

PROSPERITY KIDS 2017 SAVINGS BRIEF

WHAT IS PROSPERITY KIDS?¹

New Mexico's Prosperity Kids Children's Savings Account (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. Nonprofit Prosperity Works leveraged social networks and community partnerships in the Albuquerque, New Mexico area to recruit accountholders.

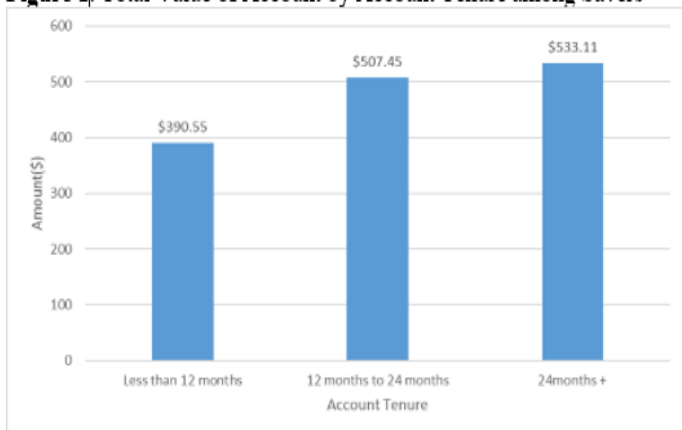
While the particular features are somewhat unique, Prosperity Kids evidences the hallmarks of Children's Savings Account policy: initial seed deposits, facilitated or universal account opening, savings incentives, and long-term asset ownership.² Those who open Prosperity Kids CSAs receive a \$100 initial deposit and up to \$200 in a 1:1 match for their savings per year, over ten years.³ Parents may also earn benchmark deposits for completing activities associated with child development and academic achievement. As is the case in many CSA programs, these incentives are financed with a mix of philanthropic and public dollars.⁴ 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.

PROSPERITY KIDS' ENGAGES DISADVANTAGED ACCOUNTHOLDERS

Encompassing aggregate indicators, New Mexico ranks 49th out of 50 states for measures of child well-being.⁵ More than 99% of Prosperity Kids accountholders are Latino(a). While information about participants' socioeconomic status is not available for all children in Prosperity Kids, demographic data for the subset of 296 children attending Albuquerque Public Schools demonstrates the considerable challenges facing these families. Among this subset, 57.4% were English Language Learners, 83.4% qualified for Free/Reduced Lunch, and 10.5% received some special education services. However, through Prosperity Kids, these low-income families are building assets for their children's futures.

SAVING PATTERNS AND ASSET ACCUMULATION

Figure 1. Total Value of Account by Account Tenure among Savers



CONTRIBUTION FREQUENCY

Figure 2 illustrates that saving in Prosperity Kids increases with account tenure. Specifically, those whose accounts have been open at least two years made the most frequent deposits into the accounts (3.23 deposits per quarter, compared to 1.51 for those who have had Prosperity Kids accounts for less than 12 months). Examining it more closely, about 40% of those whose Prosperity Kids accounts have been open less than twelve months are savers, compared to nearly 55% of those who have had Prosperity Kids accounts for at least 24 months.

CONCLUSION

Prosperity Kids illustrates that low-income Latino families will save for college when provided with the opportunity. CSAs provide that opportunity. However, future research with this population may also want to examine whether having access to an account also influences other outcomes such as children's social emotional development and their academic outcomes.



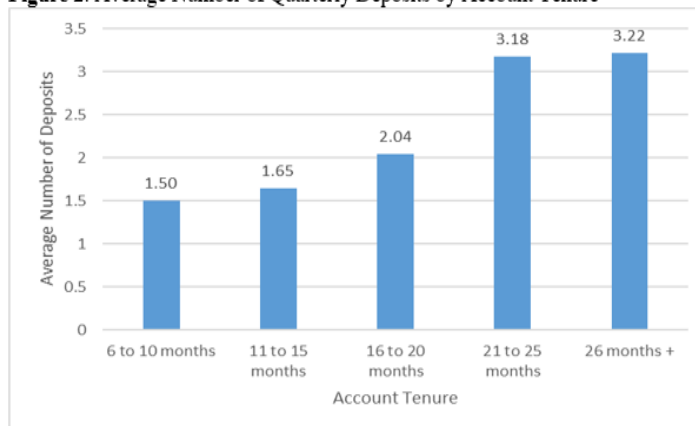
Table 1. Family Contributions to Prosperity Kids Accounts

	As of 2016	
	Total Sample N=509	Savers N=226 (44.4%)
Total Value of Account	Mean \$274 Median \$100	Mean \$492 Median \$370
Total family contribution among all accountholders (no seed or match)	Mean \$94 Median \$0	Mean \$211 Median \$133
Total family contribution grouped		
\$0	55.6%	0%
\$1-\$50	12.4%	27.9%
\$51-\$100	5.3%	12.0%
\$101-\$200	9.0%	20.3%
\$201-\$300	5.7%	12.8%
\$300+	11.9%	27.0%

Because of Prosperity Kids' initial seed deposit and opportunities to earn program incentives for completing tasks other than making a family contribution, even families that have never contributed to the Prosperity Kids account have the opportunity to earn some assets.

Figure 1 provides total value of account by the length of time families have had an account. For the entire sample of 509 children, total account values (including seed and match) ranged from \$100 to \$1,440 (mean \$274; median \$100). Forty-four percent (N=226) of accountholders have made at least one contribution to the CSA, with about 60% of these savers contributing at least \$100 (the maximum available match). This suggests that Prosperity Kids' savings incentives may serve as savings goals. Table 1 shows family contribution patterns for savers. Overall, median total family contribution for savers was \$133, with a low of \$5 and a high of \$940. These families, on average, received \$181 in match (ranging from \$5 to \$600; median \$302). Together with the seed deposit, the median total Prosperity Kids account value for savers was \$370 (with mean of \$492 and a range of \$110 to \$1,440).

Figure 2. Average Number of Quarterly Deposits by Account Tenure⁴



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 W.K. Kellogg Foundation and the Charles Stewart Mott Foundation. The full report can be found at <http://aedi.ssw.umich.edu/publications/1875-savings-patterns-and-asset-accumulation-in-new-mexico-s-prosperity-kids-children-s-savings-account-csa-program-2017-update>.

² Goldberg, F. (2005). The universal piggy bank: Designing and implementing a system of savings accounts for children. In M. Sherraden (Ed.), *Inclusion in the American dream: Assets, poverty, and public policy* (pp. 303-322). New York, NY: Oxford University Press; Sherraden, M. (1991). *Assets and the poor: A new American welfare policy*. Armonk, NY: M.E. Sharpe.

³ For more background on the Prosperity Kids CSA design, see Lewis, M., O'Brien, M., Elliott, W., Harrington, K., & Crawford, M. (2016). *Immigrant Latino Families Saving Against Great Odds: The Case of CSAs and the Prosperity Kids Program*. Lawrence, KS: Center on Assets, Education, and Inclusion.

⁴ It is important to note, there is nothing in the data set used in this study that allows the researchers to distinguish whether or not families earned any of these incentives because the data are aggregated by quarter, so individual contributions and match are not available.

⁵ Annie E. Casey Foundation. (2016). 2016 Kids Count: State Trends in Child Well-Being. Baltimore, MD: Author. Retrieved June 24, 2016 from: <http://www.aecf.org/m/resourcedoc/aecf-the2016kidscountdatabook-2016.pdf#page=20>.