PROMISE INDIANA 2017 SAVINGS BRIEF

PROGRAM DESCRIPTION

Promise Indiana is a state-supported and community-driven Children Savings Account 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. In addition to facilitated opening of a CollegeChoice 529 college savings plan account, children receive a $25 initial seed deposit and, if they contribute or raise $25, up to $100 in additional match.

ACCOUNT OPENINGS [1]

Figure 1 provides descriptive data on CollegeChoice 529 account openings from 2013 - 2017 in Wabash County, as part of Promise Indiana. As shown, there is a drop in enrollment from the first year of the Promise to the second year. Specifically, in 2013, 929 (59%) of eligible children enrolled in the Promise. In 2014, this dropped to 33%. Account opening dropped again in 2015 to 17%. However, the Promise saw an uptake in account opening in 2016, when 281 accounts were opened. Because the bulk of Promise enrollments occur when school starts, it is too soon to know what total account openings will look like for 2017. Further, in attempting to understand the drops in enrollment, it is important to point out that Promise targeted students K-3 the first year (2013) and focused primarily on new kindergartners in subsequent years, since many eligible students in higher grades were already enrolled. Additionally, implementation of the Promise Indiana model in other communities diverted outreach and enrollment resources.

Figure 1. Account Opening by Year

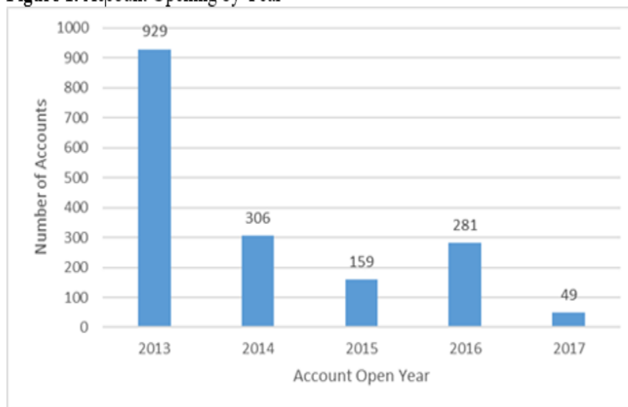
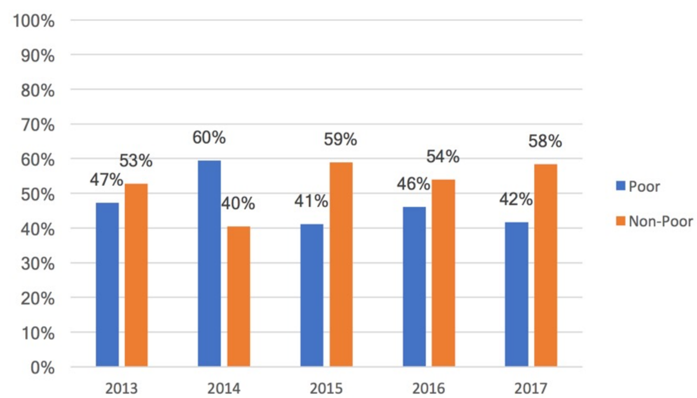


Figure 2 indicates that non-poor families make up a higher percentage of account openings for every year except 2014. However, in each year, non-poor children make up 40% to 47% of accountholders. These figures are starkly different than national patterns of 529 ownership in much of the United States; for example, some surveys have found that 529 account ownership is more than twice as likely (49%) among high-income as middle- (20%) or low-income (17%) families[2].

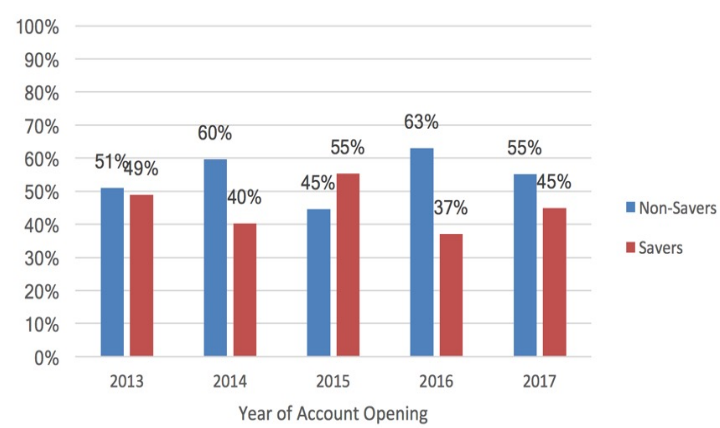
Figure 2. Account Ownership by Family Income and Program Year



PERCENTAGE SAVERS

Figure 3 examines the percentage of accountholders who are savers, by year of account opening. An account is classified as a 'saver' if it has seen at least one contribution after the initial incentive. On average, across the five-year period, 46% of accounts opened are classified as belonging to savers.

Figure 3. Percent Savers by Year of Account Opening. N=1,663



SAVINGS PATTERNS AMONG LOW-INCOME FAMILIES[3]

Table 1 provides an overview of savings patterns by family income. With regard to family contributions, among poor families who save, the median account value is $150, with $50 of this amount coming from family/champion contributions. It is noteworthy that while the mean total value for non-poor families is substantially higher than the mean for poor families, the median is not ($150 poor vs. $200 non-poor) and the mode (most frequently occurring) amount is the same ($125). So, with the exception of a few extreme outliers among the non-poor, the total value of accounts is similar for the poor and non-poor. This suggests that the Promise is helping to equalize college saving experiences.

Table 1. Savings Summary for Promise Indiana Accountholders by Saver Status and Free and Reduced Lunch Eligibility. N = 1,631*

	Savers n = 752	
	Poor n = 236	Non-Poor n = 516
Total Value of Account including Incentive and Match	Mean $242; Median $150; Mode $125; Range $10 to $5,200; Sum $57,162	Mean $658; Median $200; Mode $125; Range $10 to $25,100; Sum $339,757
Total Lifetime Match	Mean $87; Median $75; Mode $0; Range $0 to $590; Sum $20,592	Mean $96; Median $75; Mode $0; Range $0 to $575 Sum $49,343
Total Family/Champion Contribution among (no incentive or match)	Mean $136; Median $50; Mode $25; Range $1 to $5,200; Sum $32,020	Mean $542; Median $73; Mode $25; Range $10 to $25,000; Sum $279,715

*n = 32 cases missing data on Free and Reduced Lunch Status

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[1] The report was written by the Center on Assets, Education, and Inclusion (AEDI) at the University of Michigan School of Social Work. Support for this research was provided by the Lilly Endowment Inc. and the Charles Stewart Mott Foundation. The full report can be found at http://aedi.ssw.umich.edu/publications/1874-savings-patterns-and-asset-accumulation-in-the-promise-indiana-children-s-savings-account-csa-program-2017-update.

[2] Sallie Mae. (2015). How America Saves for College. Washington, DC: Author. Retrieved from: https://www.salliemae.com/plan-for-college/how-america-saves-for-college/.

[3] In this study we use free and reduced lunch status as a proxy for family income because actual family income was not available. 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.