In San Francisco's Kindergarten to College Children's Savings Account Program, Families Save, Assets Accumulate, and Gaps Close

What Is a Children's Savings Account?

Children's savings accounts (CSAs) seek to build assets for children to use for long-term investments such as college or other postsecondary education.[1] Although CSAs are administered through financial institutions such as banks or state 529 college savings plans, CSAs are more than just accounts. They include features such as initial deposits and savings matches to make saving easier and more successful, particularly for families disadvantaged by low incomes and/or other obstacles.

What Is San Francisco's Kindergarten to College?

Funded by the city of San Francisco and administered by the city's Office of Financial Empowerment, Kindergarten to College (K2C) is the nation's first universal CSA that automatically provides a dedicated savings account for higher education to every kindergarten student. The program design includes both seed deposits and savings incentives:

- **Seed Money.** All K2C CSAs are seeded with an initial $50 investment. Students who qualify for free or reduced-price lunch receive an additional $50 investment (i.e., $100 total).
- **Match Deposits.** K2C matches the first $100 in family contributions to the CSA.
- **Performance Incentives.** Students receive a $100 Save Steady bonus if their accounts see 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.

Examining Saving in San Francisco's K2C

American Institutes for Research and the Center on Assets, Education, and Inclusion examined savings data from the 21,617 account holders in K2C as of July 2016. Reflecting the demographics of the San Francisco Unified School District, 31% of account holders are Asian, 28% of account holders are Hispanic, 20% of account holders are White, and 10% of account holders are Black. At the point of analysis, accounts had been open 1–6 years.

- **Families Are Saving.** Eighteen percent of students had at least one contribution to their accounts. The initial enrollment year, at kindergarten, is the most vigorous in terms of

[1] Sherraden, M. (1991). *Assets and the poor: A new American welfare policy.* Armonk, NY: M.E. Sharpe.

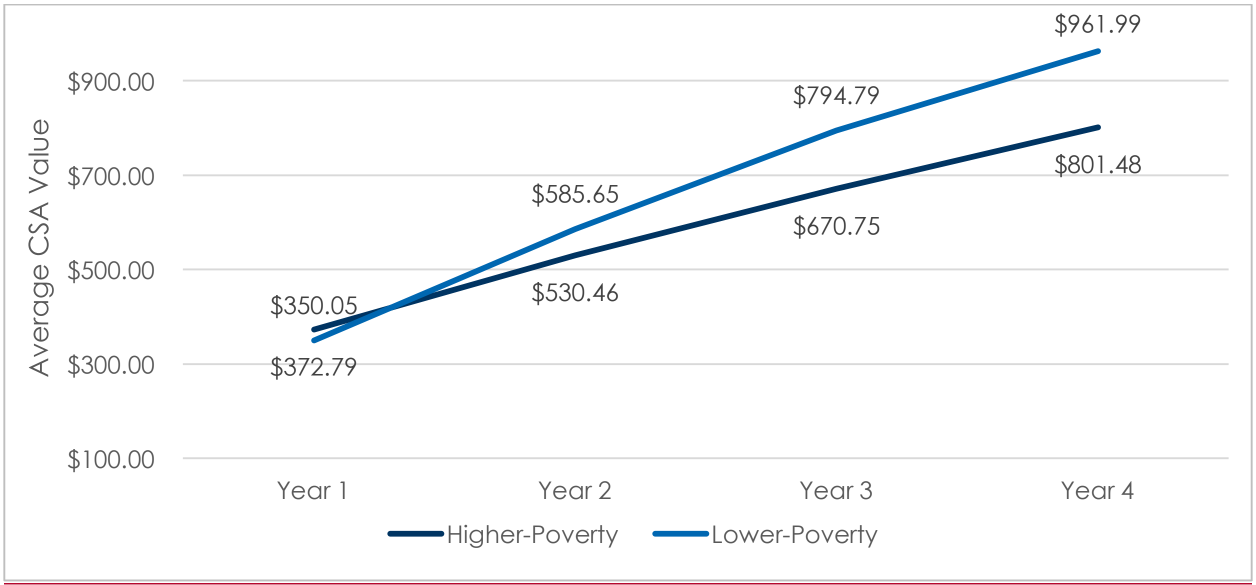
frequency and volume of family contributions. This finding suggests that account opening may activate families' thinking about saving for their children's educations.

- **Assets Are Accumulating.** In combination with the incentives provided by K2C, even relatively small family contributions are accumulating over time. The average total value of accounts that have had at least one family contribution is approximately $907 after accounts have been open for four years; $709 of this amount is from family deposits.

- **Gaps Are Closing.** As is the case in most financial institutions, families of students in higher-poverty schools (15%) are statistically less likely to contribute to K2C than families of students in lower-poverty schools (20%). However, after adjusting for observable differences between the schools and the students within them, these poverty-related gaps in savings behaviors are not statistically significant until after the K2C account's second or third year. Specifically, the universal account opening may provide a more level playing field for families' savings behaviors—K2C's model, which seeds the accounts of children from lower-income households with larger initial deposits than the children from higher income households receive ($100 versus $50), may mitigate disparities. In addition, the gap in family deposit activity in K2C is not as wide as what separates advantaged and disadvantaged households in many other financial institutions. Further, some school characteristics may help to reduce the influence of school-level poverty on children's savings outcomes. For example, for students in higher-poverty schools,[2] K2C contribution rates are higher in lower-truancy schools (21% versus 12%) and higher-proficiency mathematics schools (25% versus 13%). Although research has not yet fully explored these dynamics, something about these schools' contexts may help to counter the effect of poverty on family savings.

[2] Schools with 75% or more of students eligible for free or reduced-price lunch during the 2014–15 school year were considered higher-poverty, and schools with less than 75% of students eligible for free or reduced-price lunch were considered lower-poverty.

Total Account Value, by School Poverty Status and Year (Adjusted Means)



Conclusion

San Francisco's K2C CSA program provides a universal, automatic savings vehicle for families in the school district to save for their children's postsecondary education. In this way, K2C may close some of the gaps in financial opportunities for families in higher-poverty areas. This effect may explain why gaps in accumulation and contribution between families in higher- and lower-poverty areas are relatively small. These equalizing effects may be amplified by K2C's design, which progressively seeds accounts and incentivizes family savings. Although asset accumulation in K2C accounts is substantial, the high cost of college and pervasive financial challenges facing many families mean that additional investments will be needed, likely from external sources. Of course, contributions are only one way that families "engage" with their children's CSAs and only one dimension of the effects that CSAs can have on children's outcomes. Further research will explore other ways in which K2C affects children and families, including in the domains of academic achievement and expectations of college attendance.