can penetrate very sparsely-populated areas where market forces may not sustain corporate investment. Certainly, adoption of a rewards card innovation does not mean that low-income families do not need a public wealth transfer, nor that families should not be encouraged to build financial capability in order to save, where they can. Instead, AEDI is charting a research agenda that will examine the potential impact of the rewards card model, ways that CSA programs might best adapt in order to accommodate it, and what lessons policymakers can learn from this—and other—experiments seeking to make institutions work better for those currently disadvantaged.

CSA Spotlight: Developments in Michigan

Barry County

The KickStart to Career program is an opt-out, automatic CSA. In January of their kindergarten year, all students in Barry County receive long-term savings accounts for postsecondary education. Accounts are opened with an initial $50, financed by the Barry Community Foundation and its partners, Hastings City Bank, and area school districts. Over time, account balances are fueled by family deposits and additional matches/incentives. Any family deposits not used for postsecondary education is released to the student around age 26. Any match or seed contributions are returned to the Foundation if not used for education. KickStart to Career works closely with the school district to engage families. Future plans include integrating financial education and activities to support development of college-saver identities, as well as institution of policies to facilitate data-sharing for research and evaluation.

Kickstart to Career – Muskegon

The Community Foundation for Muskegon County is partnering with Muskegon County schools and local financial institutions to launch Kickstart to Career – Muskegon. This program utilizes CSAs as an "early reward scholarship" to raise career awareness, increase financial literacy, and promote education after high school. To show the foundation's commitment to investing in kids, starting with the 2018-19 school year, a savings account will be opened for every kindergartener in Muskegon County public, private, and charter schools with a $50 deposit. This CSA is designed to give students a boost in paying for career training or college expenses, but more importantly, to help build the aspirations and expectations of children and their families around higher education. The program will also offer financial education opportunities in the classroom and in the community, in order to reinforce a college-going culture for all students and convey the importance of asset development for students and their families. Along the way, students will have a chance to earn incentive deposits tied to participation, achievement, or social goals, and families will be encouraged to make deposits of their own. As is the case in many CSA efforts emerging around the country, architects of Muskegon's Kickstart to Career believe that every penny counts toward building dreams. The CSA is seen as a tool for fostering hope and creating opportunities for kids' futures. In the words of leaders of the Community Foundation for Muskegon County, "An investment in our kids is an investment in our community's future."

Lansing SAVE

In the fourth and final year of phased-in implementation, Lansing SAVE is now providing a CSA to every kindergartener in the public school district. This is a district contending with substantial challenges, including a 62% high school graduation rate and 100% eligibility for free/reduced price lunch. To equip children in Lansing with valuable supports for their aspirations of educational attainment, Lansing partners have collaborated on a pioneering SHAPE initiative, which includes not only the CSA component, but also the Hope Scholarship, the Lansing Promise, economic empowerment interventions, and college access efforts. A new technology application, currently under development, will knit these components together, allowing families to begin navigating their children's college preparation and financing options as early as kindergarten. Within the Lansing SAVE CSA, innovations include regular financial education programming, delivered within the classroom by representatives of the credit union that provides the account (Michigan State University Federal Credit Union). City staff accept on-site deposits from children during these sessions, an outreach that has increased Lansing SAVE's deposit rate from less than 2% to approximately 12% of children. Many deposits are less than $1, and the average deposited by children is $6 per year; these figures attest to the lengths Lansing SAVE is taking to meet families where they are. With a new hire adding program capacity, Lansing SAVE has new ideas for engaging principals and teachers and other thoughts about program innovations. The program is also grappling with questions about how to increase parent participation with the accounts and how to make better use of available financial counseling, to support families in reaching their financial goals. With more CSA programs considering how to partner with Promise initiatives to create comprehensive opportunity structures for disadvantaged children, the entire field has a lot to learn from Lansing's efforts.

Recent and Upcoming AEDI Events and Activities

September-October 2017

- In early October, Dr. Elliott spoke at a College Promise Campaign event about the potential to meld Children's Savings Accounts and early scholarships such as Promise initiatives. At the same time, the College Promise Campaign released a report that included advantages of combining elements of CSA and College Promise approaches. Media coverage of the event included a piece in *Inside Higher Education* and *Diverse Issues in Higher Education*.
- AEDI Assistant Director Melinda Lewis was in San Francisco for the Kindergarten-to-College (K2C) community celebration and convening. The event featured presentations by SF Treasurer Jose Cisneros and School District Superintendent Vincent Matthews, as well as a panel of parents whose children have K2C accounts. K2C recently redesigned its CSA incentives and is experimenting with new approaches to student and parent engagement, as well. More information is on the K2C website: http://sfgov.org/ofe/k2c.
- Melinda Lewis spoke about research evidence of CSAs' effects on children's educational outcomes as part of a panel at the National Scholarship Providers Association conference in Seattle, WA on October 9, 2017. The panel highlighted CSAs as a component of the efforts to encourage college pursuit and completion in places like Maine (Harold Alfond College Challenge), Oakland (Brilliant Baby and Kindergarten-to-College), and Wabash County, Indiana (Promise Early Distribution Scholarship).
- Dr. Elliott gave an update on AEDI's research to the Boards of the Alfond Scholarship Foundation and Harold Alfond Foundation on October 24, 2017, in Portland, Maine. That same week, AEDI deployed a team of interviewers to college qualitative data from parents whose children received Alfond grants between 2009 and 2017. AEDI will prepare a report with findings from these interviews in early 2018.

November-December 2017

- Friedline, T. (Nov.). *Mapping financial opportunity*. Invited presentation at the Center for American Progress Financial Access to Underserved Communities Within and Beyond the Branch roundtable discussion in Washington, DC. (National Conference).
- Dr. Elliott (Nov.) spoke at the Annual Meeting of the Midwest Higher Education Compact, in Overland Park, Kansas.
- Dr. Elliott and Melinda Lewis (Dec.) met with leaders of the Annie E. Casey and Jim Casey Foundations in Baltimore in November. The day's convening included discussion of Casey's Opportunity Passport initiative to help children in foster care build assets, research evidence of the power of assets to improve child well-being, and potential areas of collaboration between Casey and AEDI.
- Melinda Lewis (Dec.) traveled to Madison, Wisconsin for the Midwest Children's Savings Account Consortium meeting. Participants included CSA champions from Illinois, Indiana, Missouri, Minnesota, Michigan, and Wisconsin, as well as key leaders in the national CSA field.

January-March 2018

- AEDI researchers will travel to Indiana in January for interviews with teachers, students, and parents who are part of the Wabash County Promise Scholarship program. This initiative of the Community Foundation of Wabash County provides financial incentives to encourage students and families to prepare academically and financially for higher education, beginning in fourth grade.
- In early spring, AEDI will conduct interviews with parents and key community stakeholders regarding experiences with the development and rollout of the Brilliant Baby and Kindergarten-to-College programs within the Oakland Promise and, specifically, their CSA components.
- Dr. Elliott and Melinda Lewis will be in Boston in March 2018 for the Federal Reserve Bank's CSA research symposium.

Additional AEDI Reports and Peer-Reviewed Papers

- Eastlund, R., & Friedline, T. (2018). *How features of payday loans vary by state regulation: Results from a survey of payday lenders.* Washington, DC: New America Family Centered Social Policy and Center on Assets, Education, and Inclusion.
- Elliott, W., Kite, B., O'Brien, M., Lewis, M. and Palmer, A. (2018). Initial Elementary Education Findings from Promise Indiana's Children's Savings Account Program. *Children and Youth Services Review*
- Rauscher, E. & Elliott, W. (2018). Unequal Returns: Intragenerational Asset Accumulation Differences by Net Worth in Early Adulthood**.** *Children and Youth Services Review.*
- Lewis, M., O'Brien, M., Jones-Layman, A., O'Neill, E., & Elliott, W. (2018). Saving and educational asset-building within a community-driven CSA program: The case of promise Indiana. *Poverty and Public Policy*
- Friedline, T., Rauscher, E., West, S., Phipps, B., Kardash, N., Chang, K., & Eckert, M. (2017). "They will go like I did": How parents think about college for their young children in the context of rising costs. *Children and Youth Services Review*, *81*, 340-349. doi: 10.1016/j.childyouth.2017.08.027
- Rauscher, E., Friedline, T**.**, & Banerjee, M. (2017). "We're not rich, but we're definitely not poor": Young children's conceptions of social class. *Children and Youth Services Review*, *83*, 101-111. doi: 10.1016/j.childyouth.2017.10.035
- West, S., Banerjee, M., Phipps, B., & Friedline, T. (2017). Coming up short: Family composition, income, and household savings. *Journal of the Society for Social Work and Research, 8*(3), 355-377. doi: 10.1086/693047
- Banerjee, M., Friedine, T., & Phipps, B. (2017). Barriers to the financial capability for parents of kindergarteners. *Children & Youth Services Review*, *81*, 178-187. doi: 10.1016/j.childyouth.2017.08.009

Dr. Terri Friedline is AEDI Faculty Director for Financial Inclusion and Assistant Professor in the School of Social Welfare at the University of Kansas. In August, Dr. Friedline had a piece published in Huffington Post. Title, "Why we need the CFPB", Dr. Friedline's op-ed outlined the role of financial regulation in facilitating Americans' equitable access to financial institutions and opportunities.

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Catch AEDI Director Willie Elliott talking about student debt on the StraightTalk MD podcast.

Pew Charitable Trusts are hiring new team members for research and policy analysis on student debt. All four positions will report to Sarah Sattelmeyer of Pew's Financial Security and Mobility project. Details are in the links below.

The Project on Student Borrower Success will seek to promote successful repayment of student loan debt, especially among those borrowers at greatest risk for delinquency and default.

- Officer, Project on Student Borrower Success
- Senior Associate, Project on Student Borrower Success

The Student Loan Research project will provide research and analysis that will inform the public and the policy process on the challenges of two issues: default on student loans and veterans' higher education debt.

- Officer, Student Loan Research
- Senior Associate, Student Loan Research