

Transforming 529s into Children's Savings Accounts (CSAs): The Promise Indiana Model



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Summary

State 529 plans are tax-preferred vehicles for post-secondary education saving, administered by states, usually through contractual agreements with private financial institutions. In large part, 529s have served to intensify the distributional advantages that already accrue to more economically-privileged households. However, a small, but growing number of states are attempting to transform their 529 programs into Children's Savings Accounts (CSAs) programs so that they better serve children and families disadvantaged economically and educationally. However, there has been little discussion about what might differentiate a CSA program administered through a 529 from a standard state 529 program. Using the case of Promise Indiana's 529-based CSA as an example, this paper outlines what we believe to be some of the critical elements of Children's Savings Accounts and the ways that they may help to change the distributional consequences of our current educational and economic systems, such that they facilitate, rather than frustrate, the aspirations of disadvantaged children. The paper traces the origins and evolutions of Promise Indiana, within a discussion of components of 529-based CSAs, identifies design features that align with Identity-Based Motivation, outlines the rationale for a wealth transfer within CSAs, and shares lessons for replication. The Promise Indiana's model may be relevant in other parts of the country, particularly as communities consider how to address imperatives related to educational attainment gaps and rising student indebtedness, as well as their implications for upward mobility and broader prosperity.

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FORWARD

Over the past several years, there has been rapid growth in Children’s Savings Account (CSA) programs, both those that use 529s and those that use depository institutions (i.e., Banks or Credit Unions). It is important to note, it is our belief that both models are potentially important to the field. This report exclusively focuses on 529s as delivery systems for CSAs because one of the main goals of this paper is to help distinguish between a 529 plan and CSAs delivered using a 529 as the account infrastructure. This does not mean that CSAs using depository institutions cannot or do not possess the same potential for producing positive outcomes even if, in their current form, they may not be the best delivery system for a national CSA policy (see for e.g., Clancy, Sherraden, & Beverly, 2015). Elliott, Lewis, Poore, and Clarke (2015) discuss some of the advantages and challenges of both delivery system platforms.

With warm regards,



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INTRODUCTION

Public investments in educational assets such as state 529 plans work through the tax code to provide incentives for families to begin saving for college costs prior to students enrolling in college. Money invested in these types of college savings vehicles grows tax free, and withdrawals made from them to pay for college are also tax free, provisions that represent considerable public investments in college savings, in the form of foregone tax revenues. Today, the offerings available to U.S. families to help them save for college mostly exacerbate inequitable distribution of power and wealth; in 2010, fewer than 3% of all American families had state-sponsored 529 savings plans. The median income of households with such accounts, in 2007, was \$100,000 (Newville, 2010), and their median asset holdings were 25 times greater than those of households without accounts (General Accounting Office, 2012).

Political scientist Jack Knight (1992) shines light on how this imbalance of power can be altered when he suggests that institutions can be changed “by changes in either the distributional consequences of those rules [governing the institutions] or the relative bargaining power of the actors” (145). In line with Knight, then, we suggest that transforming 529s into CSAs requires changing both their distributional consequences (i.e., the rules) and the relative bargaining power of lower-income families within the higher education system.

In this paper ‘distributional consequences’ refer to the consequences that result from the inequitable distribution of wealth in the U.S. Wealth inequality is well-documented (e.g., Oliver & Shapiro, 2006). Within the context of growing public attention to economic inequities (see Morin, 2012), it is important to clearly define the aspects of this acknowledged inequality that are, truly, problematic. The problem wealth inequality creates in the market is not that one person has four houses while another has none. Indeed, U.S. understanding of ‘fairness’ can accommodate considerable disparity, and the idea of equality of *outcomes* is out of sync with American values. Instead, the problem is that the person with assets is in a better position to leverage mainstream institutions than the person with no assets. He or she will fare better in the tax code (Woo, Rademacher, & Meier, 2014) and therefore may be more likely to realize upward mobility as a result of increased saving (see for e.g., Pew Charitable Trusts, 2013). This is troublesome because American values require that effort and ability predict who succeeds, not the rules of the game (i.e., institutions).

People who do not have sufficient wealth to employ the rules of the game to augment their use of effort and ability are forced to overcompensate, in the only way they can, by investing extraordinary amounts of effort to achieve a similar outcome as those who start off with a wealth advantage. Often, even these gains, hard-won with additional investment of innate talent and exertion, are insufficient to secure desired outcomes. For example, even when disadvantaged students score comparably to their privileged peers, they are less able to translate that achievement into higher educational success. Today, 41% of low-income students with the top math scores graduate from college compared to 74% of high-income students with the top math scores. Financial status seems to matter even more than academic performance; low-income students with the top math scores have the same chance of graduating college as high-income students with next to the lowest math scores (see NCES, 2015). As a result, the poor are forever discouraged because they recognize the effort they must put forth just to survive. Moreover, this effort is not socially recognized as valuable because it does not produce the same outcomes that other, more affluent, individuals' use of effort does. And, collectively, the larger society is denied the benefit that could be reaped from this expense of effort, frustrated as it is by countervailing institutional forces.

Distributional Consequences of Having Little Money to Save

Looking specifically at the case of saving for one's children's education, then, the inability of lower-income families to leverage institutions casts light on the effort they must expend to save and why using amount saved as an indicator of effort may produce flawed comparisons between groups. The unequal starting points between lower-income families and higher-income families mean that the former must exert far more effort to achieve similar desired outcomes (e.g., saving enough to pay for college) as their more affluent counterparts. And because lower-income families can only save small amounts, society erroneously devalues the effort they exert to save while overvaluing wealthier families' efforts. Research from demonstration programs such as SEED (Saving for Education, Entrepreneurship, and Downpayment) suggests that, on average, families in CSA programs save approximately \$10 per month (Mason, Nam, Clancy, Loke, & Kim, 2009). In the American Dream Demonstration (ADD), which tested Individual Development Accounts (IDAs), average monthly net deposit was \$25.42, with a range from \$16.37 to \$36.89 (Sherraden, Schreiner, and Beverly, 2003). These small savings amounts do not mean, however, that low-income families are exerting less effort or making less of a sacrifice than higher-income families who are able to save more. Indeed, there is evidence that low-income savers save, on average, a higher percentage of their incomes than higher-income savers. For

example, research shows that low-income families who save, save double the proportion of their income compared to middle- and high-income families (Sallie Mae, 2013) despite the fact that the tradeoff between saving and providing for their daily needs is sharper for low-income families. In other words, the ‘cost’ of saving is higher for these families (Schreiner & Sherraden, 2007), yet they demonstrate considerable effort toward this aim, even though the gain from their sacrifices is modest in comparison to those who begin the task with greater advantages.

Multiplying these unequal gains, lower-income families cannot rely on financial institutions to respond to their expenditure of effort and ability in the same way as they do those who have wealth. Here, again, the ‘rules’ that govern the operations of most institutions are shaped by those with the greatest power to dictate them—those already privileged—who, predictably, craft them in their favor. Therefore, mainstream financial institutions are designed to respond to the amount of assets, more generously rewarding those who can save more and sometimes even punishing those who are not able to reach a certain threshold, by denying them access or constraining their success. This analysis, which reveals the ways in which the status quo privileges those who are already advantaged, underscores the importance of initial assets in influencing later financial position. This lens, which correctly views wealth as a critical determinant of the way in which systems ‘work’—or do not—for American families, is important for understanding the role of wealth transfers, which can serve to compensate for the disadvantaged position poor Americans bring to their exchanges with key institutions. Seen in this light, wealth transfers are not anti-American handouts but essential corrections in a capitalist system that ensure that effort, not station at birth, determines outcomes, a topic to which we return in the section on changing the relative bargaining power of lower-income families. In the realm of children’s savings, then, this speaks to the need for initial deposits that afford low-income children some of the advantages that accrue to their wealthier peers, as well as to other interventions, such as progressive matches. Urgently, changing these distributional consequences requires an institutional structure that rewards even small amounts of savings because for low-income families these small savings may represent considerable effort.

The Case of Mainstream State 529 Plans

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 (Newville, Boshara, Clancy, & Sherraden, 2009; Clancy, Lasser, & Taake, 2010). Importantly, as designed, 529s provide higher-income families with a distributional advantage over lower-income

families with regard to saving for college by creating rules that reward their particular characteristics and multiply their inherent wealth advantage. Specifically, 529s provide federal income tax benefits (e.g., grow tax-deferred and no tax when withdrawn to pay for college expenses) to participants. They also, in most all cases, provide substantial state tax benefits (United States Department of the Treasury, 2009; Newville et al., 2009). These tax benefits disproportionately favor higher-income families because families paying higher taxes receive greater benefits (Adelman, 2011; United States Department of the Treasury, 2009). Adelman (2011) reports, “For high-income households, the tax advantages of financing college expenses through 529 plans can amount to as much as a 39% advantage over traditional taxable savings accounts. For middle-income families, the advantage was 35%, but for low-income families, it was only 22%” (p. 4). While these tax incentives have served to increase utilization of 529 plans by those seeking these rewards, there is little evidence that they are inducing significant *new* savings (Ifill & McPherson, 2004), particularly among disadvantaged students. In addition to inequitable tax treatment, many 529s still have features that pose barriers to entry by low-income households. For example, some still have high initial balance requirements, some do not allow third parties to make deposits, and some use investment firm administrators despite their cultural and, often, physical, distance from low-income participants (Phillips, 2014).

As a result of this structure and incentive approach, 529s have served to intensify the distributional advantages that already accrue to more economically-privileged households, making them primarily savings vehicles for those likely to save for college anyway. Only 9% of 529 account holders reported annual incomes below \$50,000 (Bearden, 2009, cited in Black & Huelsman, 2012). Families with college savings accounts have three times the median income of those without accounts (General Accounting Office, 2012). Recognizing the imbalance in the use and benefits incurred through 529s, President Barack Obama proposed to tax as income withdrawals from these accounts, an idea later dropped because of opposition (Weisman, 2015). Despite this thwarted attempt at reform, changes are clearly needed, if 529s are to realize their potential as a useful and meaningful institution shaping the life chances of American children. To achieve this vision, however, requires answering the question, “What *kind* of reform is needed?”

The Bargaining Power of Lower-Income Families

We hypothesize that changing the relative bargaining power (i.e., the relative ability of an individual in a situation to exert influence over another) of lower-income families requires both changing role expectations about who attends college, which colleges one is most suited to attend,

and for whom savings can be a way to pay for college, as well as providing a tangible and, indeed, substantial, asset transfer.

Role expectations are socially-shared expectations about how a person, as a member of a group, is expected to act (Elliott & Sherraden, 2013). Role expectations result from a struggle between strategic actors (i.e., actors motivated by a desire to maximize their own goals) over the distributional advantage that institutions provide. Not surprisingly, in an economic system based on capital, those with wealth, acting in their own self-interest, structure role expectations such that they constrain the actions of disempowered groups while augmenting their own use of effort. For instance, Shapiro (2004) finds that White middle- and upper-class parents gain an educational advantage by leveraging their homes (a key form of asset holding in America) in what he refers to as, “a narrow, self-interested way” (p. 158). They do this by moving to better neighborhoods where high-quality schools exist, using their individual power to exploit the disparities in resources wrought by local policy decisions, which, in many cases, they also help to influence, as voters and taxpayers. However, lack of wealth (primarily inherited wealth) prevents many poor and Black families from moving into these neighborhoods and, therefore, from accessing these schools and the opportunities they would afford to their children. Further, if too many Black families move into a neighborhood with high-quality schools (wealthy, White schools), White families leave the neighborhood (Shapiro, 2004), often exerting downward pressure on the school system and surrounding neighborhood.

However, it is not only through self-interested actions of individuals that role expectations are formed that favor higher-income families. Ironically, the desire to support effort and ability as the determining factors in whether or not an individual succeeds or fails also helps to establish role expectations that favor those who have wealth. This is because people often wrongly believe that rules and regulations designed to make accessing institutional resources dependent on one’s level of effort and ability actually levels the playing field. But, individuals with wealth almost always disproportionately benefit from such rules because effort and ability are erroneously measured by outcomes such as savings amount, discussed in the previous section, or other measures similarly vulnerable to distortion, such as test scores.

These outcomes, to a significant extent, are the result of having wealth, growing up in wealthy communities, and attending affluent schools (e.g., Kozol, 1992). Americans have a deep belief in rewarding those who exert more effort and have more ability, even while the mechanisms that determine these ‘victors’ are often obscured. Here, while outcomes such as savings amount and test scores tell us who the winners are, they tell us little about why they won; that is, they tell us

little about the amount of effort and ability the winners truly put forth relative to the losers, and how, then, our American values would actually prefer to reward them.

For example, the shift to merit aid and away from need-based aid is thought of as a shift designed to reward those who work hard and have the ability to be successful in school. The insinuation is that need-based aid unfairly rewards those who have not put forth the effort and do not have the ability to attend college, an outcome that would be misaligned with American values that emphasize individual exertion and ‘merit’. However, given the significant associations between financial standing and educational attainment, the result is that higher-income children disproportionately benefit more from this shift than do lower-income families (Burd, 2013). The shift to merit aid not only means more aid going to higher-income children; it also incentivized schools to leverage their financial aid budgets to bring in not only the students with the best test scores, which would appear to align with American values that exalt effort and ability, but also the wealthiest students who can afford to attend without help, maximizing the institutions’ revenue (Burd, 2013). At the same time, some colleges and universities deliberately offered lower-income students financial aid packages that were underfunded to establish expectations that they could not afford to go to college or, at least, their particular—more selective, four-year—college (Burd, 2013). These students’ academic achievement, then, may be compromised on multiple fronts by one of the major institutions charged with facilitating it: financial aid policy, implemented by schools and surrounding systems.

These adverse institutional forces may constrain the educational futures of low-income children, whose aspirations are shaped by the very real limits of rising college costs. Socialized to see the unmet need they confront after financial aid as a cue that a given institution is not ‘for them’, they may revise their goals downward. Role expectations that convey to lower-income children, even highly qualified lower-income children, that they should not attend college at all or should attend a less selective college or other form of postsecondary education can help create a situation where ‘mismatch’ occurs. Mismatch occurs when lower-income students are directed into less selective four-year colleges or, increasingly, into a community college (Dillon & Smith, 2013). Mismatch is widespread, and current policy trends may directly contribute to it. For example, President Obama recently proposed making community college free for most students. There is little reason to believe that such a policy would have any bearing on the educational plans of economically-advantaged students who aspire to more selective institutions. Instead, such policies set role expectations that lower-income children, who do not have the money to pay for a four-year degree, are expected to attend community colleges despite their effort or ability. This occurs in

part because lower-income children do not have the bargaining power at the financial aid table to offset these negative role expectations.

TRANSFORMING 529S INTO CHILDREN’S SAVINGS ACCOUNTS (CSAS ARE NOT 529S)

Institutional efficacy is, “people’s beliefs about the effectiveness of using institutional resources to produce designated levels of performance that influence events that affect their lives” (Elliott & Sherraden, 2013, p. 35). It focuses on the relationships people have with institutions like 529s and their confidence in those institutions to augment their ability, in this case to save for college. If 529s are consistently unresponsive (i.e., do not provide them with the power they need over required resources needed to save or financially prepare for higher education), low-income families may develop what Elliott and Sherraden (2013) refer to as low institutional efficacy. So, the degree to which people perceive that 529s are an effective tool for paying for college may depend on the degree to which they perceive that they can use 529s to augment their ability to save for college. Therefore, we hypothesize that affecting people’s perceptions of their institutional efficacy with regard to 529s may be instrumental for increasing enrollment in these programs. Low-income families have to perceive that 529s are valuable tools—meaningful for their current financial contexts and their future aspirations—if these institutions are to play a role in transforming children’s expectations and families’ behaviors. Here, there is reason to believe that children’s savings accounts (CSAs) may help build lower-income children’s and families’ institutional efficacy with regard to being able to use 529s to save for college (AEDI, 2013).

What are Children’s Savings Accounts (CSAs)?

Michael Sherraden (1991) introduced the concept of Child Savings Accounts (CSAs) in his seminal book, *Assets and the Poor*. CSAs are more than the state 529 savings plans on which many are built. In accordance with Sherraden’s conceptualization, CSAs provide children and families with an initial ‘seed’ deposit to spark asset accumulation. The amount of the initial deposit for most programs ranges from \$25 to \$1,000, with smaller amounts typically serving the purpose of paying initial fees required to open the 529s and larger deposits serving to catalyze asset accumulation. They also incorporate matching funds and incentives, which add public or philanthropic funds to families’ savings in order to extend meaningful savings incentives and support balance-building of lower-income savers, as are already available to higher-income households through tax benefits (Woo, Rademacher, & Meier, 2014).

The notion of Children’s Savings Accounts as outlined by Sherraden (1991) is less about achieving a particular outcome such as increased college enrollment and more about how to build

assets among lower income children and families. They were envisioned as “savings accounts that provide financial access, information, and incentives to encourage lifelong asset building and promote child development” (Huang, Sherraden, Kim, & Clancy, 2014, p. E2). The initial vision for these accounts could be used for education, homeownership, and other development purposes (Sherraden, 1991). As such, they are sometimes referred to as Child Development Accounts (CDAs). From this perspective the basic components needed in order for a program to be considered a CSA program are:

- provide some financial information
- seed accounts with an initial deposit
- provide incentives for saving, including, often, matches

While Sherraden’s vision originally included broad asset purposes, in more recent years, at the city and state level, CSAs are increasingly being designed more specifically as savings vehicles for helping families and children begin planning for college at birth, loosely situated within the educational institution as part of states’ college going and financial aid strategy. As a result, what constitutes a CSA appears to be expanding beyond features that help children and families build assets to include features that help them develop a college going culture, even while the intended use constricts, somewhat, to focus more narrowly on higher education.

Unlike some other financial aid tools like student debt which may actually work against the ability of the education system to act as an equalizer in society and ultimately reduce the return on college (for a review of some of this research see Elliott & Lewis, 2015), CSAs and education appear to enhance the capacity of one another to act as economic mobility agents. For instance, evidence suggests that CSAs are associated with children’s educational attainment (AEDI, 2013) which itself is a conduit of economic mobility (Butler, Beach, & Winfree, 2008). Therefore, we suggest, linking CSAs to human capital development may be one of the best ways to maximize the power of each for restoring the promise to all people of being able to achieve economic mobility if they work hard. Interventions that augment education’s capacity as the primary path to economic mobility may be particularly significant given the growing murmurs that college may not be paying off like it once did (Bennett & Wilezol, 2013) even while the lifetime ‘cost’ of failing to continue one’s education is nearly twice what it was two generations ago (Greenstone & Looney, 2011).

One thing that makes CSAs unique as an education intervention that can strengthen education's capacity as a path to the American Dream is their potential for being a gateway to other mainstream financial markets, facilitating, then, the kind of financial capital accumulation and integration into financial systems (re: savings and mobility, Pew Charitable Trusts, 2013). CSAs may catalyze upward mobility, then, both through the medium of educational attainment, as well as by helping families to compete within these financial contexts, which afford particular opportunities:

- Friedline and Elliott (2013) find that children between ages 15 to 19 who have savings are more likely to have a savings account, credit card, stocks, bonds, vehicle, and a home at age 22 to 25 than if they did not have savings of their own between ages 15 to 19.
- Friedline, Johnson, and Hughes (2014) find that the overwhelming majority of young adults owned a savings account at or before the acquisition of all financial products including checking, CD, money market, savings bond, stock, and retirement accounts.
- Friedline, Johnson, and Hughes (2014) also find that while owning a savings account as a young adult only contributed \$50 toward liquid assets, the added contribution of combined stock and retirement accounts—themselves products of savings account ownership—was \$5,283.
- Analysis by the Pew Charitable Trusts (2013) finds that Americans who move from the bottom of the income ladder had 6 times higher median liquid savings, 8 times higher median wealth, and 21 times higher median home equity than those who remained at the bottom.

With greater focus on CSAs as part of state's college going strategy, a number of state 529-CSAs are adopting specific outreach and engagement approaches to cultivate a college-going culture (e.g., Lewis & Elliott, 2015). For example, Rhode Island's outreach to families who have opted in to the CSA through the form used to request a birth certificate will include welcome packets, media campaigns, and alliances throughout the educational system to increase take-up rates and to further develop positive educational expectations among both children and parents. Rhode Island's evolving design is slated to also include additional incentives for completion of benchmarks related to household saving and/or educational progress (Lewis & Elliott, 2015). Promise Indiana, discussed later in this paper, provides a more comprehensive example of how CSAs can be designed to better achieve their college-going objectives and, in many cases,

modifying state 529 plans to align with this mission. CSAs sometimes also include financial education to equip households to more effectively navigate financial products and systems. However in practice, few state CSA programs, if any, have financial education programs that are being administered to all of its participants, due in part to lack of clarity about the most effective ways to deliver this education, as well as to challenges in scaling and, in some cases, misalignment between different sectors.

Each of these specifically-designed features, on their own, may help to change the distributional consequences of financial institutions and the higher education system for lower-income children and the bargaining power of these children within these institutional settings. As they are integrated into 529 plans, these CSA features may also work to change the distributional consequences of 529s and the bargaining power of children and their families participating in these programs.

The Potential of CSAs for Changing the Distributional Consequences of 529s

As discussed above, lower-income families only save small amounts of money given their limited resources, a constraint that disadvantages them in leveraging 529 rules to their advantage. However, research suggests that even small amounts of money saved in a CSA may be important determinants of later academic achievement and child well-being (e.g., Elliott, 2013a; Huang, Sherraden, Kim, & Clancy, 2014), as well as seeds of significant asset accumulation over the lifespan (Elliott, Lewis, Poore, & Clarke, 2015). Research revealing the potential of small-dollar CSAs for improving children's educational and financial health has helped to change the conversation around what is perceived as the distributional consequences of CSAs for lower-income families. Communication about these findings has brought into sharper focus the potential role for the 529 system, then, in delivering these transformative accounts, at scale, to all American children. This frame has shifted the metrics by which CSAs are to be judged and the criteria, then, for justifying investment in this particular approach to closing the achievement gap. CSAs' success is no longer solely judged by how much people can save but also by the accounts' effects on children's preparation for college, college enrollment, college completion, and post-college financial health (Elliott, Chan, & Poore, 2015). For instance, Governor Gina Raimondo of Rhode Island, in talking about the rationale for why the state's *CollegeBoundBaby* program shifted from a more traditional 529 plan, with the inclusion of some modest incentives, to becoming a CSA program with explicit aims to promote economic mobility, emphasized the importance of small-dollar effects,

The system now requires parents to take the initiative to open an account. With this program [the change to the checkbox process on the birth form], before the parents leave the hospital, all they have to do is put an X in the right box and boom, the account will be set up... From the research, we know that kids who have a college savings account, regardless of the amount, are much more likely to get an education beyond high school and graduate. *Some think it is because they have the money. The real reason is they know they are college material. It changes the way they think about themselves.* (Borg, 2014, *emphasis added*)

Awareness of the potential for small-dollar accounts to produce important effects outside of being able to pay for college has made CSA enrollment—at or near birth, as close to universally as possible—an ever more important feature of what constitutes a CSA. This is a critical dimension of the gap between current 529 practice, then, and the potential of CSAs. As already discussed, very few lower-income families enroll in 529s, possibly because of low institutional efficacy when it comes to financial institutions as well as accurate assessments that many of these particular financial products are not designed to meet their needs well. A way to combat low-institutional efficacy may be to provide people with positive experiences with an institution, an aim which requires first getting them enrolled. A feature that many CSAs are adopting to enroll lower-income families is automatic enrollment or ‘opt-out’ design. For example, in 2014, Maine’s Harold Alfond College Challenge 529-based CSA program went from an opt-in program to an opt-out program. While a desire to more efficiently administer the children’s savings opportunities by reducing expenses for outreach and publicity was of paramount consideration for the Harold Alfond College Challenge Board of Directors, part of the rationale for Maine’s shift was the potential for small-dollar effects and an aim to cultivate educational expectations among all Mainers (Lewis & Elliott, 2015).

While it might be fair to say that automatic enrollment is considered the gold standard for enrolling families into CSAs (e.g., Nam, Kim, Clancy, Zager, & Sherraden, 2011), it is not a required component for a program to be considered a CSA, nor for 529s to serve as platforms for CSAs. Indeed, many states face political and fiscal requirements that make automatic enrollment unfeasible at this time. But, it can be said that in order for a 529 to be a CSA it must, at a minimum, implement a strategy that streamlines the enrollment process and results in dramatically different enrollment patterns than seen in 529s that do not include CSA features. So, for example, in moving from a 529 to a 529-CSA, Rhode Island adopted a ‘checkbox’ enrollment option to sign up for CollegeBoundBaby using the birth form parents complete in the hospital

(Lewis & Elliott, 2015). This type of streamlining of the process, while not automatic enrollment, may approach it in important ways and, significantly, may yield penetration rates that begin to approximate the universal uptake desired.

Research on potential small-dollar effects has shifted the understanding of CSAs' distributional consequences for lower-income families. As a result, even if children and families are not able to save large sums due to limited resources, there are understood rationales for adapting 529s into universal or near universal enrollment CSA programs. However, changing the distributional consequences of 529s does not, by itself, change the bargaining power that lower-income children and families have with financial and educational institutions. For this more far-reaching outcome, CSAs must help change the expectation that saving and college going is not for lower-income children. It is important to note that this does not mean that the expectation for every child is that he/she will attend college or, in particular, that he/she should receive a four-year degree at a selective university. Instead, it is that all children are empowered to choose the post-college strategy that will allow them to achieve their preferred outcome, if they expend the necessary energy and have the required ability for achieving that outcome. In the following section, we discuss how some states are designing CSAs as education interventions to change the bargaining power of lower-income children, in particular.

The Potential of CSAs for Changing the Bargaining Power of Lower-Income Families

Many of the academic effects that research suggests are possible through CSAs are believed to be at least in part produced through the development of a college-saver identity, the cultivation of which likely requires some—yet undetermined—level of engagement with one's children's savings account and the assets it holds. In other words, while even small savings amounts can change children's educational outcomes, these effects are unlikely unless children identify with these assets and believe that these accounts will help to determine their futures. The college-saver identity that catalyzes these effects is rooted in the concept of Identity-Based Motivation (IBM) theory, the understanding of which can help to inform CSA design so that it empowers children to bargain for outcomes they prefer.

There are three principal components of IBM that can inform CSA program design and, indeed, are being used to reshape some CSAs' features: (a) identity salience, (b) difficulty as normal, and (c) congruence with group identity. Identity salience is the idea that a child is more likely to work toward a goal when images of the future self are at the forefront of the mind. This is critically important in the arena of college preparation, as many of the actions that correlate with academic

success must be initiated while higher education still seems fairly distant for many students and families. This is particularly imperative for those whose limited exposure to college-educated adults may place higher education in the realm of the abstract, instead of the concrete and immediate. Interpreting difficulty as normal refers to a child's means for normalizing and overcoming obstacles: Does he/she have a strategy for overcoming difficulty? For children to sustain effort and work toward a self-image (such as a college-saver identity), they and their environment must provide ways to address inevitable difficulties. This is particularly necessary given the challenges that low-income and otherwise disadvantaged students will confront as they seek to navigate to success in higher education. Congruence with group identity occurs when an image of the self feels tied to ideas about relevant social groups (e.g., friends, classmates, family, and cultural groups). For students who may not know many college graduates or be surrounded by societal expectations of their success, this dimension of identity cultivation may be especially significant.

Research has shown that people have more than one identity but not all identities are acted on (Oyserman, 2007; Oyserman & Destin, 2010). The ability to design CSAs to influence the three components of IBM is important because these components help to determine whether children will act on a particular identity (Oyserman, 2007; Oyserman & Destin, 2010). Therefore, we suggest that in order to maximize the potential of CSAs for affecting participants' behaviors, CSA programs need to assure that their incentives, marketing, financial education, and other activities are designed to influence one or more of these components of identity formation and activation. CSAs have many levers they can manipulate to trigger these outcomes. For example, in the arena of identity salience, CSA programs can provide children with a college savings account and regular information (e.g., a savings account statement) on the account, to signal to the child that college is near and something they need to act on now. They may also connect CSAs to aspects of the educational environment, since the immediate context influences which identities come to mind (Oyserman, 2015). Children's Savings Accounts themselves provide children with a strategy for overcoming the difficulty of paying for college (e.g., Elliott, Sherraden, Johnson, & Guo, 2010). From this perspective, even small-dollar accounts—which represent both current and *future* savings—might signal to a child that financing college is possible. Similarly, CSAs can use financial education and college preparation materials to position the task of paying for college as difficult enough to require engagement, but not so overwhelmingly hard that families conclude it is impossible (Oyserman, 2015). Finally, initiating a city or statewide CSA may signal to children as well as others in the community that people like them can go to college, supporting the development of group congruence, particularly when

elements like marketing, college preparation, and financial education are carefully calibrated to foster this dimension of identity. Later, we will examine how Promise Indiana is using these principles to help develop their 529-CSA model.

CSAs as a Vehicle for Wealth Transfers

Disadvantaged students need more than just a college-saver identity, however, to place their educational aspirations truly within reach. Part of changing bargaining power is also changing the distribution of resources in society. What this suggests is that in order to fully change the bargaining power that lower-income children have, CSAs must also change the distribution of financial resources in America. Given the distribution of wages today and the divergence of income and productivity (Mishel, 2012), this is unlikely to happen without a wealth transfer. Children's Savings Accounts provide a vehicle for such wealth transfers, in addition to facilitating families' own savings. As formulated here, the idea of a wealth transfer is wholly consistent with American history, with our collective narrative of individual effort, and with our shared identity. In the 19th Century there was the Homestead Act and in the 20th Century there was the GI Bill. Both required considerable individual effort, yet offered real promise to change the distributional consequences of existing systems—property ownership, on the one hand, and higher education, on the other—in ways that helped to transform power and pathways to prosperity, for generations. In the 21st Century there has yet to be such a wealth transfer.

Given the size of the wealth gap in the U.S. at this point in its history, there is a need to once again level the playing field so that faith in effort and ability as the deciding factors for determining outcomes—the core of what we understand as the American Dream—remains high. From this perspective, the goal is not to move away from free markets or to create a separate market for lower-income children but, instead, to build a bridge to mainstream institutions so that lower-income children can use the same institutions higher-income children use to augment their use of effort and ability, with reasonable expectations of commensurate returns. Being able to use the resources institutions provide is critical in the modern world because people are expected to accomplish tasks that are impossible through effort and ability alone. For students to achieve their potential today, institutions around them have to augment their use of effort and ability, what has been called institutional facilitation (Elliott & Sherraden, 2013). Institutional facilitation is built on the realization that in a highly specialized and technical society like ours, institutions augment use of effort and ability in ways that can create *artificial winners and losers* if the role of institutions is not acknowledged. Steve Jobs put it this way, “Humans are tool builders and we

build tools that can dramatically amplify our innate human abilities”.¹ This indicates that if one person has access to these tools and another does not, the person who does not have access will be at a disadvantage, even if she expends more effort.

Possibilities for the next wealth transfer using CSAs to help once again level the playing field might include such things as augmenting existing scholarship or grant programs with opportunities for early commitment asset-building programs, in order to intervene earlier in the academic trajectory and more comprehensively shape the institutions that govern their success. For example, historically important and respected programs like the Pell Grant could be leveraged by dedicating a portion of funds each year to students in as early as fifth grade, allowing the student and his/her family to invest this money to accumulate even more assets for college, and signaling early on that children are justified in their development of a college-saver identity. Foundations could leverage the dollars they are using for scholarships in similar ways. As we will see in Indiana’s CSA model, in addition to existing scholarship or grant programs, some programs are also looking to employers to contribute toward this wealth transfer by matching employees’ college savings, as they do for retirement.

There are many options, then, for seeding these transfers, and considerable evidence to suggest that CSA policy development may be hastening the arrival of just such an investment. The United States has proven itself on many occasions to be up to tremendous challenges, when directing our collective innovation and resolve to even formidable problems. The immediate tasks in the CSA arena, then, are simultaneously pragmatic and aspirational. Those operating Children’s Savings Accounts must continue to flesh out their models, revealing the essential components that separate successful interventions from less successful ones, and using the levers at their disposal to manipulate outcomes. At the same time, policymakers, educators, and others seeking solutions to the vexing crises of stagnant mobility, persistent achievement gaps, and waning confidence in the vitality of the American Dream need to take inspiration from the evolving evidence in the CSA field, including, prominently, in places like Indiana.

¹ For the full interview go to <http://www.forbes.com/sites/lorikozlowski/2013/06/30/steve-jobs-on-how-to-build-the-world/>.

THE PROMISE INDIANA MODEL: CHANGING THE DISTRIBUTIONAL CONSEQUENCES AND STRENGTHENING THE BARGAINING POWER OF LOWER-INCOME FAMILIES

The Children’s Savings Account (CSA) intervention now known as Promise Indiana began when Clint Kugler, CEO of Wabash County YMCA, worked a back-to-school registration fair and watched hundreds of families walk past the table staffed by a representative of the state’s 529 college savings plan, CollegeChoice, administered by UPromise (now Ascensus College Savings). Kugler was dismayed by the apparent lack of interest in college savings, particularly given his existing interest in the possibility of some intersection between engagement in education savings and the YMCA’s work on the academic achievement gap. Kugler and the YMCA were already working to address the factors that contribute to disparate educational attainment by disadvantaged children, as a pilot site for a YMCA signature program for Summer Learning Loss Prevention (Kugler, 2015). This work had exposed Kugler and Wabash City Schools Superintendent Jason Callahan, the YMCA’s partner on the pilot, to some of the research suggesting that children’s educational assets could facilitate improved preparation for and achievement in higher education (see, for example, Elliott & Beverly, 2011). When Kugler saw families pass by the UPromise representative’s table without stopping, he was struck by the tremendous lost opportunity. He approached the CollegeChoice staffer, who shared a brochure for an engagement strategy the company had developed. Dubbed “Walk Into My Future”, the event was designed to bring together children and concerned adults in the community, to cultivate excitement about college savings and familiarize children with post-secondary educational opportunities and how financial preparation could support their educational goals. Unfortunately, as executed, the event had been largely unsuccessful by any measure, generating no new account openings and little evidence of an increased orientation to college savings. Undaunted, Kugler approached Superintendent Callahan to experiment with the power of *community* ownership of the college savings challenge, and to commit some of the organizational and reputational might of the YMCA and the school district—along with accumulated expertise in how to help people change behavior—toward this endeavor. Today, children around the state of Indiana are reaping the returns on this investment, beneficiaries of that serendipitous early encounter. As what became the Promise Indiana model has spread to other communities, evidence suggests that this approach, which layers community-designed and locally-delivered interventions onto the 529 account infrastructure, might hold real potential to scale the transformative asset instrument known as a Children’s Savings Account.

CSAs Envisioned as Part of a College-Going Strategy

At its core, Promise Indiana believes that communities can be activated to empower families to plan, prepare and pay for their children’s future education. Early on, Wabash County YMCA’s Kugler realized that this activation—and the widespread engagement it would require—was outside of the scope of what he could accomplish alone. As a result, he formed the core team that would become ‘Promise Indiana’. Originally, in keeping with the intervention’s local origins, this team was small and focused entirely on Wabash County. Kugler was responsible for bringing together partners and ‘pitching’ the idea of college savings to those who might not otherwise see financial preparation for education as within their jurisdiction. Superintendent Callahan steered his personnel toward augmenting college-saver identities and leveraged his access to and credibility with children and families to quickly gain a foothold. Responsibility for operationalizing the vision of a community-driven college savings effort—and institutionalizing it within existing systems—fell to Amanda Jones-Layman, the YMCA director responsible for the signature program for Summer Learning Loss Prevention.

When the team began to research the baseline of college savings in this Indiana community, they found that only six percent of children under age 18 had 529 (CollegeChoice) college savings accounts (Jones-Layman, 2015). This was not dramatically lower than in other parts of the country, but it clearly reflected potential for tremendous growth. The number saving in other vehicles was unknown, but conversations with children and their parents quickly confirmed that relatively few had begun to save for college; furthermore, enrollment patterns mostly followed the regressive distribution seen elsewhere in the country. The Promise Indiana team suspected that approaching families from the perspective of institutions with which they already had strong relationships—initially, the YMCA and the school system—could shift these patterns. Together, they set a goal to open enough accounts to quickly make inroads into families’ thinking about college and to get on the radar of state officials eager for innovative approaches. The team began to formulate what a holistic model of academic readiness, college and career discovery, and educational savings would look like and how it could impact families in Wabash County. Working with three public school districts and the leadership of superintendents Callahan, Dr. Sandra Weaver, and Dr. Bill Reichhart, as well as two private schools, to integrate these elements, the Wabash County Promise was born.

The Promise team took the vision for community-driven college savings interventions to local philanthropists willing to take a chance on a novel investment in their localized context and secured seed money to finance the development and operation of activities to support families as

college savers. UPromise/Ascensus and the Indiana Education Savings Authority (IESA), the state entity responsible for overseeing CollegeChoice, redirected a small portion of their marketing dollars to the budding partnership. Partnering with Ascensus also allowed the Wabash County Promise to streamline the enrollment process. One year after Kugler's experience at school registration, nearly 1,100 youth opened CollegeChoice accounts in three days of school registration events, a procedural victory that proved instrumental in transforming the enrollment process so that the 529 vehicle could more effectively serve financially-disadvantaged families. Youth in grades K-3 participated in classroom activities to expose them to college and careers. The next Walk Into My Future event was hosted by the Wabash County Promise at Manchester University in the fall of 2013. The Walk brought together organizations from around the community, generated significant media and public attention, engaged more than half of the university student body as volunteers, and planted the seeds for the hope that animates the Promise intervention. Convinced by the results on the ground, institutional support followed, including a larger grant from UPromise/Ascensus and, later, an agreement between the Wabash County YMCA and the IESA to replicate the Promise model in other Indiana communities.

These supporters were drawn by more than just the potential to increase families' tangible financial resources for college. It was a fuller promise that captivated them, the idea that educational assets could catalyze bigger expectations and brighter futures for children, including in their own towns. Promise Indiana was never just about saving. From conception, Promise Indiana has sought not only to provide children and families with accounts and the concrete financial resources with which to pay for college—what the CSA field recognizes as asset accumulation effects—but also the college-saver identities that accrue through the account ownership experience and, then, serve to improve educational outcomes, even separate from actual balance growth. This dual aim is reflected in Promise Indiana's materials, in the statements of support from community partners, and in the affirmations of its supporters. For example, in explaining his firm's decision to continue its investment in Promise Indiana, early donor INGUARD, Inc., CEO Parker Beauchamp stated, "...we are dedicated *to motivating and providing essential support* to the youngest members of our region," (INGUARD, 2014, *emphasis added*). The Indiana Chamber, in touting Promise Indiana on its blog, called the intervention, "so much more" than college savings accounts, "changing the *culture and mindset* about the importance of education to young people, families and communities" (Schuman, 2015, *emphasis added*). Promise Indiana architects have drawn heavily from research regarding the effects of education savings on children's educational expectations and later academic performance (Kugler, 2015; Jones-Layman, 2015; for review of the evidence of these effects, see

AEDI, 2013). In his statements regarding the rollout of Promise Indiana to four additional counties in 2015, Kugler explained, “Students who have their own savings accounts are seven times more likely to attend college.² They feel excited about their future and are engaged in what’s going on in the classroom. We are creating hope for these students...” (Invest Steuben, 2015).

As the architecture of the Wabash County Promise took shape, this knowledge provided the foundation on which three original, principal goals were constructed:

1. Raise children’s and parents’ expectations about educational attainment
2. Provide resources to place higher education within reach
3. Change behavior, through the cultivation of a community orientation to college savings and college-going culture to support educational attainment

These goals have shifted somewhat, as the Promise Indiana team’s understanding of the forces that shape children’s educational trajectories has evolved. Notably, experiences with families in Indiana and further research have underscored that all families have expectations—potent and poignant—for their children; the challenge, then, is not to plant these seeds but to help them withstand the ‘wilt’ wrought by adverse financial realities and the corrosive effects of less than supportive institutions. Still, this basic framework, emphasizing access to savings vehicles, support for durable college-bound identities, and cultivation of financial behaviors associated with later economic well-being, still informs the measures by which Promise Indiana’s success is gauged. And by these metrics, Promise Indiana’s successes are notable. Today, more than 70% of K-3rd graders and 30% of all youth under 18 in Wabash County are saving in the state’s 529 plan (Seaman, 2014). Of course, Promise Indiana’s 529-based CSA is not just about the account; additionally, nearly every child has access to accurate, relevant information about higher education and future career options, and adults throughout the community are actively engaged in supporting children’s educational progress. More significantly for its aims of increasing aggregate educational attainment and, ultimately, reshaping Indiana’s economic future, the Wabash County Promise has become Promise Indiana. Replication is completed or in progress in seven additional counties, with 15 more communities considering possible pilot in 2016 (Wabash County YMCA, 2015). These communities are initially focused in Northeast Indiana, but future years may see replication in Indianapolis as well as rural communities in southern and western regions. Promise

² While several analyses have confirmed the relationship between even small-dollar education savings accounts and educational attainment, this particular citation can be found in: Elliott, W. and Beverly, S. (2011).

Indiana is today supported by government, philanthropic, and business partnerships—including growing participation in employee payroll withholding programs—and is strategically aligned with a regional aim to increase the percentage of the overall population completing college to 60 % by 2025 (Seaman, 2014). It has transformed what it means to grow up and look to one’s future in this corner of the country, and it is attracting the attention and capturing the imaginations of others seeking to cultivate this hope.

The Promise Indiana Model, Transforming 529s into CSAs

529s as CSAs: What are the Current Possibilities?

States’ and localities’ use of 529s for Children’s Savings Accounts varies significantly; one of the appeals to many jurisdictions is precisely the ability to manipulate parameters such as eligibility, enrollment procedures, initial and matching incentives, and outreach approaches, to meet unique social, fiscal, and political imperatives. The structure of the 529 system itself compels some elements, though, providing a sense of what this ‘type’ of CSA looks like. While this case study of the Promise Indiana approach provides one example of how a CSA can be layered onto a 529 system, there are other options available to those seeking similar modifications to the 529 instrument. The policy variables programs can manipulate in this approach include:

- **Eligibility for the CSA:** Universal, where everyone can get an account? Automatic and universal, where everyone has an account opened for him/her? Targeted to specific demographics, localities, and/or participant requirements? Capped, either geographically, or first-come-first-served, or with progressive criteria? Pilot, with any of the above parameters but on a limited basis?
- **Funding for CSA incentives:** Will the CSA use State General Funds, revenue from 529 fees, or philanthropic dollars (or a combination)? Will local communities contribute their own investments, as in Indiana? What funding level will be invested? How will this be divided among initial seed deposit, match, prize-linked incentives, and/or Conditional Cash Transfers?
- **Account structure:** Custodial accounts, where the state or another entity co-owns the accounts and controls withdrawals? Omnibus, where participants only get ‘credit’ for deposits and matches, which are actually held in a third-party-owned account?
- **Administration procedures:** Will the financial institution that administers the 529 issue account statements? Will the state? Will they both? Who will assume responsibility for administrative expenses?
- **Disbursements:** Since 529s are limited to only qualifying educational expenses without penalty, the only real question for these CSAs is how money from the individuals’ own deposits v. incentives will be spent. Do they have to use their ‘own’ money first? Is there a limit on how much they can withdraw in a given period?

The Promise Indiana model has three key components. The intervention begins with a streamlined enrollment opportunity for the state’s 529 college savings plan, CollegeChoice. Officials with the Wabash County YMCA, supported by their community partners, successfully partnered with UPromise (now Ascensus College Savings) to dramatically simplify the 529 enrollment form, resulting in a four-page “Promise Enrollment Form” instead of the 70-page

document otherwise provided to those seeking to open a 529 in Indiana (Kugler, 2015).³ In large part, this simplification was facilitated because the \$25 initial deposit to open the 529 account comes from the Promise, not from families themselves, triggering different requirements for disclosures and consumer protections. This modification makes the 529 delivery system a more suitable vehicle for the CSA and overcomes one of its significant limitations for most low-income households, coming up with the initial deposit (see Elliott, Lewis, Poore, & Clarke, 2015). The largest employer in the Northeast Indiana region, Parkview Health, partnered with the Promise to the initial \$25 investment accounts established in Wabash County as well as five more of the counties piloting the program and located within Parvkiew's service area.

As indicated above, 529 account ownership has increased significantly as a direct result of the Promise Indiana intervention. As of this writing, more than 3,200 CollegeChoice Direct 529 plans have been established through Promise Indiana (Jones-Layman, 2015), more than 40% of which have seen family deposits and/or champion contributions, which are secured by families. Together, these families have saved more than \$417,200, representing a significant investment in their children's futures. These families seem to have changed their assessment of the extent to which the 529 is an institution facilitative of their educational aspirations; across all income groups, more than half of those aware of 529s who were surveyed by Promise Indiana reported that they are saving in this system. As is the case for 529 utilization across the country, higher-income respondents are more likely—before and after the intervention—to be saving in 529s. Promise Indiana's greatest gains, however, have been made within low- and middle-income households, the very populations most in need of the transformation of this institution. Before Promise Indiana, low- and middle-income households had negligible reported use of 529s (Jones-Layman, 2015a), while, today, almost one quarter of low-income families report saving for college in 529s. Promise Indiana calls this process of moving from awareness to saving 'activation' (Jones-Layman, 2015a). Significantly, the full effect of Promise Indiana on college savings within these communities may even be greater than these early outcomes suggest, as the intervention has also increased awareness of the 529 instrument and its benefits for college-saving families, with the potential, then, to trigger future savings. As Promise Indiana expands across the state, each community identifies its cohort target, with a goal to engage 70% of this population and induce saving among 40% (Kugler, 2015), a benchmark clearly within reach but one that would dramatically change the bargaining power of low-income children approaching their futures.

³ See appendix for a copy of the Promise Enrollment Form.

Promise Indiana explicitly seeks to change the distribution of college savings account ownership in Promise communities by not only expanding but also democratizing 529 utilization. In particular, the model addresses the challenges that low-income families face in saving and the treatment of their contributions under state tax law (i.e., Indiana taxpayers are eligible for a 20% credit on their CollegeChoice contributions, up to \$1000 per year (CollegeChoice, undated), but this nonrefundable tax credit is not available to those whose low incomes preclude a state tax liability) by recruiting champions and contributing third-party resources to augment families' own savings. Reflecting the importance of these elements, beyond the mere provision of the account infrastructure, more than 84% of 529 accounts opened through Promise Indiana have come from cohorts eligible for the incentives that are part of the Promise (Jones-Layman, 2015). Within this CSA model, communities have accompanied families' saving by investing nearly an additional \$165,000 in enrollment incentives and community matching gifts (Kugler, 2015). In addition to the \$25 initial seed, Promise Indiana is recruiting employers to provide payroll deductions and, in some cases, additional financial incentives, to encourage family savings, as well as leveraging community scholarships and other sources of financial support to build children's CollegeChoice balances. Community champions—adults in the community with whom children have supportive relationships—play a critical role in augmenting savings. If children raise at least \$25 in support from champions, the Promise will contribute an additional match. This helps to jumpstart accounts, significant not only because an early start gives families a longer time over which to watch their savings grow, but also because this account opening may help to establish the college-saver identity (see Invest Steuben, 2015). Families may begin to see themselves as not only holding aspirations and expectations for their children's future higher education, but as also equipped with tangible assets and a promising tool for future asset accumulation, as strategies with which to confront the obstacles they will face on their way toward these goals (Elliott, 2013b).

Champions play a role in this identity formation. Their involvement encourages children to share their aspirations for higher education with those in their communities and invites key community stakeholders to consider how they can contribute to the overall success of the Promise initiative⁴. These community champions contribute \$5 or more to children's college savings accounts (most ask for contributions of \$5.29, consistent with the branding of the savings vehicle), investments that signal not only their willingness to help share higher education's cost burden, but also their confidence that this particular child is 'college-bound'. Children need to experience institutions that support their college-going identities, if they are to develop the institutional efficacy needed

⁴ For the Champions' Checklist, see: <http://www.wabashcountyyymca.org/images/Documents/wcp-cklst.pdf>.

to realize these aims (Elliott & Sherraden, 2013). By engaging not just school personnel and Promise Indiana staff, but also coaches, faith leaders, business owners, neighbors, and other supportive adults, Promise Indiana strengthens this institution and surrounds children with cues that they will be supported in their educational aspirations.

Also supporting the development of the college-bound identity are the activities conducted under the umbrella of ‘college and career discovery’. This connection between the CSA and future higher education begins at the point of account initiation, which occurs at school registration. This collocation takes advantage of parents’ active consideration, at that moment, of their children’s educational prospects. This continues in the classrooms, where teachers use Promise-provided materials to talk with students about their future career aspirations, what college is like and what it can prepare them for, who in their lives is positioned to invest in their futures (and their accounts), and how school performance today can support college success in the future.⁵ Students in some Promise districts make a ‘college-going pledge’ every morning, right after the Pledge of Allegiance. They participate in ‘College GO’ week, a campaign of the Indiana Commission for Higher Education, every September; even kindergarteners are encouraged to think about how higher education might play into their futures (Kugler, 2015). In small ways that could be replicated in any community in the country—t-shirts that identify children as college-bound, videos that rap about going to college, Skype sessions with current college students from their communities—these children are marked as ‘college material’, from the first moment of their K-12 experiences. Teachers and school administrators are charged with key roles in engaging families, orienting children to higher education, and leveraging their institutional authority to bridge the gap between young families and college savings. The college and career discovery process coalesces for elementary-aged students in the Walk Into My Future. These college visit days are conducted in partnership with local colleges and universities and designed to expose children to a wide range of professional paths, all of which require post-secondary education. But schools are not solely responsible for fostering a college-bound culture; this identity is affirmed not just within the school walls but throughout institutions in the community. As the Promise has expanded, leaders have carefully selected community partners who demonstrate readiness to champion a college-savings initiative, strong commitment to sustainability, broad-based alliances, and a foundation of solid community regard. Communities must be ready, in other words, not just to implement a program, but to craft a culture. Evidence of the success of this framing is the competitive process that selected the next counties for Promise Indiana expansion in 2014 and 2015 and the eagerness of higher educational institutions to serve

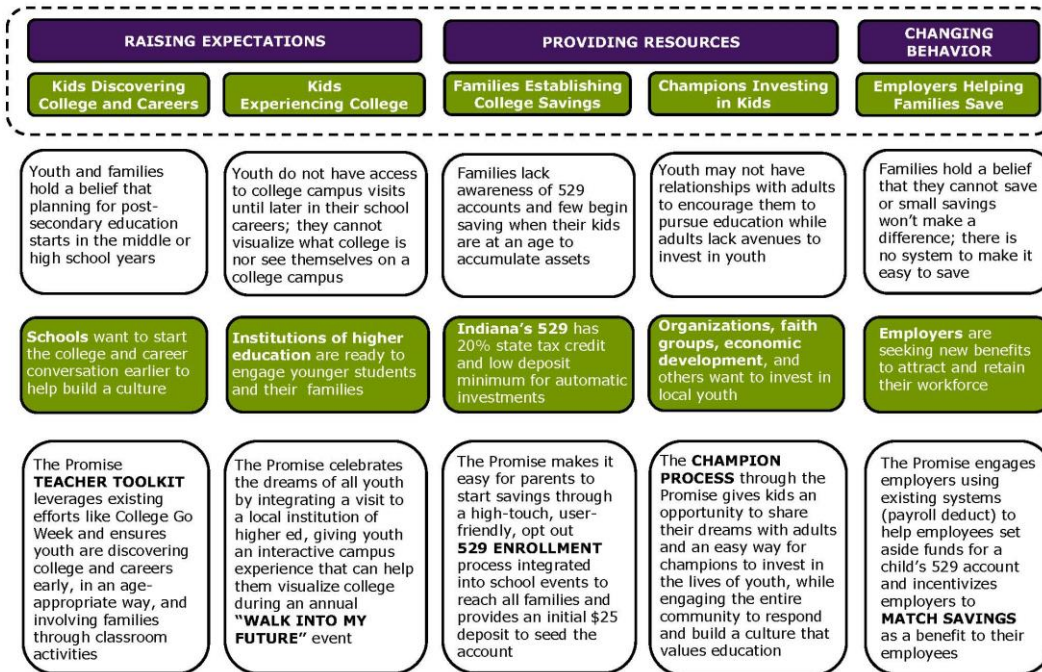
⁵ To see some of these teacher resources, visit: <http://www.wabashcountypromise.org/#!/teachers/ext0>.

as hosts for Walk Into My Future events. While the mechanisms of cultural change are generally rather opaque, these communities are eager to embrace the challenge, willing to learn from and alongside each other, and positioned to make significant inroads in shaping a community-wide orientation to higher education.

Together, these components of the Promise Indiana model seek to equip children not just with accounts and balances, but a different vision of themselves, as college-bound students with a realistic chance at a prosperous future. As illustrated in the figure below, these interventions are supported by public and private partners. The theory of change that weaves them together identifies forces that, today, collectively compromise children's ability to equitably access higher education as a pathway to upward mobility, in Indiana's particular labor market and in today's 21st Century economy. In other words, Promise Indiana seeks to intervene disruptively in the currently inequitable system of distributional consequences, to catalyze better outcomes for disadvantaged youth. It requires engaging on multiple fronts, given that the sources of these inequities are, similarly, complex and overlapping. The ultimate objective is a fundamental recalculation of the life chances of these children, stemming from the way they see themselves and their position, vis a vis the institutions that surround them. As one of the early investors in the Wabash County Promise, Parker Beauchamp, described this synthesis: "*Each of the activities that are part of the Wabash County Promise will inspire hope for the future* in the lives of our youth. The benefits of instilling hope are too numerous to count; hope is the greatest predictor of future success" (Northeast Indiana Regional Partnership, 2014, *emphasis added*).

Figure 1: The Promise Indiana Logic Model⁶

⁶ Used with permission of Promise Indiana.



Promise Indiana's CSA At-A-Glance		
Program Elements	Funding	Administration
<ul style="list-style-type: none"> Streamlined enrollment in CollegeChoice 529 College and career readiness activities, integrated into school day Recruitment of community champions to support development of college-going culture \$25 initial account seed Additional match, if children secure at least 	<ul style="list-style-type: none"> \$25 initial seed deposit from Promise Indiana (raised by the Wabash County YMCA and communities, mostly from philanthropic grants) Up to \$100 in additional match (primarily contributed by economic development, local government, and community foundation) 	<ul style="list-style-type: none"> Implemented in each community by a local team, with program design support from Promise Indiana (spearheaded by the Wabash County YMCA) Accounts held in CollegeChoice Direct 529, Indiana's 529 plan (offered by Ascensus College Savings)

<p>\$25 in support from champions</p>	<p>interests), if children raise \$25 from champions</p> <ul style="list-style-type: none"> • Administrative support mostly in-kind from sponsoring organizations in each host community 	<ul style="list-style-type: none"> • Operational support for Promise Indiana from fundraising and contributions to convening organizations, the Indiana Education Savings Authority, and private donors
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PROMISE INDIANA 2.0: EVOLVING DESIGN AND EXPANDING REACH

One of the principal lessons of Promise Indiana’s implementation has been that “context matters for activation of families” as college savers (Wabash County YMCA, 2015a). At its heart, this explains the potency of the CSA intervention, which increases children’s educational outcomes and offers value beyond the financial product itself. This attention to context also comes into play at the point of replication, as Promise Indiana’s architects recognize communities’ needs to craft their own approaches, consistent with the Promise’s core principles but distinctly branded and bringing together a unique constellation of partners, as determined by the local community champions (see “Talk of the Town”, 2015). Promise Indiana has focused on learning as the program has grown, with changes intended specifically to ease replication and scaling. As Kugler explains, “We have shifted some of the logistical delivery system and family engagement pieces. We want to make something complex as easy to understand as possible, without taking away the ownership that is so important for shifting future behavior...Now we integrate into existing systems, and school is our initial touch point with families. We are meeting them where they are” (2015). Replication of the Promise model has been informed by the implementation process initiated in Wabash County, where founders lacked a ‘roadmap’ for how to develop a community-based CSA program. The journey from that conversation at the school registration event to the first efforts to support families in opening accounts took about a year (Kugler, 2015). Wabash County leaders had to build local support and buy-in, objectives that led to intentional decisions to root the intervention within different stakeholders—particularly schools, but also community foundations, economic development partners, participating employers, and higher educational institutions. Today, while the YMCA serves as the local convener in Wabash County and many replication communities, driving some of the programmatic support and logistics and serving as a liaison between the Promise and the larger children’s savings field, others

legitimately see themselves as ‘owners’ of the Promise, as well. Sometimes, that can prove problematic, as communities take on so much ownership that they may forget their common origins. For example, when officials in Boone County launched a program to open CollegeChoice accounts for kindergarteners, seeded with \$100 from an area community foundation, they touted it as the “only program of its kind in Indiana” (Rose, 2015), even though it clearly has conceptual origins in Wabash County. More concerning for the future of the intervention, some may implement a similar approach without attention to the fidelity markers that Promise Indiana’s own evaluation suggests are particularly critical for realizing potential outcomes. This may render the ‘spinoff’ less than ideally successful and, potentially, lead observers—or, even, participants—to question the efficacy of what they understand as a Children’s Savings Account program. One of the questions facing the CSA field today is the extent to which programs designed and implemented at the local or, even, state, levels can catalyze scaled policy development, particularly federally (see discussion in Lewis & Elliott, 2015; CFED, 2014).

Achieving Scale within a State

In the Children’s Savings Account field there has been considerable focus on how to get to scale. While there are a number of ways to think about scale, often scale has meant how to get every kid an account in the U.S. A national policy is one way to achieve scale at a national level. There has also been discussion about how scale at the national level might be achieved by expanding with a region such as has happened in New England (Lewis & Elliott, 2015). Promise Indiana provides an example of how scale might be achieved within a state. Lessons can be learned from all three ideas of what scale means.

Promise Indiana has evolved from a community-driven effort specific for Wabash County, Indiana, to an initiative, customized for particular communities around the state but adhering to parameters for program design and delivery. While this scaling challenge is distinct from the one faced on the national level, where models would need to be either translated from one state’s context to another, or layered onto a national infrastructure, Promise Indiana’s replication is the first case, within the CSA field, of a particular CSA approach in one local area directly and, today, rapidly, leading to CSA development in other communities within the state.

Replication was always part of Promise Indiana’s plan. Just as intentional was the decision to institute a pilot process so the Wabash County team could collect learnings from new communities’ experiences with implementation. Early pilots have a shared vision that aligns with Promise Indiana but are also charged with thinking strategically about the challenges and

opportunities in their own community, rallying partners from various sectors, and making local choices about implementation strategies most likely to be successful. Interested communities must identify a “convener” organization and submit a pilot application to be considered; the subtext is that this is serious business, and that readiness matters not just for the individual student’s prospects of success, but for the CSA effort more globally, too. Together with the IESA, Promise Indiana selects pilot communities that demonstrate, through the application narrative, both the capacity to comply with fixed fidelity markers and the potential to leverage local resources to support operations. Once selected, a pilot community must sign a memorandum of agreement to participate fully in the pilot phase, including both local implementation of the program design and evaluation efforts. This is not just a case of cobranding, though. In return for agreeing to carry forward the Promise Indiana concept and to transparently share learning, pilot communities receive operational resources over three years. The operational resources include templates, data collection tools, local outcome analysis, trainings and ongoing technical support for pilot communities as they implement the model. These communities recognize, in tangible ways, that they are able to do more to foster the educational futures of their children as part of Promise Indiana than they would be able to alone..

Leveraging the initial support of the IESA, Promise Indiana recently secured a major funder to support this expansion. In July 2015, Lilly Endowment Inc. committed to provide operational funds to activate 10 pilot communities as part of Promise Indiana (four new pilots in 2015 and six in 2016). This is an extension of the foundation’s commitment to Indianans’ educational outcomes; Lilly Endowment Inc. has a track record in the state of Indiana of supporting work to increase educational opportunities and degree attainment. As communities raise support for their operational costs to drive the Promise program, those funds are matched over three years, with the cost-sharing agreement stepping down Promise Indiana subsidy as communities build ownership and financial support for the operations over time.

Scaling CSAs will require activation of communities across the country, but it will clearly also demand supportive public policies. Promise Indiana looks like a grassroots effort, but careful examination of the model reveals the significant contributions of this public infrastructure. A recent launch of Promise Indiana initiatives in four additional counties brought together community leaders from each, charged with planning and implementing the elements of their specific CSA initiative, fundraising to financially support the county’s CSA as Promise Indiana’s subsidy is slowly withdrawn (Kugler, 2015), and recruiting key community stakeholders whose organizations can ‘house’ the effort. This frame of the Promise as an organic movement obscures,

however, the significance of the state’s support, an omission potentially significant for the CSA field, as leaders in other parts of the country consider how they might adopt Promise Indiana’s contextualized, locally-owned approach.

Listed among the ‘Promise Partners’ for the original Wabash County effort, for example, are several governmental organizations, including local schools and the State Treasurer, along with private for-profit and nonprofit entities, including the Community Foundation of Wabash County, local businesses, and the college success coalition. Present in the room as leaders discussed their plans were also representatives of the state entity that oversees CollegeChoice, county economic development agencies (see LaGrange County Economic Development Corporation, 2014) and others who bring the institutional might and regulatory legitimacy that only government can. Indeed, the scaling of Wabash County’s model around the state is done with the support—financial and otherwise—of the Indiana Education Savings Authority (see “Talk of the Town”, 2015). Significantly, IESA is at the metaphorical Promise Indiana ‘table’ as a strategic partner, motivated by authentic mutual interests, an alignment not seen in every state, or from every 529 plan. The understanding is that IESA provides the 529 as the starting point or vehicle for the community’s CSA, with the mutual expectation that the partnership will yield new opportunities for local children as well as growth in CollegeChoice account holding. This orientation is a critical tool not equally available to all areas contemplating 529s as CSA platforms. While there is evidence that experiencing savings as a child will lead to more diverse investment ownership and greater integration into mainstream financial institutions as adults (Friedline & Elliott, 2013), this long-term cultivation of a customer base does not appear prominently in the business model of many, if not most, 529 plans.

Financing Educational Futures

Promise Indiana is described as ‘community-driven and state-supported’, and the financial resources that sustain it similarly come from private, community-based sources, as well as those with public affiliations. Among the private investors in the Wabash County Promise are Manchester University, the Community Foundation of Wabash County, Paul Speicher Foundation, and Parkview Health, INGUARD, and other local and regional businesses, while local/county governments and IESA are among the public sponsors. The Promise’s integration into existing institutions’ operations has significant implications for financing as well as execution. Among the revenue streams that might contribute to sustainable scaling are scholarships provided by community foundations around the state and allocations to College Success coalitions, as well as financial institutions’ marketing budgets, ongoing support from

local communities, and employer sponsorship. Demonstrating the considerable multiplier effect of CSAs, even only a portion of community scholarship dollars could capitalize community CSAs throughout Indiana, if awarded early in a child’s academic trajectory, instead of at the point of college enrollment.

The 529 as a CSA Delivery System

While some other community-based CSAs have struggled to successfully use 529s as their account infrastructure, Promise Indiana is succeeding, in part because of careful attention to the context in which families are exposed to the instrument. As explained by the Promise Indiana team, “when the 529 is introduced to families through school as a part of the Promise, by school staff who deliver a message of helping prepare children to be successful in myriad ways—academically, socio-emotionally, and even helping families take a step to prepare their children financially—more families start to save” (Jones-Layman, 2015a). The context for conversations about college savings in Indiana is clearly changing. Compared to very few who were introduced to 529s through their children’s schools prior to Promise Indiana, in post-intervention surveys, 70.93% of respondents aware of 529s had heard about the vehicle through their child’s school.

But this exposure, and even the greater comfort afforded by the connection between the family, school, and 529, would not likely be enough to activate saving, if the instrument had not been made more amenable to a CSA intervention. In Indiana, then, one of the critical components of the Promise has been the inclusion of incentives that help to make 529s attractive to low-income families who benefit less from Indiana’s generous tax advantages, as well as the construction of the streamlined enrollment process that makes the 529 less off-putting. These changes were facilitated by a perceived alignment between the objectives of the 529 plan administrator—to catch up to other states in utilization, without the benefit of an extensive staff or marketing budget—and those of Promise Indiana, to use the 529 as a tool to engage families in preparing for college (Kugler, 2015). While not comprising the totality of the CSA, these modifications to the 529 have been instrumental in transforming the savings vehicle into a platform suited to CSA purposes.

Promise Indiana may well have been able to achieve significant positive outcomes for children in its communities through an exclusively community-driven intervention. Without the support of the state’s 529 system, however, including plan administrator Ascensus College Savings and state officials charged with overseeing the plan, Promise Indiana would have faced greater challenges in designing a delivery system. Without the allowance of deposits as small as \$5, for example,

CollegeChoice would be a poor fit for the Promise. If families had to be walked through a lengthy enrollment form, it would be difficult to complete the process during a school registration event. While even these obstacles may not have proved too complicating initially, these types of challenges have been among the motivations that have led other CSA programs to utilize account platforms other than state 529 plans (Phillips, 2014). And, as experienced in these other areas, the alternatives to 529s are not perfectly suited to CSAs, either, resulting in other ‘friction’. As Promise Indiana sought to expand into other geographies, these workarounds could have hindered replicability, as hurdles such as lack of a statewide investment vehicle, lack of tax deductibility, and burdensome account disbursement protocols became more salient. Some of the outstanding issues Promise Indiana faces with the 529 system illustrate the importance of the policy and administrative support. For example, the lack of availability of Spanish-language enrollment materials for CollegeChoice has prevented Promise Indiana from working in some schools, which refuse to provide materials that cannot be accessed equitably by all families. Still, Indiana’s CollegeChoice 529 works better, as a CSA delivery system, than many other states’ plans, a fact that is both influenced by and determinant of Promise Indiana’s success. As explained by Promise Indiana champions, “529s can be a tool for families in other [e.g. lower] income groups. When framed as a positive initial step to take to ensure their child is prepared for any future education he or she may need to have a successful life, families of all income levels show interest in and take action to utilize the 529” (Wabash County YMCA, 2015a).

‘High-Touch’, at Scale

One of the significant contributions of Promise Indiana to the larger CSA field may be the reconsideration of ‘high-touch’ interventions—the kind traditionally thought necessary to achieve savings success, at least among some populations (see discussion in Schreiner, 2005)—as potentially affordable, per unit, if they are embedded within existing institutions, reflecting more a shift in *how* different entities approach their work, rather than a net increase in activity. Promise Indiana’s efforts to cultivate college-bound cultures are mostly woven into what teachers already do, with the addition of supports from institutions that might not otherwise see education as ‘their’ business. Because the Wabash County YMCA has a background in early childhood education and other supportive services to complement academic instruction, the Promise has always been conceived as potentially enhancing the efficacy of these other investments—Head Start, home visiting, after-school enrichment—by increasing engagement, through the medium of increased expectations. While high costs per participant have so far prevented the successful scaling of other asset-building interventions, such as Individual Development Accounts (see

Greenburg, 2012; Schreiner, 2005), Promise Indiana may be illustrating that, within the CSA field, the potential to piggyback on existing ‘touch points’ can realize the benefits of a high-touch approach without attributing all of the costs of those services to the CSA intervention, thus keeping the financial footprint of the CSA itself fairly manageable.

Research: Metrics, Contributions, and Capacity

Promise Indiana’s research agenda incorporates not just outcome measures, in an effort to examine the extent to which the intervention is achieving desired gains in educational attainment, but also identification of the indicators of adequate community capacity and buy-in, to support subsequent replication. These two areas of inquiry are, of course, linked; Promise Indiana needs to isolate those program elements deemed essential for achieving potential outcomes, in order to then help communities come to terms with what they will need to implement to realize the same effects. At this point, searching for those fidelity markers leads Promise Indiana architects to attempt to isolate the 4-5 program components that form the core of the intervention, while carving out the rest of the activities that communities could pursue as open to adaptation and continual learning. This means conducting not only a summative outcome assessment but also a process evaluation, to explore how different communities experience the Promise, what implementation and replication have looked like in each context, how actual and expected outcomes compare across different communities, and how well the intervention has ‘survived’ its translation in different jurisdictions. Because Promise Indiana’s model hinges to a significant extent on the cultivation of a college-saver identity, its research and evaluation might focus specifically on the dimensions of Identity-Based Motivation. In addition to gauging the effect of the Promise Indiana model on individual students (savers and non-savers, the latter of whom may also be affected by the cultivation of the college-bound culture) and their academic expectations, engagement, and achievement, then, Promise Indiana may be particularly well-positioned to explore the community-level or ‘spillover’ effects of a CSA and, potentially, to validate the theory about the validity of IBM as a construct for understanding how a CSA may influence students’ identity and achievement.

Influencing the Field: Eyes on Indiana

Among the lessons to be learned from Promise Indiana’s success are the potential utility of a universal CSA infrastructure, the malleability of the 529 delivery system, and the consideration of how CSA programs can cultivate family savings—a critical challenge even within CSAs that use automatic enrollment. First, Promise Indiana’s experiences in replication have underscored the

importance of CSA architecture, as a utility that can reduce implementation time and cost, thereby facilitating greater scaling. Compared to initial startup in Wabash County, replication time in subsequent counties has been cut in half, as Promise Indiana handles program design and system development centrally, freeing local leaders to focus on the critical (and necessarily locally-driven) process of stakeholder cultivation and community engagement (Kugler, 2015). As CSA developers in other parts of the country express a desire for a ‘turnkey’ product that could ease their implementation (CFED, 2014), Promise Indiana’s experiences provide evidence to suggest that this institutionalization should, indeed, be a priority for the field.

Second, many of the modifications Promise Indiana has won within the 529 system align with those sought by the broader CSA field, as leaders consider the best vehicles through which to get transformative assets to all American children. This suggests that the attributes that today make 529s less than optimal for CSAs (see discussion of challenges in Elliott, Lewis, Poore, & Clarke, 2015) may be more political than technical in nature, amenable to modification if the perceived incentive is sufficient. Indeed, Promise Indiana’s results are among those that are demonstrating—to the CSA field, to 529 plan administrators, and to policymakers considering the best avenues through which to deliver transformative asset interventions to American children—that this investment product can be effectively leveraged to undergird a Children’s Savings Account program. Just as surely, Promise Indiana provides evidence of the gap between the base 529 product and a CSA, since the outcomes produced by Promise Indiana diverge sharply from the pre-intervention baseline, as well as from other states’ experiences.

Third, even when account ownership happens automatically, CSA programs must engage children and families as savers, if they are to both maximize asset accumulation and, perhaps most importantly, cultivate the college-saver identity that research suggests is so critical for later educational attainment (Elliott, 2013b). On this front, there are few, if any, CSA initiatives—using any delivery platform—realizing the successes of Promise Indiana. Here, then, Indiana may have particular lessons to impart to the field. In large part without a formal theory organizing this component of their intervention, Promise Indiana is utilizing the mechanisms of Identity-Based Motivation (Oyserman & Destin, 2010) to get families to act (e.g. save) in ways consistent with these emerging identities:

- Saliency (bringing college front of mind)
 - Talking about college within the school day
 - Talking with families about college saving at the point of kindergarten enrollment, and representing it as the ‘next step’ in the child’s academic career

- Group congruence (helping children feel part of a larger college-bound culture)
 - *Walk into My Future* events
 - Classroom discussions about college
 - Employer payroll deduction
 - Community champions
- Normalization of difficulty (positioning college savings as a tool with which to confront the inevitable challenges associated with paying for college)
 - Shrinking the change by emphasizing how small actions can position families to afford higher education
 - Reshaping local community culture regarding how families expect to pay for college
 - Promoting college cost calculators to help families accurately assess their own college savings task, and to construct plans for their own asset accumulation

Significantly, again, most of these effects are realized without the types of case management and time-intensive engagement long associated with ‘high-touch’ supports. Instead, within the context of the normal school day and of a particular community, Promise Indiana seeks to help families feel that saving for college is something they can handle and something that needs to start soon. Some of Promise Indiana’s successes in this regard—outsized in comparison with many other CSA programs—may stem in part from the initiative’s origins within the YMCA, an institution with experience helping people make changes in their physical health. As Kugler explains, “We understand the barriers people face to change; they resist change not because they don’t want to do it, but because they are overwhelmed and stressed. We eliminate as many of the barriers to that change that we can, to help them take those steps” (Kugler, 2015). Children and families who participate in Promise Indiana experience themselves differently than they otherwise would, and they see the institutions that surround them as supporting their attainment of their educational goals. They confront the tasks that stand between them and higher education equipped with an asset base—which helps them to navigate and negotiate with institutions from a more advantaged position—as well as an identity that changes how they interact, with schools, financial aid, and the labor market. The Children’s Savings Account approach embodied by Promise Indiana cannot entirely erase the inequities in other dimensions that correlate with academic achievement—including parental education levels and income—but it can improve many of these indicators, and it may also change the distributional consequences in ways that render them less significant.

CONCLUSION

Promise Indiana is distinctly ‘Hoosier’, owned by community leaders, crafted to align with the state’s aspirations, and rooted in localities’ particular understandings of what is required to set all of their children on a path to educational success. It is, in many ways, the way that Children’s Savings Accounts are supposed to work, as catalytic investments that build on children’s own aspirations and leverage adults’ concerns for their own young people, to build institutions capable of facilitating improved educational outcomes, equitable attainment, and a realistic chance at upward mobility. Promise Indiana, then, is a glimpse at what the future of CSAs could look like, where individual communities graft their own interventions on top of a universal infrastructure, allowing sustainable scaling and, simultaneously, adaptation to idiosyncratic conditions and particular constraints. It transforms what is currently a largely regressive, but widely-available, financial instrument—the 529—into what some CSA champions have long believed it can be: a valuable platform for universal and progressive asset interventions (Clancy, Sherraden, & Beverly, 2015). One of the most promising things about what’s happening in Indiana today, then, is the fact that it could happen anywhere. Realizing *that* promise is what this country so desperately needs and what our children all deserve. As Kugler explains, “We are making college savings a point of pride in the community and unlocking people who believe in the power of education and shaping the potential of young people” (2015). Helping more leaders in more places shift those cultural norms, find their own roles to play in cultivating college-saver identities, and innovate approaches within a cohesive system of universally-available accounts and progressively-scaled incentives is the challenge to the CSA field. If we can make—and keep—more ‘Promises’ in more corners of this country, we can make hope live and redeem the power of higher education as the engine of prosperity and make the American economy work again, for a generation of young people.

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