

*EXAMINING THE CANADIAN EDUCATION SAVINGS
PROGRAM AND ITS IMPLICATIONS FOR U.S. CHILD
SAVINGS ACCOUNT (CSA) POLICY*

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FOREWORD

The Assets and Education Initiative (AEDI) is an office at the University of Kansas's School of Social Welfare (<http://aedi.ku.edu/>). AEDI's mission is to create and study innovations related to assets and economic well-being, with a focus on the relationship between children's savings and the educational outcomes of low-income and minority children as a way to achieve the American dream.

It is a privilege to be part of the research and policy conversation around children's savings at this pivotal time. We believe that Children's Savings Accounts (CSAs) can be potent tools for increasing equity in outcomes for disadvantaged young people, particularly by catalyzing greater educational attainment. We are honored to contribute to the evidence and analysis that has explored these effects and that, now, can help to make the case for scaling such investments. We are particularly hopeful that the growing momentum around CSAs reflects the unwillingness of the public and policymakers to accept stark inequality, and that the community of scholars and advocates committed to using the lever of children's savings as a tool to improve their lives can capitalize on this collective enthusiasm. It has been especially rewarding to examine questions of asset effects and policy design to induce the same alongside our Canadian colleagues, whose candor, collaboration, and vision represent the best in public service. We look forward to continuing this dialogue on both sides of the international border in the weeks and months to come.

With warm regards,



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These organizations are not responsible for the quality or accuracy of the report, which is the sole responsibility of AEDI, nor do they necessarily agree with any or all of the report's findings and recommendations.

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INTRODUCTION

SEIZING THIS PIVOTAL MOMENT IN CSA POLICY

While we believe that there are significant lessons to be learned from the Canadian experience with education savings programs, as the United States moves towards more comprehensive Children's Savings Account (CSA) policy, we begin with the perhaps obvious acknowledgement that there are some noticeable differences in the political, educational, and economic contexts of Canada and the United States. For example, in 2011, Canada ranked first in overall post-secondary education (PSE) attainment among OECD countries, with more than 50% of adults ages 25 to 64 having some PSE credentials (Kenney, 2013), while the U.S. ranks 14th, with 42% attainment (OECD, 2012). Perhaps related, economic mobility rates—the likelihood that a child born into poverty will not stay in poverty as an adult—are far higher in Canada than in the U.S. (Corak, 2010). Analysis finds that a son raised in the bottom decile in Canada has about the same chances of reaching the top half of the earnings distribution as a third-decile son in the United States; being Canadian instead of American, then, provides as much of a mobility advantage as being born into a family three times more prosperous (Corak, 2010). Although income inequality is increasing in Canada, the distribution of economic advantage is still far more equitable than in the United States (Corak, 2010). This is transmitted to the PSE arena, as well, where the income attendance gap is smaller than in the U.S. (Belley, Frenette, & Lochner, 2011). Despite these and many other differences, there are enough similarities between the Canadian Education Saving Program (CESP) and, particularly, state-sponsored 529 savings programs in the U.S. that each can still inform the other in important ways.

As attention to and support for CSAs builds, advocates are focusing considerable effort on advancing a national structure, capable of harnessing the power of assets to address some of our most pressing public policy problems, including rising student debt and persistent achievement gaps. The country faces important questions at this moment of policy opportunity. There are many design options within CSAs, and current evidence can only point to *potential* advantages and disadvantages of each approach, leaving significant questions about how to best proceed. To help inform these deliberations, the Assets and Education Initiative (AEDI) and New America Foundation (NAF), with funding from the Ford Foundation and the invaluable assistance of Canadian government officials and outside experts, conducted an exploratory investigation of Canada's education savings system, where policy tools to facilitate access to savings institutions and encourage household savings may provide useful lessons for the U.S. experience.

While the objectives of the assets and education fields in both countries are quite similar, the relative state of the fields is sharply divergent. Canada has assets ensconced in policy but not mainstreamed in scholarship. In addition, because CSAs were enacted in Canada prior to gaining support for them at the local level, the network of advocates that champions them is relatively smaller and somewhat newer than in the U.S. Conversely, the U.S. has a relatively well-developed theoretical and empirical context as well as a growing academic constituency and established advocacy institutions, but has struggled nonetheless to gain federal policy traction.

This analysis does not aim to romanticize or over-simplify any system but to glean critical lessons from the Canadian experience. To explore this policy evidence and to facilitate international sharing of theoretical and empirical knowledge, this work included:

- A review of relevant literature from both the U.S. and Canada
- Meetings with Canadian government officials, advocates, and financial institutions
- Data analysis, and
- Comparative policy analysis, including review of available Canadian government documents.

It is our hope that this work will be of benefit not only to U.S. asset practitioners, scholars, and policymakers, but also to our Canadian friends, with whom we share a commitment to leveraging the power of assets to chart improved educational and life trajectories, particularly for low-income and otherwise disadvantaged children.

CHAPTER I

CHILDREN'S SAVINGS ACCOUNT POLICY IN THE U.S. AND CANADA: MAJOR FEATURES, DISTINCTIONS, AND POINTS OF CONVERGENCE

Children's Savings Accounts (CSAs) are savings vehicles, most commonly designed for higher education, that often incorporate specific incentives and structures to encourage savings by disadvantaged youth and families who otherwise may not have equitable access to financial institutions. Ideally, they are universally available, lifelong, progressively funded, asset-building instruments (Cramer & Newville, 2009). While program design varies, CSAs usually allow deposits from children, parents and other relatives, as well as third parties, including philanthropic and civic institutions. In recognition of the public's interests in encouraging children's asset accumulation and facilitating post-secondary education, household contributions are ideally leveraged with an initial public deposit and/or matching funds. Withdrawals from CSAs are normally restricted to some degree for higher education expenses, although some programs allow broader uses (see Bennett, Chavez-Quezada, Lawton, & Perun, 2008).

THERE IS GROWING INTEREST IN CSAS IN THE U.S.

In the United States, CSAs are perhaps best understood as reflecting a convergence, on the one hand, of the asset-building field, sparked by Michael Sherraden's 1991 publication of *Assets and the Poor*, which led policymakers, academics, and anti-poverty advocates to seriously consider a role for savings in promoting household economic well-being, and, on the other, those committed to reducing educational disparities. Rigorous data analysis and field evidence have demonstrated that assets can improve outcomes for low-income children, working on multiple levels to increase preparation for, access to, and completion of post-secondary education, as well as to equip young people with a stronger financial foundation (Elliott, 2013a; Beverly, Clancy, & Sherraden, 2014). Today, spurred by this research and by a powerful vision of an asset-empowered generation of young Americans, there is growing momentum for CSA policy in the United States. Municipalities are pursuing school-based savings initiatives, most notably in San Francisco, California (Phillips & Stuhldreher, 2011). Communities like Wabash County, Indiana and Cuyahoga County, Ohio are experimenting with different CSA designs. States are rapidly adding CSA elements to their state-sponsored education savings plans—529s, named for the section of the tax code where their benefits are outlined—with Connecticut, Maine, Nevada, Rhode Island, Utah, and others leveraging these accounts as vehicles for progressive savings initiatives. Some states are even taking the step of enrolling *all* children in a savings account, informed by the randomized controlled trial of the SEED for Oklahoma's Kids pilot (Beverly, Clancy, & Sherraden, 2014).

OVERVIEW OF CANADIAN EDUCATION SAVINGS PROGRAM (CESP)

Canada's Children's Savings Account (CSA) infrastructure is housed within the Canada Education Savings Program (CESP), which administers the savings incentives, PSE asset transfers, and outreach and marketing efforts that encourage Canadian families to build savings for their children's post-secondary education. The mandate of the CESP is to:

- Reinforce the importance of planning early for post-secondary education,
- Help families build savings for post-secondary education,
- Help make post-secondary education more affordable, and
- Encourage asset accumulation to stimulate and reinforce aspirations for post-secondary education. (Canada Education Savings Program [CESP], 2014)

While the post-secondary education savings incentives were conceived as supplements to private household education savings, in order to help families plan ahead for post-secondary education costs (Department of Finance Canada, 2004), today's CESP has a broader vision, valuing asset accumulation even apart from the educational achievement these resources can help to secure. As articulated by CESP, the vision is that "All children have savings

for their future well-being” (CESP, 2014, emphasis added). There is an explicit emphasis on early engagement, as CESP leadership sees the incentives as encouraging “Canadians to plan and save for children’s post-secondary education, *from early childhood*, in Registered Education Savings Plans” (CESP, 2014, emphasis added). While rooted in the Canadian government’s somewhat narrower priority to provide a sound foundation for effective family post-secondary education savings (Department of Finance Canada, 2004), these current objectives align with the conception of CSAs found in U.S. literature (see Elliott, 2013a, for an overview), as holding the potential to support educational outcomes and greater equity in educational attainment directly—by helping families finance college—as well as indirectly—by encouraging greater engagement in school (Elliott, 2014). While the Canadian system is best understood as complementary (Department of Finance Canada, 2004) and mutually reinforcing incentives layered onto the scaffolding of a distinct investment vehicle, for clarity of analysis, the components are separated here, with some comparisons to the U.S. corollaries.

TAX-PREFERRED ACCOUNT ARCHITECTURE: REGISTERED EDUCATION SAVINGS PLAN (RESP)

Registered Education Savings Plans (RESPs) were created in Canada in 1972 (Human Resources & Skills Development [HRSDC], 2009). While there is little evidence from the legislative record to explain definitively the government’s rationale for creating the RESP, there was a concurrent political push for the development of RESPs from group scholarship promoters, who were concerned about the potential effects of new tax rules on post-secondary education savings and what a deterrent effect might mean for their business model (Lewis, 2014).

The key features of the RESP are:

- Contributions are not tax-deductible and can be withdrawn at any time without tax consequences.
- Investment income is not taxable while in the plan (Department of Finance Canada, 1998) and can be withdrawn in the form of an Educational Assistance Payment (EAP) when the beneficiary is enrolled in a qualifying educational program.¹ At that time, investment income is then taxed as income of the student.
- RESP accounts may be open for 35 years, and incentives are only required to be repaid if the plan is actually terminated (CESP, 2014).
- If the beneficiary does not enroll in a qualifying educational program, another beneficiary may be designated or the subscriber can extract investment income through an Accumulated Income Payment (Knight, Waslander, & Wortsman, 2008), although these options are more limited for subscribers in group scholarship plans (see, for example, Knowledge First Financial, 2014). Significantly, the *incentives* associated with the RESP cannot be rolled over into a Registered Disability Savings Plan or Registered Retirement Savings Plan (although contributions can), which compromises the ‘lifelong’ nature of the accounts. Still, RESPs are somewhat more transferable than 529 holdings.

Understanding the mechanics of the RESP requires delineating between two principal types of providers: (1) financial institutions such as banks, credit unions and investment firms, and (2) group scholarship providers. There were few financial institutions other than group scholarship plans present in the RESP marketplace before 1997, when policy changes gave subscribers a way of extracting investment income if the beneficiary failed to pursue PSE (Knight et al., 2008). These institutions quickly gained market share, holding 71% of RESP assets by 2008 (Knight et al., 2008). In 2013, approximately 39% of Canada Education Savings Grant (CESG, see more detail below) payments were made to RESPs held by investment services, followed by banking services (29.9%) and group plan promoters (27%) (CESP, 2014a). However, this distribution reflects the larger deposits made by the higher-income subscribers who tend to use investment services more heavily and contrasts sharply with distribution of the Canada Learning Bond (CLB), transferred exclusively to low-income subscribers. In 2013, almost half of CLB payments were made to RESPs held by banks (49.5%), compared to only 17.3% in investment services (CESP, 2014a).

¹ Usually, this means lasting at least three weeks in a row, with at least 10 hours of instruction or work each week, including apprenticeships, trade programs, college, or university, although some group scholarship plans, in particular, have had stricter criteria for defining a ‘qualifying’ program (Lewis, 2014), which have contributed to, in some cases, high percentages of RESP beneficiaries who do not receive EAP disbursements from their accounts (see prospectuses for group scholarship plans, for example, Knowledge First Financial, 2014).

Additionally, low-income participants are somewhat overrepresented in group scholarship plans (CESP, 2014a), likely pointing to the effects of those plans' outreach and engagement efforts.

Importantly, a wide variety of accounts can exist as a RESP, including a straight deposit savings account or a certificate of deposit, while, in the U.S., most 529s are in investment accounts with varying levels of risk (U.S. Securities and Exchange Commission, n.d.). RESPs held within financial institutions can be individual (a single beneficiary of any age) or family RESPs; in the latter, assets can be shared among beneficiaries, all of whom must be related. A group scholarship plan is an individual RESP that is joined with other RESPs to pool investment income by single-year age cohort, which is then distributed to beneficiaries (Knight et al., 2008). Critically, different promoters may vary considerably in their willingness and ability to serve low-income subscribers. For example, many analysts have concerns about the higher fees and more restrictive policies of some group scholarship providers even while acknowledging that a deposit schedule may induce larger savings amounts (Knight et al., 2008). Investment brokers and group sales plan representatives usually get paid more if they make higher-commission sales of more expensive plans or larger portfolios. Even banks have relatively little incentive to serve low-income families, but, instead, offer RESPs as part of a wide array of financial products.

THE RESP BUSINESS MODEL

While RESPs continue to be a 'niche' product within most financial institutions' portfolios, the promoter marketplace has significantly widened, in ways that expand access to RESPs and their associated incentives. In 1997, there were 22 organizations offering RESPs in Canada. This market dominance served to limit access to information about RESPs; often, to enroll, one had to either be the client of an investment advisor or targeted by direct marketing efforts. The creation of the Canada Education Savings Grant (CESG) drew new institutions into the RESP marketplace and shifted the balance of providers. The CESG's inception marked a turning point for the RESP, envisioned by the government "as essential in saving for education as RRSPs [Registered Retirement Savings Plan] are in saving for retirement", and "among the most attractive savings vehicles available for your child's education" (Department of Finance Canada, 1998).

BANKS

Unlike in the U.S., there are five large domestic banks in Canada. Banks and similar financial institutions do not offer group scholarship plans or charge RESP registration fees, although they often assess annual administration fees, usually less than \$50 (Knight et al., 2008).² These financial institutions offer RESPs essentially as a component of their corporate citizenship, but their reluctance to bow out of the registered plan agreement with the government does not necessarily ensure truly meaningful access for the Canadian PSE savers who seek to become customers. Instead, while they may have nominally 'accessible' RESP policies, the marginality of the RESP within the financial institutions' overall portfolio and its relative complexity may contribute to weak marketing, limited staff expertise about the product, and, then, poor representation of disadvantaged households among subscribers (Social and Enterprise Development Innovations [SEDI], 2011). Some Canadian analysts have urged financial institutions to consider the macroeconomic advantages of bringing more marginalized financial customers into the mainstream, and of using RESPs as a tool for such engagement (Rohan, 2013), however, there is little evidence that most financial institutions view RESPs, particularly for low-income households, as a core part of their profit incentive.

GROUP SCHOLARSHIP PLANS

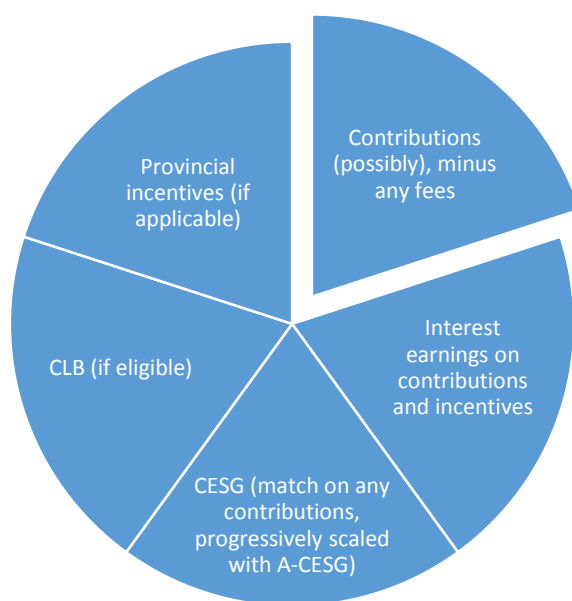
While RESPs are a very small part of an investment or deposit institution's overall business, they are the exclusive product of the group scholarship plans, the existence of which predated the development of the RESP instrument (Lewis, 2014). But while group plans are highly motivated to sign up the RESP customers on whom they depend, employing creative and, in some cases, even aggressive, marketing practices, their RESP business model raises concerns of its own. In particular, the front-loading of fees ("sales charges") means that subscribers who withdraw

² Unless otherwise noted, all dollar figures referring to Canada are in Canadian dollars, while all figures referring to the U.S. are in U.S. dollars.

before their plans reach maturity may lose most of their contributions (see, for example, Heritage Education Trust, 2014). Regardless of timing, these fees are high, sometimes as much as 27% of the cost of a ‘unit’ of post-secondary educational benefit, which further strips value from children’s accounts (see Children’s Educational Trust of Canada [CEFI], 2014).

Further, the prospectuses in which this fee structure and the other details of the contract are described are long and complex (see, for example, Universitas Foundation of Canada, 2013), making it difficult for any consumer, particularly those with low financial literacy, to make informed choices. Group scholarship plan subscribers sign a contract with clear savings expectations, a practice that likely increases aggregate savings amounts (Beverly & Sherraden, 1999), but often at the expense of successful program completion. As evidence of the extent to which this approach, as practiced, may be failing Canadian families, some programs have attrition rates as high as 42%, with as much as 18% of a successful student’s EAP composed of the income from others’ cancelled plans (CEFI, 2013). And group scholarship plans’ rules may work against disadvantaged students in other ways, too, including by restricting the educational programs that count as qualified EAP expenses, practices that have contributed to low rates of EAP receipt (see, for example, Knowledge First Financial, 2014). In response to pressure from regulators, advocates, and competitors, some group scholarship plans are changing their rules. In summer 2014, Heritage Education Funds announced a reduction in the criteria required to receive an EAP, such that their policies align with those in the Income Tax Act; removal of discretion in the return of sales charges when a plan is cancelled; and making defaulted/inactive plans eligible for transition to a self-determined plan, to reduce cancellations (Heritage Education Funds, 2014). These are important steps, but they still preserve disturbing elements in the scholarship plan operations. However, the division between traditional deposit or investment institutions and Canada’s group scholarship providers is not as clearly delineated as some might believe. Many scholarship plans have mainstream financial institutions as their trustees, suggesting a degree of interrelationship that should be considered in analyzing options for improving institutional practices and performance.

Figure 1: Composition of a Beneficiary’s RESP



Note. Information drawn from CESP (2014) ³

EFFORTS TO INCREASE PARTICIPATION AMONG LOW-INCOME CANADIANS

³ At disbursement, the CESP issues withdrawals proportionally from the ‘buckets’ that comprise an individual’s RESP holdings.

While the majority of Canadians utilizing RESPs are higher earners (Robson, 2013), policy changes have resulted in gradual increase in deposits and penetration of account ownership by lower-income households. While interim assessment of participation rates shortly after the launch of progressive incentives (the A-CESG and CLB, described in greater detail below) showed no significant change in the share of RESP subscribers who are low income (HRSDC, 2009), this is clearly an objective for decision-makers within the CESP, who are eagerly awaiting new data analysis in forthcoming program evaluations, which trends suggest should reveal some positive movement in the share of low-income RESP holders. Still, equity is elusive. To the extent to which the CESP represents a Children's Savings Account intervention built on the infrastructure of an instrument—the RESP—designed largely to serve the PSE savings needs of economically-secure Canadian households, it can become difficult to gauge the effects of the CSA intervention, distinct from the limitations imposed by the infrastructure. Given the state of U.S. CSA policy development, described in detail below, these questions are urgently salient.

SAVINGS INCENTIVE: CANADA EDUCATION SAVINGS GRANTS (CESG)

The Canada Education Savings Grant (CESG) was designed to “provide greater support for low-income Canadians to help offset the costs of post-secondary education, and to encourage families to save to help finance their children’s post-secondary education” (Department of Finance Canada, 2004). It also served as a valuable ‘carrot’ for promoters, as institutions can invest the ‘top-up’ to earn interest to cover the administrative costs they would otherwise largely absorb (Robson, 2013). Children living in Canada, up to the end of the calendar year in which they turn 17, are eligible to receive the CESG if they have a Social Insurance Number (SIN) and are named as the beneficiary of an RESP into which money has been deposited (Knight et al., 2008). The CESG provides a grant of 20% for the first \$2,500 in contributions made each year (HRSDC, 2009). Canada made an explicit policy decision not to deliver these education savings grants through the tax code, despite a well-developed system of tax-based social policy, including in higher education (Junor & Usher, 2006). Instead, the CESG delivers *direct* matches into the RESPs of eligible households. There is an additional CESG (A-CESG), created in 2005 in direct response to formative evaluations that found low rates of RESP participation among low-income Canadians (Department of Finance Canada, 2004; HRSDC, 2009). The A-CESG provides additional grants to middle- and low-income households most in need of assistance in saving. In 2014, a household earning less than \$43,561 annually could receive an additional 20% grant on the first \$500 contributed, while households earning between \$43,562 and \$87,123 could receive an additional 10% (CESP, 2014). The A-CESG enhances the progressivity of Canada’s system of education savings incentives, but it also adds to the programs’ complexity, particularly because of its tiered benefits and requirements around the amount and pacing of eligible deposits.

The maximum amount of basic CESG is \$1,000 in any year and the most a child can receive by age 17 is \$7,200 (Knight et al., 2008). This lifetime limit also applies to each individual child when the CESG is shared with other beneficiaries in a family RESP. For a child aged 16 or 17 to be eligible, a household must have made at least \$100 in deposits not withdrawn each year for four years or have made at least \$2,000 in total contributions (HRSDC, 2009). Unused CESG ‘credit’ can be carried over into subsequent years if, for example, a household did not save \$2,500 one year but saved more than that in a future year, thus encouraging maximum savings and ‘catch up’ whenever possible. Importantly, however, the A-CESG does not carry over, even though these low-income families might be most likely to experience temporary cash flow problems that constrain saving. In 2012, 77% of CESG enrollees had eligible contributions and received this match (HRSDC, 2012). This suggests that RESP households are saving, but it also illustrates the need for other tools, since clearly some households that want to save for PSE (as evidenced by opening a RESP) find this difficult. At age 21, individuals may withdraw interest earned on their accounts, including their CESGs, as taxable income, but they must repay the CESG if not used for post-secondary education (HRSDC, 2009).

Government administrators attribute the growth in RESP assets from \$4 billion to \$23.5 billion in ten years to the existence of the CESG (HRSDC, 2009). Canadian households responded enthusiastically to the match, such that RESP deposits grew by as much in the two years following CESG enactment as in the first 25 years of RESPs (Robson, 2013). This growth has continued; in 2013, more than \$782 million was paid in CESG benefits, a \$29 million, or 3.85% increase, over the previous year (CESP, 2014). By 2013, 47.1% of children under age 18 had received the CESG (CESP, 2014), although participation varies considerably by province, and, of course, by

income. Because the CESG benefit is more valuable to those making larger contributions, it is inequitably skewed towards higher earners with greater savings capacity (Finnie, Usher, & Vossensteyn, 2004; Usher, 2004). As a result of expansion in the promoter market and savings inducement among modest earners, between 1999 and 2005 there was a substantial increase in RESP ownership for all but the poorest 20%, such that, in 2005, RESP ownership reached more than half of the wealthiest families with children but less than a tenth of the poorest 20% (Robson, 2013). Given the importance of making RESPs profitable in order to preserve the availability of the vehicle, though, the attraction of these larger deposits from wealthier investors may facilitate equity in *educational opportunity*, if not equality of *asset holdings*. Still, inequitable participation constrains the incentive's educational effects. Because the majority of CESG beneficiaries are high income, some early analysis suggested that more than 80% would likely have gone to PSE anyway (Robson-Haddow, 2003).

DIRECT TRANSFERS: CANADA LEARNING BOND (CLB)

In the 2004 budget speech, the Canadian Minister of Finance acknowledged that many people find it difficult to save: "When it comes to putting money aside for their children's education, Canadians know how hard it is to save – but how important it is to start. This challenge is particularly acute for low-income families who struggle just to make ends meet" (in Knight et al., 2008). In recognition of this financial limitation and in response to low levels of participation and subsequent saving by low-income Canadians, the government created the Canada Learning Bond (CLB) in 2005 to seed the RESPs of modest-income families (Knight et al., 2008). The budget where the commitment to the CLB was created described it as a "solid foundation for saving for (Canadians') children's post-secondary education" (Department of Finance Canada, 2004). It makes a direct deposit into an RESP and serves to bridge PSE affordability, independent of household savings.

To receive the CLB, the child must be born after December 31, 2003, and the family must receive the National Child Benefit Supplement for the child, as a measure of economic need.⁴ The initial CLB is \$500, followed by entitlements of \$100 per year until the calendar year when the child turns 15, for every year the family receives the Supplement (Knight et al., 2008), to a lifetime limit of \$2,000. The government pays an additional \$25 with the first Bond to help cover the cost of opening an RESP. If the beneficiary does not attend higher education, the CLB must be returned to the government and cannot be used by another child (Knight et al., 2008). Significantly, while households are not required to make deposits in order to receive the CLB, they must apply. Taking this step requires both awareness of the benefit's existence and, importantly, attention to the proximity of PSE and to the need for assets with which to pay for this education. Those evidently pose some barriers to participation, as the Bond had only a 4.7% take-up rate among eligible households initially (HRSDC, 2009). The CLB was expected to cost \$170 million in its first two years and benefit more than 120,000 newborns, but fewer than 76,000 children benefited, figures that many attribute to lack of awareness (SEDI, 2010; Jeshani, 2014). Enrollment has increased steadily, though, to 16.3% of eligible children in 2008 (HRSDC, 2009) and 29.4% in 2013. Payments have increased more than 78% in just the past five years, to \$100.66 million in 2013 (CESP, 2014).

While far below aspirations, the CLB participation rate compares favorably to other opt-in CSA programs and even to household initiative within nominally 'automatic' approaches (Marks, et al., 2014). The growth rate of CLB beneficiaries is, today, twice that of the growth in the eligible child population in Canada, indicating that the Bond may be gaining ground (HRSDC, 2012), particularly since the eligible population is, itself, growing each year. More than 40% of newly-eligible children received the CLB in 2013 (CESP, 2014). Additionally, the ability to later claim entitled CLB benefits leaves open the possibility for 'catch up' as momentum builds. Still, in 2010, more than 1 million Canadian children were eligible for but not receiving the CLB, evidence of a significant lost opportunity to put students on a path to PSE attainment (Omega Foundation, 2013). Again, this is not unique to Canada, since U.S. asset building initiatives have also struggled with low initial enrollment rates (Gorham, Quercia, Rohe, & Toppen, 2002). For example, in Maine, only 40% of eligible beneficiaries opened a 529 plan in order to receive a \$500 initial deposit (Clancy & Sherraden, 2014), and this was with universal availability of the flat contribution, which should theoretically serve to increase awareness.

⁴ For more information about the NCBS and related Canadian child tax benefits, see Canada Revenue Agency, nondated, available at CRA website: <http://www.cra-arc.gc.ca/E/pub/tg/t4114/t4114-e.html#cctb>.

RATIONALE AND ADVANTAGES OF PUBLIC TRANSFERS WITHIN A CSA

In Canada today, there is considerable discussion of ways to improve the efficacy of the CLB as a tool for equitable educational and economic outcomes. Some changes have already been made, including the streamlining of the forms used to apply for the Bond (CESP, 2014), while outside advocates are urging assistance in securing the Social Insurance Number, integration with systems such as hospitals and income support (Jeshani, 2014), and provision of preemptive ‘vouchers’ of eligibility, among other reforms (SEDI, 2011). Much of this interest is spurred by recognition of the considerable promise of these public transfers to children’s education savings accounts, including encouragement of earlier account opening, significant growth in balances, greater leverage for RESP outreach, and a simple tool for increasing the deposits held by RESP promoters. Importantly, the CLB is distinguished by its independence from the “morality test” of ‘thrift’, unlike savings matches conditioned on specific behaviors by low-income households (Robson, 2013). As a direct government investment in the education savings of low-income Canadians, the CLB is considered by many to be an exemplar of need-based financial aid (Usher, 2012), delivered early enough to impact not just PSE financing but academic preparation, as well.

ADMINISTRATION OF A CANADA’S NATIONAL SAVINGS PROGRAM

The education savings initiatives were championed by the then-Prime Minister, eager to do something around post-secondary education and a policy innovator who embraced novel approaches (Mulholland, 2014). They also appear to have responded to the context of rising PSE costs and the perception, at least, of greater affordability strain for families (Department of Finance Canada, 1998). It is noteworthy, then, that this national savings program originated without any major external push, while U.S. advocates have been working towards a progressive federal asset-building effort for decades. However, this unlikely policy path has created its own problems, as the government divisions responsible for the education savings programs sometimes struggle to maneuver around the RESP instrument on which their interventions depend.

Considered within the Canadian economic and political contexts, spending on education savings is simultaneously considerable, in absolute terms, and yet relatively small, compared both to other types of registered accounts and to other forms of PSE aid. RESP spending—both direct and in foregone tax revenue—totaled \$976 million in 2012 (Robson, 2013). This is small compared to more than \$9.3 billion for registered retirement savings programs (Robson, 2013) but much larger than U.S. investment in CSAs. In Canada, investment in the RESP and its enhancements more than doubled in the ten years between 2002 and 2012 (Robson, 2013), but this growth has not begun to approach federal investment in student loans, which reached close to \$2.5 billion last year (Rahman, 2014). Still, although dwarfed by Canada’s overall investment in PSE, the matching savings grants associated with the RESP are substantially more costly than foregone revenues. This differs sharply from the U.S., where the federal cost of foregone revenues from 529 contribution tax deductions was more than \$2 billion in fiscal year 2013, compared to a cumulative public deposit of only approximately \$24.6 million across the states making such investments, since 1997 (Lassar, Clancy, & McClure, 2011, total author calculation).

While the policies layered onto the RESP have considerably altered the typical Canadian’s experience with the savings vehicle, RESP policy itself has only changed slightly in its history. Among the changes are the savings limits, originally capped at \$4,200 annually but changed to a lifetime contribution of \$50,000 in 2007 (Junor & Usher, 2007). While this policy change aligns with research suggesting that savings limits can serve to reduce total contributions (Sherraden, Schreiner, & Beverly, 2002), it also increases the risk of regressive effects, as higher-income households will save more, more quickly, under this more generous formula. Certainly utilization patterns bear this out, although there is relatively little recent, population-wide data to link household income to RESP usage. Still, survey data and calculation from other sources suggest that, even with progressive incentives for lower-income households, wealthier Canadian families save greater amounts, and in greater numbers, than those less advantaged (Robson, 2013).

Today, approximately 100 full-time equivalents staff the Canada Education Savings Program, with most staff concentrated in program operations, processing transactions, providing training, and conducting compliance reviews (CESP, 2014). Staff also conduct some outreach around the savings incentives, although effectiveness here has been compromised by funding reductions and sharing of these responsibilities with RESP promoters. RESPs are under

the control of the Department of Finance and governed by the Income Tax Act, while the CESP and CLB are in the purview of the Learning Branch within Employment and Social Development Canada (ESDC). At times, this frustrates administrators' efforts to make changes in the incentives that might better align with policy objectives, including funneling all of the contributions for a given child's RESP to one account, comingled with the incentives. Similarly, while having fewer RESP providers in the marketplace might make it easier for households to navigate savings options, this would necessitate changes in the RESP promoter 'contract', another arena beyond CESP's sphere of influence. These drawbacks to the reliance on the RESP are mitigated in large part by the advantages associated with a national savings infrastructure, however, including low administrative costs that have facilitated rapid scaling of Canada's education savings programs.

Table 1: Asset-based PSE Financing in Canada

	RESP	CESG	A-CESG	CLB
Wealthy Canadians	Tax-free savings	20% grant for contributions up to \$2500	---	---
Middle-income Canadians (between \$43,562-\$87,123/year)	Tax-free savings	20% grant for contributions up to \$2500	Additional 10% grant on first \$500 saved	---
Low-income Canadians (less than \$43,561/year)	Tax-free savings	20% grant for contributions up to \$2500	Additional 20% grant on first \$500 saved	\$500 government deposit when RESP opened; \$100/year until child turns 15, with no requirement of family contributions

Table 2: Canada's Financial Aid Policies, according to core criteria⁵

	Universal	Lifelong	Asset-building	Progressive
Student loans				Yes, somewhat
Need-based grants			Only through vehicle of human capital development	Yes, somewhat
RESP	Yes	Yes, with disbursements to other accounts	Yes, also as 'gateway' account ⁶	
CESG	Yes		Yes	
A-CESG			Yes	Yes
CLB			Yes	Yes
Other tax incentives (student loan interest, tuition/fees)	Only nominally			

OVERVIEW OF U.S. CHILDREN'S SAVINGS ACCOUNTS

At a recent convening of the CSA field, hosted by the Corporation for Enterprise Development (CFED), there was much discussion of the lack of federal CSA policy in the U.S. (CFED, 2014), despite significant research findings and bipartisan political support for the aims pursued and even many of the mechanisms used by CSA programs. Still, there is considerable CSA momentum in the U.S. today (CFED, 2014). Indeed, some observers partially attribute policy innovations in communities and states to the policy vacuum created by federal inaction and the perception, then, that delivering transformative educational assets to disadvantaged American children hinges on autonomous policy initiative. There is, additionally, considerable optimism among many who hope that the experiments around the country will ultimately inform enactment of superior federal CSA policy than might otherwise be possible, particularly because the efforts unfolding at the municipal, regional, and state levels employ

⁵ For more discussion about these Child Development Account principles, see Cramer & Newville, 2009.

⁶ See Friedline, Johnson, & Hughes, 2014

different approaches to account structure, incentive delivery, eligibility, and public/private partnerships. At the same time, building a federal program out of a mostly local and state movement may also create certain challenges. In particular, the more entrenched programs become at the state level, the harder it will be to ask states to buy into a national program, which could lead to a lot of variation and considerable inequity among the different programs.

STATE 529 PROGRAMS – INVESTMENT AND DEPOSIT INSTITUTIONS

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). States have the flexibility to design many features of their own plans, and many are using these powers to offer savings incentives, particularly through the provision of state tax deductions for contributions (Newville et al., 2009). While these efforts have undoubtedly 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 the disadvantaged students most in need of additional PSE asset accumulation. Instead, 529s overwhelmingly serve as savings vehicles for those likely to save for college anyway; in 2007, the median annual income for households with a 529 account was \$100,000 (Newville, 2010). Only 9 percent of 529 account holders reported annual incomes below \$50,000 (Bearden, 2009, cited in Black & Huelsman, 2012) and families with college savings accounts have three times the median income and 25 times the median assets of those without accounts (General Accounting Office [GAO], 2012).

STATE INNOVATIONS AND LIMITATIONS

Despite the inequity in the distribution of resources within the existing 529 system, many who are committed to improving educational outcomes for low-income students are convinced that this structure provides the best vehicle to facilitate college savings by low-income families (Newville et al., 2009). Similarly to RESPs, the challenges associated with retrofitting 529s to meet the needs of disadvantaged households must be weighed against the advantages of a savings plan capable of quickly delivering the infrastructure through which to provide every child with an account. Traditional savings *products* are clearly not up to the challenge of charting dramatically different educational futures for generations of American children, but savings plans “allow for expression of public will, inclusion of the whole population, progressive funding features, and a centralized accounting system” (Elliott, 2013a), which may make a decisive difference. 529s may be particularly well-suited for coordination and administration functions (Lassar et al., 2011), although using this existing structure is certainly not the only option.

To recommend it, the 529 system has:

- Control by a state entity with interests in facilitating universal account holding
- Co-location of large and small-dollar accounts
- The ability to leverage and even dictate low account administration fees
- Budget and infrastructure for intentional outreach to underrepresented populations
- Potential for alignment with financial aid, tax, college preparation, and public welfare systems
- Potential availability of simple investment options

Despite these advantages, some 529 design features serve as barriers to universal participation. In order to effectively serve as receptacles of progressive CSAs, then, 529s would need to be changed in specific ways (Goldberg, Friedman, & Boshara, 2010). First, automatic account opening with an opt-out feature would ensure that the challenges endemic to low-income children’s lives would not prevent the critical intervention of account ownership. There are administrative hurdles to be surmounted here, however, including the legal obstacles surrounding opening an account without someone’s explicit permission and the need to align databases to open accounts automatically. Some jurisdictions have attempted to circumvent these hurdles by requiring individuals to proactively open a separate account for their own savings, an imposition which may compromise the college-saver identity (for information on the college-saver identity see, Elliott, 2013b). As the experiments of localities around the U.S. have revealed, some of these legal and technical hurdles may be more considerable within 529s than in other, deposit-type accounts. This is a potentially important consideration, particularly because many low-income

individuals may be likely to save in lower-risk—and, therefore, lower return—options (Omega Foundation, 2013), meaning that they may have little to lose by saving in a traditional bank account instead of investments with potentially higher returns. However, the difficulties of automatic enrollment may not be insurmountable, particularly within a national initiative. The U.S. policy infrastructure has proven itself capable of overcoming these challenges in many instances, including the construction of the massive and nearly universal Social Security system, and similar lessons regarding economies of scale and the value of routinizing these functions can be applied here as well.

Second, account fees must be kept very low, with public administration subsidies where necessary. Reducing the costs of account administration could be facilitated through the advantages gleaned from national infrastructure, and regulations could ensure that such savings are passed along to accountholders. High fees strip money from children's asset foundations and deter account opening, and can turn low-income communities against savings. Mirroring some of the insights gleaned from review of the Canadian landscape, it may be preferable for states, or even the federal government, to assume management of 529s themselves, at least where a 'no-frills' account may be a desirable option (Bennett, Chavez-Quezada, Lawton, & Perun, 2008; SEDI, 2011; Cramer, Black, & King, 2014). If private account management is preferred, adequate consumer protections and, perhaps, the creation of products explicitly for a lower-income market may be necessary, although caution must be exercised here to avoid constructing a bifurcated system that perpetuates, rather than diminishes, inequity. There is some precedent for this product innovation; some states (for example, CA and ME) have introduced no-fee 529 options specifically designed to remove barriers to participation by low-income savers (CFED, 2013).

Third, there should be some allowance for tiered account structures, in order to more fully meet the asset accumulation needs of low-income households (Elliott, 2012). Today, penalties for non-educational expenditures from 529 accounts serve as a deterrent to low-income families' participation, particularly given relatively low rates of college attendance by their children (and, so, comparatively greater exposure to the risk that they will be unable to use their deposits) (Reschovsky, 2008). Tiered accounts could allow families to first build emergency or basic savings, although policy would have to balance between facilitating simple administration and maximal student ownership, on the one hand, and necessary controls where taxpayer dollars are used, on the other. Ideally, students would be able to access their accounts to meet human capital needs as they go through school, in order to parallel the way that wealthier children use assets to purchase educational advantages (Elliott, 2012). These tiered accounts could also incorporate the principle of auto-escalation, where savings beyond a certain threshold are automatically rolled into education accounts, helping families to maintain a core savings cushion while also building dedicated college assets (Black & Huelsman, 2012). Children should be able to keep their accounts throughout their lives for use for other asset-building purposes (Elliott, Grinstein-Weiss, & Nam, 2013), including retirement or, ultimately, the educational needs of the next generation.

Fourth, as utilization statistics in both the U.S. and Canada reveal, engaging low-income savers will take intentional and targeted promotional efforts, explicitly designed to align with the needs, histories, and aspirations of disadvantaged households. CSA policy needs to build on deep understanding of the individual, psychological, institutional, and structural determinants of saving in order to develop the levers most likely to support positive outcomes (Beverly & Sherraden, 1999). Any structure designed as a savings vehicle for higher earners will not translate entirely smoothly to low-income populations, necessitating careful attention to outreach. This begins with automatic enrollment, as described above, particularly since evidence suggests effects from just having an account (Elliott, 2013a). Increasingly, though, states working to increase the progressivity of their 529s are confronting the reality that the greatest effects can be realized only by making families full partners in college saving, which can be elusive even with automatic enrollment. This is vividly illustrated in cases like SEED for Oklahoma Kids, where nearly 100% of children have accounts, but only 17% have opened their own education accounts, despite incentives (Beverly, Clancy, & Sherraden, 2014). Policy reforms can better equip 529s for this successful outreach, including regulatory reform regarding the requirement to offer low-risk account options and permission for individuals other than investment professionals to counsel savers about their 529s (Osborne, Dillon, & Bellows, 2013); integration into essential systems, including employee benefit structures, school systems, and public assistance (Jeshani, 2014); allowances and information technology to transfer unused 529 balances to other accounts; and explicit assurances that 529 assets will not harm students' eligibility for financial aid (Newville, 2010). Additionally, ensuring that accounts are held in students' own names can provide the foundation on which development of a 'college-saver' identity can take root (Elliott, 2013b), facilitating maximal reward for those who do engage as depositors.

GROWTH OF 529S AS A PLATFORM FOR CSAS

Today, states around the country are actively working to leverage their 529 systems as platforms for children's savings. Fifteen states have some 529 savings incentive (CFED, 2014), with 11 states layering a Children's Savings Account approach into their 529 plan (Beverly, Clancy, & Sherraden, 2014). Nevada and Maine have statewide automatic enrollment in their 529 system (Clancy & Sherraden, 2014), with at least modest initial deposits to 'seed' the accounts. Connecticut and Rhode Island are rapidly proceeding with similar approaches, capitalized with state and financial institution funds, respectively (Clancy & Sherraden, 2014; AllianceBernstein, 2014). Maine's move to automatic enrollment is perhaps particularly instructive, since leaders took that step after experiencing frustration with inadequate uptake of a generous public investment in PSE savings, somewhat similarly to Canada's lower-than-expected receipt of the CLB. North Dakota provides a larger \$1,000 initial deposit, but participation is capped and enrollment is not automatic (Lassar et al., 2011). Louisiana has a savings match (Lassar et al., 2011) that aligns somewhat with the CESG, with progressive savings matches for low-income savers, but without automatic enrollment or an initial deposit. Other states have taken more modest steps towards progressive 529s, with pilot programs for savings matches in states such as Missouri, Arkansas, Minnesota, Kansas, and Utah (Clancy, Lassar, & McClure, 2011). Uptake tends to be rather anemic, however, and some pilots struggle with political vulnerability as they fail to achieve scale.

Significantly, some of these state efforts, while using the 529 architecture due to administrative convenience and/or the political buy-in of state treasurers or other influential officials, are nonetheless frustrated by elements of this system (Osborne, Dillon, & Bellows, 2013), which may not lend itself well to progressive uses (Newville, 2010). For example, many 529s still have high initial balance requirements, some do not allow third parties to make deposits, some use investment firm administrators despite their cultural distance from low-income participants (Phillips, 2014), and some have encountered technical challenges such as restrictions on the number of entities that can receive statements for a given account (Johnson, 2013). While there are noteworthy exceptions, efforts to gain the full participation of financial institutions have been frustrating in many states. To a large extent, these challenges parallel obstacles in Canada's RESPs, including the low profitability of these accounts, their complexity, and the perception of limited business value in engaging low- and moderate-income savers with relatively small balances.

Despite these hurdles, some states are succeeding with programs that use the 529 system as the scaffolding for a targeted asset investment, in addition to the universal efforts described above. For example, Kansas' Child Support Savings Initiative forgives \$2 in state-owed child support arrears for every \$1 deposited, usually by a non-custodial parent, into a child's 529 (Johnson, 2013). In this case, 529s are the conduit for innovative asset approaches, without the need for extensive initial outlays to construct a program, an efficiency and expediency that is perhaps their greatest selling point as a CSA platform. In other cases, universities and other entities are leveraging the 529 system as the architecture for their PSE savings supports, as in Arizona's Earn to Learn initiative, where universities match students' savings (Arizona Earn to Learn, 2014). And there are some promising developments that some financial service providers may view CSA offerings as a competitive advantage and a tool with which to cultivate financial capabilities and engagement among the next generation of consumers (Friedline & Elliott, 2013), such as in Rhode Island's CollegeBoundFund, significantly promoted by Alliance Bernstein, the state's 529 plan administrator (AllianceBernstein, 2014).

Local and regional CSA pilots - Banks

While some CSA advocates have concluded that 529s are *the* vehicle for promoting universal access to PSE accounts, given the level of infrastructure development and the power of inertia, regional and local communities like San Francisco, California, and Cuyahoga County, Ohio, have pursued account structures outside of 529s. They have done this largely to avoid some of the limitations associated with 529s. In San Francisco, for example, automatically enrolling children—including a fairly high percentage of immigrants, some with non-standard documentation—proved too difficult within the 529 plan, so the Kindergarten to College program uses deposit accounts at CitiBank instead (Phillips, 2014). Cuyahoga County, Ohio initially struggled to find a financial institution enthusiastic about holding these accounts, particularly because the County wanted to provide accounts for every child automatically,

which inevitably means that some will see very little activity. Ultimately, a relationship with a local credit union catalyzed the partnership, but there are clearly limits to scaling this approach.

As these efforts move forward, evaluation of their effects will be essential, including the extent to which they are better conduits of children's ultimate financial well-being, as 'gateway' financial services providers (Friedline, Johnson, & Hughes, 2014) than stand-alone 529 providers that offer few other entry-level financial services. Understanding the full range of potential CSA outcomes and maintaining a clear focus on CSAs' power to improve children's lives through an equitable intervention in educational attainment will prevent defaulting into a delivery vehicle that may ultimately compromise program success, or, at least, frustrate the efforts of those committed to transformative CSA policy. Here, again, the parallels between Canada's experiences with RESPs as the product on which CSAs have been built are significant.

OTHER PROGRAM DEVELOPMENTS

Scanning the landscape of children's savings account activity around the U.S. reveals additional nuances beyond the '529 v. local' frame; in some cases, local communities are relying on the 529 infrastructure but taking considerable steps to improve outcomes for disadvantaged families. Notably, Wabash County, Indiana has had success cracking the 'engagement' challenge by using 529s to support a comprehensive community approach to college saving, achieving a dramatic growth in 529 account holding, from 3% to 72% of area children (Seaman, 2014). Here, a partnership between the YMCA, state 529 plan, and local school district incorporates financial education, recruitment of donor 'champions' for individual students, college preparation, and financial incentives (a small initial deposit and savings matches) for laudable successes in account ownership and savings activity, even absent automatic enrollment (Kugler, 2014). While, again, scaling is a challenge with these 'high-touch' models, Wabash County's attention to testing fidelity markers while allowing local innovation is supporting fairly rapid expansion, with an anticipated 124,000 accounts in 37 pilot communities over the next nine years (Seaman, 2014). Significantly, many of these same elements—GIS mapping of uptake by tract, school-based enrollment events, training of frontline service providers, sophisticated data analysis to refine approaches—have been employed by Peel Children and Youth Initiatives in Canada, to catalyze greater utilization of the government's children's savings investments by targeted low-income communities (Jeshani, 2014). In the U.S., some community organizations and scholarship-granting entities are looking at ways to integrate 'promise' programs or early commitment asset-based approaches into their financial support for children's educational attainment, drawing heavily on research linking assets and educational outcomes.⁷ Tribal governments are investing in Native children's development through broad-based savings initiatives that provide financial resources for college and also expand the potential applications for children's asset building, particularly because saving for college is somewhat less salient within tribes that offer considerable educational benefits to enrollees (Jorgensen & Morris, 2009).

NATIONAL POLICY MOMENTUM

Even while much CSA advocacy has centered on state and municipal activity, it is clear that CSAs have the attention of federal policymakers, with movement on reducing asset limits for means-tested programs (Cartwright & Lewis, 2014), reforming 529s (Jenkins, 2014), and outlining comprehensive children's savings policy (King, 2014) in both chambers of Congress and the administration. The U.S. Department of Education showed tremendous initiative in soliciting plans for integration of children's savings within the GEAR UP (Gaining Education and Readiness for Undergraduate Programs) system. Although this nascent effort was ultimately derailed by technical challenges confronted as GEAR UP programs sought to embrace this new role, there is still significant interest in combining the two essential elements of college preparation: financial readiness and academic qualification (Elliott, 2013c). At the other end of children's academic careers, some early childhood education programs are integrating college savings, as well (CFED, 2013).

There is some interest in Congress in avoiding the 'friction' encountered in trying to use 529s for progressive asset policy by constructing a new, standalone vehicle for children's savings. This policy conversation is starting with the

⁷ See, for example, Louisiana's GEAR UP Rewards for Success scholarships, which are deposited into START savings accounts (LA GEAR UP, 2014).

broad outline of the ASPIRE (America Saving for Personal Investment, Retirement, and Education Act) Act (New America Foundation, n.d.). ASPIRE would create Lifelong Savings Accounts for every newborn, with an initial \$500 deposit and progressively-scaled matches for low-income households (Loke & Sherraden, 2009). In ASPIRE, children living in households with incomes below the national median would be eligible for an additional federal contribution of up to \$500 at birth and a savings incentive of \$500 per year in matching funds. Significantly, such proposals are not terribly expensive. It is possible to fund dedicated accounts for all U.S. children at birth for only \$3.25 billion in the first year (Cramer, 2006), far less than the \$500 billion in tax expenditures for economic mobility directed mostly at wealthy Americans (Greer & Levin, 2014) or the \$36.5 billion in federal costs for student loans in 2013 (Congressional Budget Office [GAO], 2012). While, as Canada's experience has demonstrated, federal children's savings policy would require new appropriations, these costs pale in comparison to the significant potential returns.

CONCLUSION

Reviewing the educational and economic contexts of Canada and the United States reveals parallels that, then, highlight the utility of examining Canada's experiences with children's education savings programs for their implications for the U.S. In both countries, but particularly in the U.S., CSAs may be a way to realize greater equity in educational outcomes for disadvantaged children, through a policy intervention more closely aligned with the prevailing ethos of individual responsibility than other need-based financial assistance. The political and social trends in both countries not only shape children's savings policy, however; they also may provide openings for garnering a significant constituency to support education savings, particularly inasmuch as CSAs can be framed as helping to address significant concerns, including constrained economic mobility, widening achievement gaps, and rising student debt. In the following sections, we examine in greater detail the lessons learned from Canada's education savings system and the critical questions to be addressed as policy development in the U.S. and Canada seeks to use asset interventions to transform the educational trajectories of disadvantaged children.

LEARNING FROM EACH OTHER: COMPARING THE U.S. AND CANADA

Again, our identification of points of comparison is neither meant to be unduly critical of either country's current status or efforts to date, nor to deny the very real differences in political, economic, and social contexts. Still, to make this analysis most helpful to decision-makers in each country, we highlight below some critical similarities and differences in the education savings approaches. These points of comparison and contrast will serve as background for our lessons learned and recommendations for future policy development.

RESPs Roughly Parallel the Collective Effect of State-Administered 529 Plans in the U.S.

Both RESPs and 529s see regressive subscription patterns. Americans saving in 529s have 25 times the median assets and three times the median income of all U.S. households (GAO, 2012), while, in 2008, 35% of low-income and almost 59% of high-income children had RESPs (HRSDC, 2009). Other parallels include annual and lifetime savings caps and account administration by private institutions. There are also similarities in the types of incentives used in Canada and in some states, especially the trend toward use of early enrollment incentives, seen as a tool with which to jumpstart savings and foster increased asset accumulation (Lassar et al., 2011). Indeed, Nevada's progressive 529 program is called "KickStart" (Marshall, n.d.), the same language used by the Canadian government in announcing the creation of the Canada Learning Bond (Department of Finance Canada, 2004). Canada's transfers are more generous, particularly as a percentage of PSE costs, however, than even the most generous program in the United States. For example, Louisiana has deposited \$11,906,000 in Earning Enhancement match funds since 1997, while participants in Arkansas's Aspiring Scholars Matching Grant program have received a total of \$643,774 since 2007 (Lassar et al., 2011). In contrast, in 2012 alone, the Canadian government awarded \$51 million in CESG enhancements to low- and moderate-income households (HRSDC, 2012). RESPs are structured to be somewhat less tilted towards benefits for wealthy individuals than 529s. Significantly, contributions are not tax-deductible, which forecloses a benefit that would accrue disproportionately to higher earners and makes RESPs considerably less expensive, in terms of foregone revenue, than 529s, thus freeing greater resources for direct supports. In the U.S. 529 system, the primary benefits are delivered through the tax code and are primarily valuable, then, to those with higher incomes and greater tax obligations (Newville, Boshara, Clancy, & Sherraden, 2009).

One of the Primary Objectives of a CSA System is to Engage Families in College Savings

Canadian families are saving for PSE at a much higher rate than comparable families in the U.S. In the U.S., 37% of families with children younger than 18 and incomes less than \$35,000 are saving for college (Lassar et al., 2011), compared to 48% of families in the lowest income quintile in Canada and 70% of all Canadian parents (Guilmette, 2011). Canadian families saved \$3.9 billion in RESPs in 2013, with average contributions of \$1,474 per beneficiary child (CESP, 2014), although these figures are pushed upward by the predominance of wealthier families in RESPs and the influence of savings contracts in group scholarship plans. In 2010, fewer than 3% of all U.S. families, only 7% of those who expect major PSE expenses within the next 5-10 years, and even fewer than 10% of those for whom PSE saving is a priority saved in a 529 or Coverdell plan (GAO, 2012). While cultural and historical differences likely contribute to these different behaviors, the effect of a national savings plan cannot be ignored. Nearly half (47.1%) of Canadian children live in households that have received the CESG (CESP, 2014). Largely reflecting overall differences in population, more assets are held in 529s; in 2013, more than \$166 billion was invested in the state plans nationwide (Morningstar Fund Research, 2013), compared to \$40.5 billion in RESPs (CESP, 2014). Perhaps reflective of growing concern about the rising cost of college in the U.S. and Canada, both vehicles have seen significant asset growth in recent years; 529 deposits grew 25% in 2011, and RESP deposits grew by 20% between 2010 and 2013 (CESP, 2014). RESPs are more suitable than 529s to use as a lifelong savings account (Sherraden, 1991) to hold assets used to facilitate economic mobility (Elliott & Lewis, 2014). The restrictions associated with RESPs and the education savings incentives are consistent with their mandate to encourage families to save early for their children's educations (Department of Finance Canada, 1998). However, rules that would allow individuals to hold RESPs for life, transfer them seamlessly to retirement accounts, and even transmit them intergenerationally could improve their potency as tools for equity.

Table 3: Comparison of the Education Savings Systems in Canada and the United States

	Canada's Education Savings System	United States' Education Savings System
Account Structure/Delivery	Since 1972, Registered Education Savings Plans (RESPs), which serve as vehicle for federal and provincial investments	State-administered college savings plans predate congressional authorization for tax benefits (1996, in Section 529 of IRS Code), now in 48 states and the District of Columbia, plus Education IRAs, Coverdells, and some CSA programs
Savings Matches/Incentives	The Canada Education Savings Grant (since 1998)—all Canadians eligible for 20% match on contributions up to \$2,500/year and low- and middle-income Canadians eligible (since 2005) for additional matches of 10% (those with family incomes between \$43,953-\$87,907 in 2014) and 20% (those with family incomes less than \$43,953). There is a maximum \$1,100 grant per beneficiary per year, with a lifetime maximum of \$7,200.	As of 2011, 10 states offered matching grants for low-income 529 savers; many of these programs are capped to a limited number of participants and have fairly low savings limits but match relatively generously as a percentage of household saving (up to 4:1, with many states offering 100% matches to a dollar limit). Additionally, many states provide generous tax incentives in 529s (Newville, Boshara, Clancy, & Sherraden, 2009).
Initial Deposits	Canada Learning Bond provides a \$500 initial deposit and \$100/year for 15 years for those born on or after January 1, 2004 (including retroactively), for a lifetime maximum of \$2,000/child in federal deposits with no deposit required, plus provincial investments, where applicable.	Some states (RI, ME, ND, NV) offer 'early enrollment incentives', some of which do not require family savings. However, most of these require enrollment by the child's first birthday and are relatively small in scale. ⁸
Role for Private Financial Institutions	RESPs offered by 'promoters', including group scholarship providers, banks, credit unions, investment services, and insurance companies. There were approximately 80 financial institutions/dealers offering RESPs in 2014 (CESP, 2014). They receive no direct government compensation for providing accounts and vary considerably in offerings, business models, and success with low-income households.	529s administered by investment firms that contract with the state government to provide account management and oversight, pursuant to U.S. rules regulating investment products; state contracts with 529 providers include different rules regarding required minimum deposits, account fees, investment options, and other features.
Interaction with Other Policy Systems	RESPs not counted against families' eligibility for means-tested benefits except in PSE financial aid. While the process is certainly not seamless, requiring closure of the RESP before balances can be transferred, savers can roll	529s exempted from most state benefit eligibility determinations but not from federal financial aid decisions. Unspent 529 deposits can be transferred to another beneficiary or withdrawn with penalty, if not

⁸ At \$500, Maine's \$500 Alford Challenge is the largest investment; Rhode Island makes a one-time \$100 deposit, while Nevada seeds accounts with \$50.

	interest income from their RESPs into retirement or disability accounts without penalty, although the education savings incentives are restricted to post-secondary education purposes.	used for higher education by the identified beneficiary student.
Layers of Governmental Involvement	RESPs are a federal education savings vehicle that serves as the repository for other federal investments, namely the CESG, A-CESG, and CLB. RESPs are governed by the Canadian Finance Agency, not the Canada Education Savings Program. Provincial investments, some of which are quite substantial, can be funneled into these same accounts. As of 2014, Alberta, Quebec, Saskatchewan, and British Columbia have or have announced savings incentives (see table, below).	U.S. federal government involvement is limited to financial regulations governing 529s, with investments for matches and other incentives coming from state lottery funds or general funds, 529 administrative fees, financial institution contributions, or private philanthropy.
Uptake	In 2013, 47.1% of Canadian children were in households that received the education savings grant (CESG). Just over 29% of eligible Canadian children received the Canada Learning Bond (CESP, 2014).	The General Accounting Office found that, in 2010, fewer than 3% of U.S. households were saving in 529s (GAO, 2012). Participation rates in CSAs that use 529s vary and depend, in part, on the enrollment approach used and the definition of “participation”.
Scale	In 2013, \$782 million was disbursed in CESG matches, against \$3.9 billion in RESP contributions. \$101 million was disbursed in the Canada Learning Bond in 2013.	By 2011, approximately \$24.6 million in state funds had been deposited in matching 529 programs (Lassar et al., 2011); San Francisco’s Kindergarten to College savers had earned more than \$1 million in philanthropic matches and public initial deposits by 2014 (San Francisco Treasurer’s Office, 2014).

Table 4: Canadian Provincial Education Savings Programs

	Benefit	Eligibility	Administration
Alberta Centennial Education Savings Plan Grants	\$500 initial deposit and \$100 at 3 intervals	Children born in 2005 or later whose parents are Alberta residents at time of birth or application Additional \$100 deposits made when child turns 8, 11, and/or 14	Administered by the federal CESP
Saskatchewan	10% additional grant on family contributions	Children residing in Saskatchewan who are eligible RESP beneficiaries	Administered by the federal CESP
Quebec	10% tax benefit on deposits up to \$250/year	Low-income households receive an additional \$50/year in tax benefit	Administered by the province, separate from the CESP
British Columbia Training and Education Savings Grant	\$1200 Training and Education Savings grant into a RESP	Children born on or after January 1, 2007 who are B.C. residents	<i>Will be administered by federal CESP, when launched in 2015</i>

CHAPTER II

LESSONS TO LEARN: CANADIAN INSIGHTS FOR U.S. CHILDREN'S SAVINGS ACCOUNT (CSA) POLICY

While, clearly, the transferability of lessons from the Canadian to the U.S. education savings context should not be overstated, the investigation of the Canadian Education Savings Program (CESP), including the RESP account vehicle and associated incentives, has revealed insights that may offer instructive considerations. This report discusses some of these findings, highlighting those most pertinent for U.S. policymakers, advocates, and scholars. The body of evidence regarding CSAs' effects is growing, but there are still open questions about how to structure CSAs for transformative asset development, particularly among disadvantaged children. These considerations have real policy urgency, today, with the realization that combating poverty requires creating opportunities and building capital (SEDI, 2010; Elliott & Lewis, 2014), both imperatives addressed by asset-based financial aid. The relevant policy decisions include choosing the vehicle best suited to provide efficient, equitable access to meaningful asset accumulation, the calibration of incentives to elicit desired behaviors, the best levels of government to administer and finance these investments, the framing of CSAs as an intervention to restore education to its role as an arbiter of the American Dream, and the needed alignments with other policy arenas, including in the private marketplace, in order to leverage maximal impact.

As asset researchers and advocates coming from the U.S. perspective, we would never pretend to have the answers for Canadian policymakers and practitioners looking for ways to improve the performance of their education savings approaches. However, the state of the U.S. asset field allows us to illuminate some potential insights, hopefully relevant to our Canadian neighbors, alongside lessons gleaned for our own purposes. Canada's education savings program provides immediate, significant advantages to low-income households seeking to build assets and also advances a global conversation about best policy approaches. While there is clearly need for ongoing policy reform, particularly in order to improve the structure's ability to meet the needs of disadvantaged children (SEDI, 2010), RESPs are viewed as a leading institution for PSE savings (OECD, 2007).

LESSONS TO LEARN FROM CANADA'S NATIONAL CSA PLAN

There appears to be something significant about a cohesive, nationalized, education savings *plan*, rather than a disconnected system of savings accounts, although these advantages may erode somewhat in a hybrid public/private approach like in Canada, which increases fragmentation and introduces greater variability. In addition, without automatic enrollment, many Canadians are disconnected from the education savings structures, such that they may not be perceived as a truly 'national program', which may help to explain lags in getting buy in from needed partners such as schools. The collective identity of "we save, we go to college" appears less entrenched than we might have anticipated, a level of disengagement perhaps elevated by factors such as the savings policies' origins in an idea at the national government level. Still, Canadian families save for higher education at far higher rates than their U.S. counterparts, and the RESP is far more favored as a method of PSE saving, as compared to 529s, suggesting that there might be some value in framing education savings as part of a national commitment, rather than a mere financial product.

A NATIONAL PLAN MAY PROVIDE A RELATIVELY AFFORDABLE WAY TO INCREASE PSE SAVINGS

In Canada, 66% of parents who have saved for PSE have an RESP for their children, far ahead of the next-most common vehicle, a traditional savings account, at 28% (Guilmette, 2011). A national approach brings economy of scale, particularly as compared to the relatively high administrative costs of more localized asset interventions (Aspen Institute, 2003). Administration of the CESG costs just \$12.85 per beneficiary over six years, on average, for annual administrative costs of just \$0.06 for every \$1 of financial assistance (Leckle, Dowle, & Gyorfl-Dyke, 2008), although these costs would likely be higher if the government was responsible for all of the administrative functions currently conducted by private financial institutions. This represents a new benchmark for large-scale asset programs

and provides a path through which those committed to creating asset-based approaches to financial aid can make effective arguments for their expansion.

ACCOUNT ARCHITECTURE MAY FACILITATE DEVELOPMENT OF OTHER PROGRESSIVE POLICY INVESTMENTS

While RESP promoters would perhaps prefer that all education savings incentives be developed federally, for ease of implementation, the Canadian system is explicitly designed to allow any province to develop its own supplemental benefits and to use the architecture of the RESP to deliver them. This is similar to what some researchers and advocates are proposing with regard to using existing state 529 plans in the U.S. for creating a national CSA policy.

In Canada, the existence of the RESP has made possible the development of provincial savings investments.⁹ Since 2005, Alberta has made a \$500 initial deposit and then deposited \$100 at specific milestones (at ages 8, 11, and 14), through the Centennial Education Savings Plan (Junor & Usher, 2007). When it comes online in 2015, the British Columbia Training and Education Savings Grant will deposit \$1,200 for every B.C. child born on or after January 1, 2007. In late 2012, Saskatchewan announced a 10% match, to a maximum of \$250 per year on top of the CESG. These provincial schemes rely on the Canada Education Savings Program to administer their incentives. This policy innovation is paralleled by states' development of 529 matches/incentives (Lassar et al., 2011); however, in the U.S., states have greater difficulty ramping up their initiatives, in the absence of a readily-available platform. Without a 'turnkey' product, states seeking to layer progressive savings incentives onto the 529 plan architecture often face considerable challenges in developing the information technology, communications materials, staff training, and legal agreements needed to support their initiatives (CFED, 2014). While U.S. states have demonstrated considerable momentum to take on this daunting task, Canada's experiences suggest the potential for even greater activity with the advent of a cohesive national account structure.

EVEN ON A NATIONAL LEVEL, WITH THE RIGHT INCENTIVES, LOW-INCOME FAMILIES CAN AND WILL SAVE

Evidence from Canada affirms on a national level what empirical studies in the U.S. and elsewhere have suggested in more localized contexts: given the right incentives and an accessible vehicle, low-income families will save for their children's educations. This is a crucial question; if policymakers cannot definitively answer that low-income families will save for PSE, there is less incentive to provide the vehicles that offer them the greatest chance to accumulate assets and achieve equitable PSE outcomes. However, relying too much on families' savings behavior may reduce momentum for the substantial public transfers that are essential for equitable outcomes. This becomes, then, an issue not just of striking the right balance in terms of policy levers, but also deciding how to frame a relatively nuanced message. Evidence from Canada offers some important insights. Canada's savings incentives are intentionally designed to cultivate regular saving, and analysis suggests that low-income households may be accumulating as much as \$400/year *more* than they would without the Canada Learning Bond (CLB) and Additional Canada Education Savings Grant (A-CESG) (Robson, 2013). Data are somewhat unreliable, particularly when separating out the savings of higher-income Canadians, but sources put average RESP contributions at approximately \$740/year among those who are receiving the CLB (Wong, 2014). Illustrating the relative weight of non-participating RESP subscribers, average contributions are closer to \$1000/year when those with \$0 in their accounts are excluded.

To a large extent, the superior savings of low-income Canadians, in comparison with U.S. demonstrations (Mason, et al, 2009), may reflect the influence of savings expectations in group scholarship plans. Additional data are needed to sort out the relative contributions of the various savings incentives, but the savings behavior of low-income Canadian households may suggest the potential for improved outcomes in a system that emphasizes progressive incentives and sizeable asset redistribution. As discussed below, analysis of Canada's different RESP products—particularly the distinct approaches of group scholarship promoters and traditional financial institutions—may provide additional insights about tools that can induce saving.

⁹ Quebec provides a refundable tax credit for up to \$250 for savings in RESPs, essentially serving as an extra top-up to a family's savings, worth approximately \$25 million per year or up to \$3,600 lifetime per child (Junor & Usher, 2007; Revenue Quebec, 2013).

DESIGN CONSIDERATIONS

INTEGRATING SAVINGS GOALS AND RESTRICTIONS INTO THE STRUCTURE MAY INCREASE SAVINGS

As has been theorized in the literature on institutional determinants of savings (Beverly & Sherraden, 1999; Beverly, et al., 2008), there is some evidence from Canada that incorporating specific savings goals and clear asset restrictions into CSAs may increase savings rates. Indeed, the Canadian structure, which includes both traditional savings accounts without predetermined savings expectations as well as group scholarship plans, which come with strict contracts regarding savings targets, illuminates how these expectations may function as an institution facilitative of household savings, particularly for those who select these constraints. Most often, group scholarship plans require that low-income families have a monthly contribution schedule of a minimum of \$100 per month. For example, of the 5,974 Canada Learning Bond-eligible¹⁰ accounts opened by the Canada Scholarship Trust (a major provider of group scholarship plans) in 2013, 5,102 had a monthly contribution schedule. These accounts had an average annual contribution of just over \$1,205 and a median annual contribution of about \$1,000. In contrast, among the 139 remaining accounts that were self-determined (i.e., families could save whatever amount they wanted), average annual savings was only about \$120, and the median was \$0. This is much more comparable to savings performance in the U.S., although it must be considered that a monthly contribution schedule of \$100 may be more plausible in the Canadian context than in the U.S., given the existence of Canadian income transfers like the \$100 Universal Child Care Benefit (UCCB) that can be used to meet the monthly contribution schedule.

However, while offering the potential for better savings performance, the constraints associated with group scholarship providers also carry risks, especially for low-income savers. While the Canadian Scholarship Trust Plan's average percentage of plans cancelled prior to the maturity date (or, the 'dropout rate') is 8.8% (Canada Scholarship Trust, 2014), other plans see far higher 'failure' rates, with as many as 42% of all savers losing some of their investments (see CEFI, 2013) and others unable to satisfy the rules for EAP disbursement at all (see Knowledge First Financial, 2014). While demographics for these aspiring savers are unavailable, it is suspected that they are concentrated among lower-income households who find complying with a rigorous savings schedule more onerous. If low-income families are to benefit from the presence of savings expectations, the commitments must be rigid enough to be meaningful, while not discouraging participation (Beverly, et al., 2008) and offering some flexibility, alignment with the realities of poor people's lives, and way to exit without undue risk, a balance not necessarily easy to strike. For example, the Canada Scholarship Trust provides low-income families who are struggling to meet their monthly schedule the opportunity to switch to a self-determined plan instead of simply discontinuing them from the program a policy adopted recently by Heritage Education Funds, as well (Heritage Education Funds, 2014). Typically, between the time the account is set up and the time children reach age 18, they see about 10% to 12% of plans transfer. As other group scholarship plans change their rules to allow for these modifications, the incidence of plan cancelation may decrease, but so, too, may the potency of the savings goals as a motivator for behavior.

CSA OBJECTIVES ARE BEST SERVED THROUGH THE COORDINATION OF MULTIPLE, COMPLEMENTARY INCENTIVES

One of the distinguishing features of Canada's approach is the way in which policy elements have been knit into a national savings structure with complementary effects. While designed to work in concert, the elements can drive together towards objectives of increasing access, affordability, educational preparation and attainment, and equity, through the tandem mechanisms of account ownership and asset accumulation (Elliott, 2014). Again, while initially conceived as more narrowly directed at PSE affordability support, from the beginning policymakers have emphasized the complementary functions of the incentives, reflecting an intentionality that bodes well for future outcomes (Department of Finance Canada, 2004). Designed correctly, education savings programs can affect not only financial readiness but also long-term preparation (Elliott, 2013a), critical to the enrollment decision (Finnie & Mueller, 2007). Indeed, long-term academic preparation may be even more significant for persistence to degree than for initial access (Mueller, 2008). While evidence in the Canadian context is more limited, there are at least some

¹⁰ These families, then, had median incomes below \$43,561, making them eligible for the Child Benefit Supplement.

correlations between academic performance and PSE savings (cited in Girdhar, Simonova, & Lefebvre, 2010), and it is largely through this effect that the CESP can position disadvantaged students for greater success.

Canada's education savings program may sensitize Canadian parents to the need to save for PSE earlier in their children's academic careers (EKOS Research Associates, 2008). Earlier account opening and initiation of PSE saving were explicit rationales for the creation of the CESG (Department of Finance Canada, 1998), and the CESP credits the incentives with the earlier initiation of RESP accounts today. In 1998, the average age of new CESG beneficiaries was 8 years; by 2013, this had fallen to 3.5 years (CESP, 2014). Prior to the introduction of the CLB and A-CESG, only approximately 80% of RESPs were opened during a child's birth year, a figure which rose to 90% after the commencement of these incentives (HRSDC, 2009). While early account opening is significant because savings will have longer to grow, increasing the likelihood that households can accumulate assets adequate to confront rising college costs, the institutional facilitation effects of savings on academic expectations and behaviors may also be greater if allowed to develop over time (Elliott, 2013a). Still, only 35.8% of children ages 0-4 receive the CESG, compared to more than 45% of those ages 5-9 and more than 40% of those between 10-14 (Girdhar, Simonova, & Lefebvre, 2010), suggesting a need for additional policy mechanisms that can increase early engagement, particularly as younger families are likely to have less disposable income from which to save. Also, given the rising cost of PSE, the earlier that a family decides on a college-bound course, the greater the likelihood of actual enrollment (Ipsos-Reid, 2001).

Recognizing the potential of asset accumulation to help close achievement gaps between advantaged and disadvantaged youth does not mean, however, that any structure that helps low-income households save for PSE will necessarily be an equalizing force in education policy (SEDI, 2010). Indeed, despite Canada's commitment to progressivity, concerns about disproportionate participation among high-income families and related regressive effects of RESPs have plagued the program since its inception. While it is clear that the inclusion of direct transfers within the PSE asset accumulation system serves to mitigate some of the regressive effects seen in purely tax-preferred structures (Kerstetter, 2002), the road to real redistribution is daunting. For example, even the combined investments of the CESG enhancements and the CLB still total less than Canada's textbook tax credit (Junor & Usher, 2007), the latter of which disproportionately benefits higher earners.

IT IS DIFFICULT TO SECURE UNIVERSAL ACCOUNT OWNERSHIP WITHOUT AUTOMATIC ENROLLMENT

While CSA programs must conquer the engagement conundrum, described below, to realize the full potential of asset interventions, there may be considerable value in designing a policy structure that can deliver account access—even with relatively little asset accumulation—to all children. Analysis by Elliott and colleagues finds that just having a savings account dedicated for college can make enrollment more likely, while savings of just \$500 can significantly increase the likelihood of college completion (Elliott, 2013a). The question then becomes how to surmount barriers to account opening, a hurdle that has spurred experimentation with automation. As U.S.-based CSA advocates and policymakers contemplate technical challenges associated with automatic account opening, Canada's experiences with trying to simplify or 'facilitate' enrollment and entice families with sizeable public transfers unintentionally reveals the superiority of using automatic enrollment to circumvent the need for families to 'opt-in' (Nam, Kim, Zager, Clancy, & Sherraden, forthcoming). In some ways, these experiences parallel Maine's evolution regarding not wanting to sacrifice buy-in for universal access but, ultimately, concluding that automatic processes may be a superior route to securing full participation (Clancy & Sherraden, 2014). Short of automatically enrolling households, the CESP has made strong efforts to ease entry, including reducing the seven forms required for enrollment to one, working with RESP promoters to train staff regarding the option to open an RESP without any deposit, and encouraging promoters to apply for savings incentives for everyone. Further efforts to improve the interface between the financial institutions, consumers, and government continue in Canada, including a project by Prosper Canada to test how changes within the existing regulatory footprint might improve these processes and increase take-up (Mulholland, 2014) and partnerships between Service Canada and provincial governments to create 'one-stop shops' for accessing government benefits.

However, there are still significant hurdles that can prevent participation, particularly at the point of RESP account opening. In essence, despite efforts to decrease paperwork and streamline screening, it will always be problematic to require that parents come forward to claim an investment that all children should receive as a matter of course. The

CESP mails customized letters quarterly to CLB-eligible families but, even if households attend to this information, it is not necessarily adequate to counterbalance the time and cost to follow through, which some worry could exceed the initial CLB deposit (Mulholland, 2014). Lower-income families are deterred by the jargon and multiple steps to open an RESP. Canadian privacy law prohibits income testing—necessary to qualify for the A-CESG and CLB—without individual consent (CESP, 2014), although it is not clear that the government would be prevented from enrolling households in the RESP and *then* engaging them in applying for the incentives, once initial account ownership had taken hold. Here, it is the utilization of the RESP vehicle that may pose the greatest obstacle, as the Social Insurance Number (SIN) required to open a RESP is not normally needed for children (Stapleton, 2013; Jeshani, 2014). However, group scholarship plans’ practice of holding participants’ contributions in an unregistered escrow account until they provide a SIN with which to register provides a hint at how automatic enrollment might be achieved (see, for example, Knowledge First Financial, 2014).

Still, though, to shift to automatic enrollment, the landscape of RESP promoters would have to be navigated, and new products may be needed. Randomly assigning families to a group scholarship promoter whose contracts carry a real risk of loss of principal would be unacceptable (Robson, 2014), although direct government management, perhaps of a ‘no-frills’ RESP (Cramer, Black, & King, 2014), might circumvent this hurdle (SEDI, 2010). Significantly, Canada has created a mechanism to facilitate the automatic deposit of funds into RESPs for children who have been wards of the state in Ontario and who are entitled to a provincial income benefit, a limited measure that nonetheless might suggest a model (Robson, 2014). Again, legal obstacles to opening an account without someone’s explicit permission and aligning databases to open accounts automatically at birth are not entirely dissimilar from concerns in the U.S., where there is, nonetheless, policy movement towards automatic opening, including in Rhode Island; Maine; Oklahoma; and Nevada (Lassar et al., 2011), despite complications associated with the 529 vehicle, including federal rules about investment disclosures and requirements of Social Security Numbers for account opening. This is not to minimize the differences between Canada and the U.S., however, or how those distinctions influence policy options.

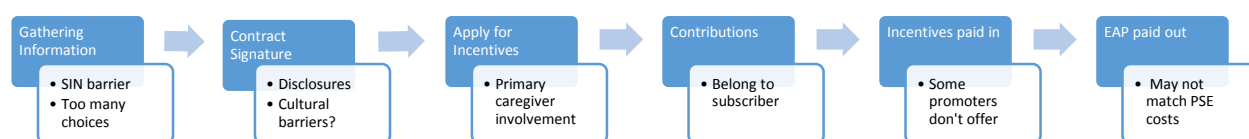
Without automatic RESP account opening, getting low-income Canadians ‘in the door’ so that they can receive incentives to which they are entitled has proven more difficult than initially imagined. Low awareness, confusion, language barriers, and contractual hurdles all reduce uptake of incentives for low-income Canadians (Omega Foundation, 2013), although targeted outreach and specific policy changes—such as conducted in the SmartSaver pilot, spearheaded by the Omega Foundation—increased uptake from 27% to 41% in three years, with participation still climbing in the targeted geography even after most funded operations have ceased (Omega Foundation, 2013). These take-up rates are higher than in many jurisdictions in the U.S. and track closely with the upper limits reached in Maine prior to the shift to an opt-out program with automatic enrollment (40% in 2013) (Clancy & Sherraden, 2014). The SmartSaver pilot and the initiatives it spawned, including ongoing work by Peel Children and Youth Initiatives, focused on increasing awareness of the education savings incentives, integrating children’s savings into existing program and policy structures, prompting culture change in closely-knit communities—often heavily represented by immigrant ‘newcomers’—and policy changes to reduce the obstacles to children’s savings (Omega Foundation, 2013; Jeshani, 2014). The Omega Foundation’s concentrated work in Toronto suggests that a critical mass of promoters, participating households, and community-based outreach can successfully connect low-income families to financial institutions. In the U.S. we have seen similar increases in take-up rates in opt-in programs when coupled with such concentrated efforts. The best example may be in Wabash County, Indiana, which has implemented many of the same techniques employed in SmartSaver. However, Wabash County has gone beyond community-based outreach to incorporate behavioral economics principles, relying heavily on student and community identity by, for example, engaging children in the process of finding ‘champions’ to help them save. They have realized take-up rates of about 70%.

Still, in most cases, lower participation rates are casualties of a targeted, instead of universal approach, and some families are ‘stranded’, administratively separated from benefits they should receive. CLB uptake, in particular, speaks to the need to reconfigure policy structures, since a program that essentially offers ‘free money’ should have nearly universal utilization. While achieving CLB penetration is particularly difficult because the eligible population will increase each year until 2022, increasing the pressure to make headway among eligible children (CESP, 2014), the CESG evidences inadequate utilization, as well. For example, more than 47% of recipients of the basic CESG could have received the enhanced A-CESG but did not apply (HRSDC, 2009). Other research finds that only 34% of

parents take full advantage of the CESG (BMO Wealth Institute, 2013). Importantly, because low-income households are more likely to lack the foundational documents and other prerequisites needed to open an account, an application procedure neutral on its face may still pose disproportionate hurdles. Furthermore, these gaps may be exacerbated as some of the community-based providers that helped low-income households navigate account opening are forced to retreat from this work as the Canadian government withdraws outreach funds (McBride, 2014). Some in Canada even speculate that government may have an incentive to maintain take-up rates at current levels as a way of reducing the cost of the program.

Automatic structures mitigate the risk that asset incentives disproportionately benefit financially-savvy families (Huang, Beverly, Clancy, Lassar, & Sherraden, 2011), as has been seen in other Canadian savings programs, where low-income participants have been found to be better educated and more likely to be employed than the low-income population overall (Leckle, Dowle, & Gyorfi-Dyke, 2008). Automatic account opening is not just about progressivity and inclusion, though; it would also facilitate scaling. While evaluation of the Smart Saver and Wabash County, Indiana projects reveal promising strategies through which to increase participation, this intensive effort also provides evidence of the advantages afforded by automatic enrollment. If it takes participation in a workshop plus supportive services *and* reminders to get accounts open (Momentum, 2011a; Stapleton, 2013), there is an obvious lost opportunity for the scalability that a national program should deliver.

Figure 2: Life Cycle of an RESP and Barriers to Equitable Low-income Participation at each Stage



TRANSFERS ESSENTIAL: BUILD BALANCES, ENCOURAGE EARLY OPENING, INCENTIVIZE SAVING

CSA advocates have long struggled with balancing their message that low-income families *can* save (see above) with the need to ensure that children's futures do not rest *solely* on parental initiative. While low-income families can and do save, often in greater amounts than might be expected, there is clearly a need for transfers in order to facilitate adequate balance accumulation and endow CSAs with assets sufficient to serve as equitable catalysts for future economic mobility. The CLB was framed at inception as a "kick start" and "guaranteed" source of savings for the post-secondary education of children (Department of Finance Canada, 2004), suggesting an early recognition by Canadian officials of initial deposits as worthy of attention as a complement to or even replacement for approaches to encourage parental saving. Emerging research suggests that some of the strongest effects of PSE asset accumulation can be realized even without savings by families (Huang, et al., 2014). One of the most critical binational lessons here, then, is the significance of transfers as investments in children's post-secondary educational access and attainment. In 2013, 37% of the total withdrawals from RESPs were in EAPs (CESP, 2014), composed of government transfers and matches; among low-income households for whom the CLB represents a more significant percentage of total holdings, this figure would likely be even higher.

This is an important lesson for U.S. policy development. Just because poor families *can* save does not mean that they should be responsible for financing all or even most of their own capital needs, just as their limited savings capacity does not suggest that it is not worthwhile to encourage and facilitate their savings. Indeed, in Canada, low take-up of the CLB is characterized as a missed opportunity to capture government investment for low-income children. As the President of the Omega Foundation stated, "71 percent, or more than 1.4 million lower-income Canadian children have yet to receive the Canada Learning Bond to which they're entitled. The amount so far in unclaimed CLB grants represents up to \$3 billion in potential education savings deposits", compelling a collective responsibility to increase awareness and decrease friction in order to unlock these resources (Connell, 2014). While PSE asset accumulation promises significant benefits accruing to society, as well as to the individual, warranting public investment in asset transfers, taxpayers are not the only source of initial deposits or other infusions of third-

party money into children's savings accounts. All of Canada's group scholarship plans provide some 'discretionary payments' to some of their savers, usually financed through the forfeited earnings of those who do not comply with the program's expectations (see, for example, CEFI, 2014). In the U.S., Nevada and some other states use fees from the administration of its 529 system to fund incentives for early account opening (Marshall, n.d.).

In U.S. discourse, savings matches and initial deposits are often conceived as serving different purposes—the former, to encourage savings, and the latter, to foster speedier asset accumulation. Experience in Canada and in the United Kingdom's short-lived administration of Child Trust Fund accounts (Bennett, et al., 2008), reveals that transfers may also encourage saving, however. In 2008, 94% of those who received the Canada Learning Bond also contributed to their RESPs, even though deposits are not required (HRSDC, 2009). By 2013, this rate had inched up to over 97% (CESP, 2014). While this is obviously far higher than savings rates among low-income families in U.S. CSA programs, this is where 'opt-in' might matter, suggesting the importance of engagement.

While there is a trend toward utilization of initial deposits in the U.S. context, as well, as described above, this is an area in which Canada has demonstrated greater political will and policy development. The challenges impeding development of an American system of asset transfer for child development are more prominently political than technical, but the Canadian experience may still prove instructive. Eligibility for the CLB (and the A-CESG) is verified every year from tax records from the Canada Revenue Agency, which then sends an electronic 'flag' indicating the incentives for which the beneficiary is eligible (CESP, 2014). Payments are automatically initiated and stopped based on income changes. The apparent ease with which these adjustments are made suggests a potential model for redeploying Pell Grant resources as an asset-building savings system (Kelchen & Goldrick-Rab, 2013), avoiding the concerns of some, that these resources could be misappropriated to individuals no longer low-income at the time of receipt. The Pell Grant program, while a particularly promising source of PSE asset (Rethinking Pell Grants Study Group, 2013), is certainly not the only option, however. In both the U.S. (Reschovsky, 2008) and Canada (Usher, Lambert, & Mirzazadeh, 2014), billions in tax-based financial aid could be more effectively and efficiently deployed as progressive asset transfers. In Canada, while net costs are quite low, high upfront costs can derail education progress; in the U.S., there is no evidence that these billions in tax aid increase educational attainment (Long, 2004). Additionally, state-supported Child Support Savings Initiatives (Johnson, 2013), state scholarship programs, and a variety of consumption-based welfare policies could also fuel transfers to children's savings accounts, once U.S. advocates can make a successful case for these deposits as catalyzing greater educational attainment and increased economic mobility among disadvantaged young people (Elliott, 2014).

TRADE-OFFS IN USING EXISTING STRUCTURE V. DESIGNING ONE EXPLICITLY FOR CSAs

In part, Canada's inequitable distribution of RESP participation and CESP receipt reflect the trade-offs inherent in using a universally-available, existing structure to deliver progressive investments, rather than designing a structure that, from the beginning, has an intentionally redistributive character (Robson, 2014). In Canada, the layering of the progressive savings matches and initial deposits may point to the potential limits of using such architecture; if this policy mix does not achieve equity for disadvantaged youth, it may suggest that the hurdle is just too high. Indeed, there are features of RESPs that may not work well for low-income households, including lengthy and complex disclosures, strict disbursement rules, and, in some cases, high fees (SEDI, 2011). While low-income Canadians would likely prefer free, no risk, flexible account options, the RESP is delivered through private financial institutions with their own profit considerations. However, there are real advantages to leveraging these economies of scale, too. Significantly, the Canadian Education Savings Program was able to roll out its incentives fairly quickly, thanks to the existence of the RESP vehicle.

Today, though, officials have little ability to manipulate the RESP structure to meet the program's needs even when changes to the RESP might better serve the interests of low-income Canadians, such as allowing fewer promoters in the marketplace and allowing each beneficiary only one account. And there are other limitations. The requirement that a RESP account have an individual child's name and SIN prevents communities coming together to contribute to or manage their own education savings programs, a paradigm that has particularly deterred participation by First Nations communities (Robson, 2014). RESPs' vulnerability in bankruptcy makes children's assets vulnerable in family financial crises. Even with improvements, the complexity of the RESP system, far greater than what would

be required merely to deliver the education savings incentives, serves as a barrier to engagement. It may explain some of financial institutions' reluctance to offer the education savings vehicles, as well, since the RESP is, even without the incentives, among the most complex registered products, and the only one to require verifications at disbursement.

These are the same trade-offs faced by the U.S. asset field, seen in the debate about the comparative advantages of modifying the 529 system—designed not with the needs of low-income Americans in mind but as a tax-preferred savings structure for higher earners (Clancy, Orszag, & Sherraden, 2004)—with matches and other progressive elements, versus constructing a CSA structure with features explicitly crafted to facilitate asset accumulation by disadvantaged families (Newville & Cramer, 2009). In Canada, RESPs were not the only path to scaling, although, as Canada advanced farther down the road of implementation, the perceived 'cost' of switching to another account structure increased. Similarly, while there is considerable momentum around retrofitting 529s for CSAs, some have concluded that 529s are unworkable or, at least, undesirable, and so have undertaken the process of constructing a different model, as in San Francisco's Kindergarten-to-College program, which partners with Citi Financial to deliver deposit accounts (Phillips & Stuhldreher, 2011). This tension also motivates the pursuit of online platforms, prepaid CSA cards, and other innovations that could prevent CSA architects from having to choose between investments that may be unfriendly to low-income households, on the one hand, and bank products that can be hard to scale, on the other (CFED, 2014).

As with 529s, the RESP model is well-suited in some ways to deliver asset opportunities to low-income households, particularly given its national availability and integration with other systems, while, in other respects, progressive elements are constrained by policy design as much as by fiscal and political concerns. As one analyst explained, "We have a square box, and we kept adding things onto it, but we can't figure out why it isn't working for some of our more vulnerable families" (Robson, 2014). Significantly, while being able to build a PSE savings system on a foundation of an existing account infrastructure may be a real advantage, this may be compromised by rather anemic marketing by RESP providers and the complexity consumers confront once they make their way to a promoter (Mulholland, 2014). For example, not all of the RESP institutions provide the enhanced A-CESG or the CLB, which can make navigating the system in order to receive maximum PSE savings assistance difficult.¹¹ In 2008, only 76% of promoters offered the CLB and A-CESG, and the top 10 performers generated 53% of CLB and A-CESG accounts (HRSDC, 2009). Because there are no government financial incentives for promoters, it may be difficult to encourage them to provide and adequately promote products specifically designed to attract 'customers' who may be less profitable. For a constellation of reasons, many banks and credit unions regard the RESP as expensive to administer (Milligan, 2002). Critically, while any technical problems and less-than-desirable features that keep people from saving through RESPs represent a loss, they may be devastating for the low-income families for whom the provision of the A-CESG and CLB—only available through the RESP vehicle—could make a dramatic difference.

PRIVATE FINANCIAL INSTITUTIONS MAY NOT BE THE BEST 'BROKERS' OF CSAS

While the RESP itself is defined and described in Canada's Income Tax Act, the legislation does not deal with service delivery arrangements, and there are no conditions placed on promoters regarding the delivery of RESPs or savings incentives (HRSDC, 2014). Financial institutions played little role in designing the RESP or subsequent enhancements, which were structured more to promote accountability and limit risk, rather than with the experience of the end user in mind (Mulholland, 2014). This historical context shapes the performance of RESP promoters today, which in turn mediates the experience that Canadian households have with education savings interventions. As such, Canada's education savings programs cannot accurately be understood as a 'public' benefit, mediated as they are through their provision by private financial institutions. This distinction is highlighted by the relatively little authority CESP administrators have over the financial institutions that facilitate the RESPs and, then, help to deliver the education savings incentives even though these interactions are critically important to the success of their intervention. While consumers seldom understand the considerable variation in promoters, the approaches each takes to RESP administration can make a significant difference in a family's experience and, therefore, a child's

¹¹ For a list of RESP promoters, including designation regarding their offering of the A-CESG and/or CLB, see: <http://www.esdc.gc.ca/eng/jobs/student/promoters/list.shtml>.

outcomes. These issues raise critical questions about the suitability of relying on private institutions to market and deliver government benefits. Today, there is little viable discussion in Canada about direct provision of education savings programs by the government (Robson, 2014). Still, given the potential for several advantages, including greater ease of automatic enrollment and more potential interaction points for those receiving other government benefits (Robson, 2014), a dramatically different landscape of public versus private delivery should be on the table.

Analyzing Canada's experiences in delivering RESPs and associated incentives through private financial institutions requires first distinguishing between types of providers, particularly the group scholarship plans and the more traditional financial institutions, including banks and investment brokers. Their multiple levels of overlapping governance notwithstanding¹², the very different approaches provide important lessons about institutional 'best practices', priorities for government oversight, and the limitations of relying on private facilitation of critical public benefits. In 2013, all but one of the group scholarship providers had cancellation rates greater than 25%; in some cases, as many as two out of every five RESP subscribers who began saving with them exited before their child actually reached PSE (see Knowledge First Financial, 2014; CEFI, 2013; Canadian Scholarship Trust, 2014; Universitas Foundation of Canada, 2014; Heritage Education Trust, 2014). This is not just a case of unfortunate lapses in customer service. The number of beneficiaries not receiving any EAP suggests a failure of RESPs' core mission to help families finance PSE, and the extent to which successful subscribers' EAPs are composed of income from cancelled plans (see Knowledge First Financial, 2014; CEFI, 2013; Canadian Scholarship Trust, 2014; Universitas Foundation of Canada, 2014; and Heritage Education Trust, 2014) raises the possibility that disadvantaged savers are subsidizing the better-positioned.

Importantly, while these group scholarship plans also offer individual and family RESPs, their business model encourages enrolling Canadians in the scheduled group plans, whether or not they are the best fit. Therefore, while group scholarship plans may encourage greater savings levels, evidence greater commitment to helping savers secure government incentives, utilize a variation of 'prize-linked' savings (Boyd & Maynard, 2011), including discretionary payments and even airline miles, and show some success in connecting to low-income households, these advantages are compromised by concerns about the potential for lost investment and the erosion of savings through high, front-loaded fees, the latter of which may also forestall development of a 'college-saver' identity, since families often see 100% of initial contributions go toward sales charges (see Knowledge First Financial, 2014). While some of these practices may be less than desirable even for wealthy families, among low-income families with considerably less margin for error and a weaker history with financial institutions, rigid policies that prioritize profit-making over beneficiaries' educational success may negatively influence students' futures. This is not to suggest that the group scholarship plans are driven by nefarious intent, nor that they operate dramatically differently than other types of institutions, just that the incentives they create encourage enrolling wealthier individuals who can afford more expensive plans, which tends to drive engagement with mostly financially-advantaged Canadians.

While no nation can afford to have its children's futures hinge on a particular profit model, analysis of the performance of other types of financial institutions in the RESP marketplace reveals distinct but no less troublesome concerns. Here, too, low-income customers may be overlooked as potential RESP customers. Traditional financial institutions have no financial incentive to offer RESPs and are, then, at best reluctant partners, claiming to lose \$100 for each RESP they open (Wong, 2014), which reduces their motivation to systematically recruit potential RESP clients. Research from the U.S., which finds that children who have savings are then more likely to engage with financial institutions as adults (Huang, Nam, & Sherraden, 2012), may help to make a 'business case' about the long-term benefits of 'anchoring' customers with RESPs (Friedline, Elliott, & Chowa, 2012). Still, with financial institutions confronting significant expenses associated with, for example, retrofitting information technology systems for the recently-announced British Columbia grant and other efforts to competently deliver these registered products, the relationship-building function has to be really compelling to warrant institutional buy-in. Here, the different landscape of financial institutions in the U.S. and Canada may be significant and, for the U.S., may increase the difficulty of engaging providers in offering CSAs friendly to low-income households. In Canada, with only five large national banks and relatively few other types of financial institutions, both the process of vying for

¹² For example, Royal Bank of Canada (RBC) is a trustee/custodian of group scholarship plan Knowledge First Financial (Knowledge First Financial, 2014).

market share and the importance of presenting the institution as a good-faith government partner look very different than in the U.S., with many smaller financial institutions and stronger pressures for cost containment.

Absent a clear profit motive, it is difficult to imagine what could motivate financial institutions to adequately implement this critical policy intervention, particularly since the Canadian government has not demonstrated any interest in sweetening the pot with additional promoter incentives. Neither group scholarship plans, which usually charge higher maintenance fees to those making monthly, instead of lump sum contributions, as low-income households often do, nor traditional financial institutions, whose high initial deposit requirements can forestall even opening a RESP, have designed products expressly to facilitate saving by low-income households (SEDI, 2011). With little in terms of a ‘carrot’, the Canadian government is left with regulatory enforcement to induce desired promoter behavior. Here, they have had some, albeit limited, success, recently winning concessions from group scholarship promoters to relax rules on disbursement, for example (Heritage Education Funds, 2014). Additional regulatory action, including that which would rely on the lever of contract renewal, could achieve other reforms, including crafting account statements to cultivate greater student identification as ‘college savers’, and training staff more rigorously, to increase standardization of the service model employed in RESP sign up. There is some precedent for government intervention in the RESP marketplace, including the designation of one RESP promoter as the ‘preferred provider’ for children in state care, through a provincially-driven Request for Proposal process (CESP, 2014). While additional manipulation of the RESP provider marketplace is not without its technical and legal difficulties, as well as prominent political obstacles, there is certainly reason to believe that governments may have some options for inducing favorable action by private financial institutions.

While those who champion a purely ‘retail’ CSA model have called it the “preferred option” (Mensah, Laraia, & Perun, 2009, p. 1), Canada’s experience provides some context for this calculation, including the influence of the existing landscape of providers and how that mix may mitigate some of the potential advantages of a retail approach, while heightening the risks. If CSAs are to be delivered through relationships with private financial institutions, careful attention will need to be paid to how these entities are selected, vetted, trained, and overseen (SEDI, 2010). The account system must be designed by those creating the Children’s Savings Account, not by the institutions that may profit from the accounts, so that the architecture authentically serves the program’s interests. Somewhat counter-intuitively, limiting the number of institutions approved to offer RESPs may help, as choice can induce paralysis among lower-income consumers (Robson, 2013), and as government administrators may find it easier to regulate a smaller universe of institutional partners. These are urgent questions for the U.S., where disagreement exists about the best role for private financial institutions. As in Canada, fragmentation is a potentially significant barrier to greater savings in 529s; in 2011, the 529 landscape is a patchwork of more than 100 plan options, which some believe may help to skew participation heavily toward more advantaged households (GAO, 2012). Moving forward, states may be reluctant to abandon their autonomous approaches, even with national policy momentum.

CSAS AS ‘FIRST ACCOUNTS’: ACCOUNT SELECTION MATTERS

Most RESPs earn very low interest, such that the bulk of the value of a RESP at disbursement comes from subscriber contributions and accumulated government incentives, not market ‘returns’ (CESP, 2014). This is especially true for low-income households more heavily represented among the bank-held RESPs (CESP, 2014a), which tend to invest more conservatively. Riskier accounts promise greater returns but increase complexity. Canada’s system allows for considerable variation in account selection, unlike in the U.S., where CSAs mostly rely either on mutual fund-type investments (529s) or deposit accounts (local programs in partnership with banks or credit unions). These investment decisions may be significant not only for actual asset accumulation, but also for messaging around a CSA and the way that it is perceived by potential participants. For example, while group scholarship plans weathered the recession well and were lauded for their security during that crisis, these ‘safer’ investments may not be equitable, since they come with restrictions that increase the likelihood of asset forfeiture. At the same time, while the incentives enjoy relative protection as statutory programs, there are likely political risks if government dollars are lost in an economic downturn. Relying on deposit accounts may be a way to balance these interests, since savings accounts have little volatility but also very little consumer risk. Certainly, to the extent to which a CSA offers a landscape of potential account options, though, these should be extended equitably, to ensure that low-income families are not ‘tracked’ disproportionately into lower-return investments.

Additionally, because substantial shares of PSE savings happen outside of dedicated instruments, incentives should encompass the other ways that families save. In Canada, while RESP savings rates are far higher than within 529s, low- and high-income households are most represented among those saving in other vehicles, instead of (in the case of poorer families) or in addition to the RESP (Robson, 2013). In many cases, the nearly one quarter of low-income households in Canada saving for higher education in other vehicles are making rational choices to value flexibility in their account and trust with a financial institution (Turner & Manturuk, 2012), but at the cost today of lost subsidy (Robson, 2014). Similarly, in the U.S., those who save outside of specific CSA structures lose the match or other provided incentives and may also face a greater penalty in the form of asset limits (CFED, 2013). To deliver universal access and facilitate children's success, public policy should value PSE saving, not necessarily utilization of a preferred vehicle.

CSAs' potential as gateway financial instruments is still gaining prominence in the accounting of CSA effects, but there is emerging evidence that having an account as a child can lead to a more diversified asset portfolio and stronger mainstream financial connections (Friedline, Johnson, & Hughes, 2014). The concept of children's savings as a 'bridge' to other financial products in the mainstream is understood as a primary benefit of a retail CSA model (Mensah, Laraia, & Perun, 2009), but may be eroded in the Canadian system. In particular, rules that do not allow children to interact with their own accounts and offerings by group scholarship plans that do not offer other financial products may limit the extent to which CSAs help households vault to other mainstream financial relationships. Significantly, most promoters require that participants have a deposit account *before* opening a RESP, a demand that can erode inclusion (Robson, 2013). Approximately 8% of low-income Canadians are unbanked, with many more depending primarily on fringe financial institutions (Bowles, Dempsey, & Shaw, 2010), but even low-income households with deposit accounts may have other characteristics that make them less profitable customers, including less money for sizable deposits, unfamiliarity with the risks and returns of products, and more need for customer assistance. If private financial institutions are to remain the delivery mechanism for CSAs, these institutions may need additional training in how to engage low-income consumers and/or greater incentives to facilitate their full commitment.

Despite this potential for mutual benefit, CSA policy development in the U.S. and Canada must remain open to the possibility that these asset investments may be best delivered with only peripheral roles for private institutions. Indeed, while some advocates champion an even more purely 'retail' model (Mensah et al., 2009), there are real concerns about relying on private providers to fulfill critical government imperatives. While some concerning practices of group scholarship promoters have been reformed in response to critique, and some branches of large national banks have developed successful outreach, the lesson that there are challenges associated with delivering an essential policy for educational equity primarily through the private investment houses still stands.

LINKING ASSET AND INCOME SUPPORTS PROMOTES SAVERS' SUCCESS

The literature regarding the relationships between income and assets is still evolving (Elliott & Lewis, 2014). Today, there is clearly a need for greater understanding of where households get the money they save in their RESPs, how RESP account balances figure into household balance sheets, and how policymakers can craft income supports to facilitate asset accumulation. To maximize CSA effects, policy should link different asset-building opportunities, ensure that asset limits do not pose savings disincentives (Feldstein, 1992), and rework welfare programs such that they complement asset investments (Lewis, Cramer, Elliott, & Sprague, 2014). Canada is further down this road than the U.S., likely rooted in the government's apparent understanding of the complementary effects of consumption supports for families' current needs and savings incentives for future plans (Department of Finance Canada, 2004). Still, there is considerable room for improvement. Beginning in 1997, Canadian families can move unused RESP savings into a Registered Retirement Savings Plan without tax penalty. This policy inches towards a lifelong asset accumulation structure, such as developed in Singapore (Loke & Sherraden, 2009), and also may serve to increase participation by low-income families by ensuring that they will not lose their savings if their children do not attend higher education. However, neither 529s nor RESPs allow tiered account structures (Elliott, 2012), which could allow families to first build emergency or basic savings, providing a critical capital cushion while supporting students' human capital needs, in order to parallel the way that wealthier children use assets to purchase educational advantages (Lewis, et al., 2013). Additionally, while some group scholarship providers have attempted to link RESP enrollment and savings to income supports such as the Universal Childcare Benefit and Canada Child Tax Benefit,

Canada's relatively generous system of benefits for low-income children and families (Canada Revenue Agency, n.d.) could provide a stronger foundation for leveraging consumption supports for asset investments, as envisioned with the creation of the A-CESG and CLB (Department of Finance Canada, 2004). Importantly, though, even the guaranteed income delivered through these benefits is not sufficient to facilitate savings, unless access to meaningful opportunities and appropriate incentives are connected to income transfers (Beverly, et al. 2008). Toward this end, the CESP might consider allowing families to directly deposit their benefits into an RESP, as well as, ideally, opening RESPs through the entry point of these benefits, too. Of course, since the comparatively advantaged will be more likely to be able to save these universal benefits as 'extra' income, these supports should not substitute for targeted, progressive transfers that attempt to increase equity in savings outcomes.

Until 2004, RESP deposits were included in most provincial means tests for welfare and related programs (Robson, 2008), which, like asset limits in the U.S., created a serious savings disincentive for precisely the low-income households whose children could most benefit from these assets. The elimination of these asset tests, which coincided with the introduction of the CLB, has allowed households to remain eligible for social assistance benefits while using RESPs to save for their children's education. However, many low-income households and even providers in both financial services and public assistance lack complete understanding about the carve-out of RESPs from these tests and, then, the full implication of children's savings for benefit receipt (Robson, 2014). Additionally, some provinces still utilize some asset tests; the resulting lack of coordination further increases confusion and, then, the barrier to savings that asset tests can represent. To eliminate remaining disincentives, savings in RESPs should not count against low-income households in the determination of 'need' within financial aid programs. RESP savings should be protected in bankruptcy filings, as well, to prevent children from losing their post-secondary education financing in a reversal of their parents' fortunes (EKOS Research Associates, 2008). These considerations should, in turn, guide policy development in the U.S., where asset limits constrain the ability of low-income households to build a strong financial foundation (CFED, 2013; Parrish, 2005). Encouragingly, some states have removed 529s from their eligibility determinations for means-tested financial aid, although FAFSA rules have yet to follow suit (Clancy, Lasser, & Taake, 2010).

LIMITATIONS AND SHARED CHALLENGES

EVEN WITH UNIVERSAL ACCOUNT INSTITUTIONS, ENGAGEMENT MAY BE ELUSIVE

Even automatic account opening does not guarantee that students will experience their CSA as a meaningful intervention that engages them in PSE asset accumulation. As CSA advocates and policymakers—in the U.S. and, perhaps, in Canada as well, come to the realization that automatic account opening is the only sure way to deliver transformative account ownership opportunities to all disadvantaged children, inducing desired educational outcomes will require greater clarity about what 'automatic' and, even, 'opening' means. In Oklahoma, widely touted as the first randomized experiment with automatic CSA enrollment, only 17% of those enrolled subsequently opened their own account to begin saving (Marks, et al., 2014). Similarly, San Francisco's Kindergarten to College sees a savings rate that ranges from 2-25%, far below the nearly 100% of area kindergarteners who have been automatically enrolled and given a public seed deposit (Phillips, 2014). Particularly given the emphasis on CSAs' potential for educational outcomes, the push toward automatic enrollment must proceed with a clear understanding of the account features essential for realizing this promise, believed to include some sense of account 'ownership' on the part of participating children (Elliott, 2013a).

Certainly, any program features that further distance disadvantaged children and families from the accounts opened in their names could be seen as moves in the wrong direction, and CSA policy will need to incorporate promising practices in engaging disadvantaged households. Still, while participation has been elusive in many CSA initiatives in the U.S. and Canada, it compares favorably to take up of Individual Retirement Account plans (CFED, 2014), suggesting that there might be something particularly appealing about participating in a robust and potentially transformative children's savings intervention. And the field is learning continually about how to best engage families; for example, promising outcomes in programs such as Wabash County, Indiana suggest that best practices may include integrating CSAs into other systems, including social services, employment, and K-12 education; framing college saving as a natural and essential part of child development; encouraging families to leverage social capital for financial capital; and creating a college saving culture that relies on positive peer pressure to generate

enthusiasm about asset building (Jeshani, 2014; Kugler, 2014). Notably, messaging seems to rely heavily on selling the ‘free money’ of the Canada Learning Bond, when building on parents’ aspirations of higher education for their children may serve as a better conduit to PSE saving. Integrating policy across systems may increase the opportunities to connect with children and families; in particular, schools play an important role in decreasing the barrier to entry and, as an ‘arm of the state’, should be considered an essential partner in realizing CSA aims (CFED, 2014). There are some examples of innovative approaches in Canada, too, such as Peel Children and Youth Initiatives’ use of GIS to map CLB uptake and collaboration with regional employers to secure payroll deductions for RESP contributions (Jeshani, 2014). Although these efforts tend to be inadequately capitalized and, therefore, too small to affect national participation, they nonetheless may represent models worthy of scaling.

Even absent these comparatively ‘high-touch’ approaches, policy changes could reduce barriers to participation and begin to shift expectations of underrepresented populations. Low-income families need to depend on progressive incentives as a guarantee; any uncertainty can inhibit participation. Timing matters, too; as seen in the limited utility of even refundable tax incentives (Usher, Lambert, & Mirzazadeh, 2014), coming as they do after expenses are incurred. In Canada, the timing of eligibility determination for the CLB, occurring after RESP opening, can serve to depress participation among those individuals who depend on the CLB to capitalize their accounts (SEDI, 2010). The Omega Foundation’s concerted CLB engagement push included provision of vouchers that eligible families could take to promoters to explain their eligibility at the point of account opening (Omega Foundation, 2013), an approach that seemed to ease the connection to private financial institutions in the U.K.’s Child Trust Fund, as well (Bennett, et al., 2008). The results in this Toronto pilot were significant, with increased uptake from 27.7% in 2009 to 39.3% in 2012 (Omega Foundation, 2013), although it is not clear how much of those gains can be directly ascribed to the vouchers, as differentiated from other elements of that intensive community outreach effort. Peel Children and Youth Initiatives has asked the Canadian government to provide notice of CLB eligibility at tax time, so that families would know that they would receive the financial incentive, as motivation for completing sign-up (Jeshani, 2014); there are existing communications between the Canadian government and taxpayers that could provide opportunities to ‘pre-certify’ households for the Bond, perhaps encouraging greater uptake.

Program design can profoundly influence the extent to which families ‘engage’ with their children’s accounts, and some policy decisions in the U.S. and Canada work against these aims. For example, some U.S. CSA programs that automatically enroll families do not allow children to make their own deposits without opening a companion account (see Totten, 2014, re: Nevada). While more research is needed, this may limit the institutional facilitation effects believed to help trigger educational outcomes (Elliott, Ed., 2013). In most cases, this is rationalized as protecting public investment through separate accounting, but Canada funnels family deposits through the same RESP as government grants. Given the penalties for non-higher education use of 529 accounts, it is not at all clear that there are any technical barriers to allowing more fluid comingling of these funds. Meanwhile, in Canada, children are the beneficiaries, not the subscribers, so RESP accounts are managed by and contributions originate with the adults in a child’s life, not the child him/herself (CESP, 2014). Additionally, because accounts belong to the subscribers, some children have multiple RESPs, which may make identification with college saving more elusive while reducing investment earnings. Finally, when disbursements are made at PSE enrollment, only the EAP belongs to the child, while contributions are paid out to subscribers, who may not elect to direct the funds to educational expenses or even to the child. Since students do not control their accounts, there are open questions about the extent to which they view them as ‘theirs’ and, then, a potent resource with which to confront college costs and future challenges (Elliott, 2012). Here, the account structure may serve to signal to Canadian children that RESPs—including the government incentives in them—do not ‘belong’ to them. While these are, as of yet, open questions, certainly policymakers cannot assume that the institutional facilitation effects will take root as strongly without structuring these accounts so that children authentically experience them as interventions facilitative of their PSE success (Elliott, 2013a).

CONCLUSION

Children’s Savings Accounts offer real promise as a transformative policy intervention, capable of delivering superior educational and financial outcomes for disadvantaged children. Evidence from Canada’s experiments with a national system of education savings programs illustrates these effects, realizing higher savings rates and catalyzing asset-based policy investments across government sectors, while leaving open the potential for improved

outcomes through the incorporation of insights from asset scholarship. To achieve CSAs' full potential, the U.S. confronts critical policy questions, including how to best deliver CSAs, facilitate both universal account ownership and meaningful engagement of savers, construct complementary income and asset policies to support low-income families, and craft product options that achieve broad CSA objectives. It is our contention that Canada offers some valuable lessons to these challenges, and we offer these analyses in an attempt to distill those insights. In conclusion, we outline the framework through which we understand CSAs' effects and highlight essential questions facing the children's savings fields in both nations.

PART III

A FRAMEWORK FOR UNDERSTANDING THE POTENTIAL OF CHILDREN'S SAVINGS ACCOUNTS: FOSTERING EDUCATIONAL ACHIEVEMENT THROUGH ACCOUNT OWNERSHIP AND USING ACCOUNTS TO ACCUMULATE ASSETS

Until recently, Children's Savings Account (CSA) policy innovation has been hindered by incomplete understanding about the mechanisms through which CSAs can positively affect educational and financial outcomes related to long-term economic well-being. Research has revealed, however, a growing knowledge base that outlines the two primary dimensions activated by CSAs: (1) account ownership and its related effects on the development of educational expectations and (2) accumulation of savings, critical for financing college without resorting to high-dollar student debt (Elliott, 2014). Framing CSAs and their effects in this way reveals the extent to which education savings may help to solve some of our most pressing public policy problems, including inadequate supply of well-prepared students needed for economic growth (Kenney, 2013), persistent achievement gaps for disadvantaged populations, depressed graduation rates (Schneider & Yin, 2011), low levels of asset holding and high indebtedness among young adults (Hiltonsmith, 2013), and insufficient asset accumulation to fuel lifelong prosperity (Oxford Economics, 2014). To conclude this exploratory investigation of education savings efforts in Canada and their lessons for the U.S., the Assets and Education Initiative (AEDI) and the New America Foundation describe the CSA framework and propose some of the relevant policy and research questions that could advance CSA development in both the U.S. and Canada.

A BROADER FRAMEWORK FOR UNDERSTANDING THE PROBLEM CHILDREN'S SAVINGS ACCOUNTS (CSAs) ADDRESS

Broadening the assessment of Canada's education savings initiatives to include an analysis of their effects on these distinct dimensions may help to build constituencies to protect and advance asset investments as well as to inform modification of asset interventions. However, today, few Canadian observers are considering CSAs' potential to increase orientation to and preparation for PSE (Robson, 2014), instead viewing the amount saved as *the* metric, a problematic calculus, particularly given that low-income households are unlikely to save in very great amounts. The effect of this narrow accounting is also seen in emphasis on the disproportionate holdings of higher earners in RESPs, which fails to account for assets' unique ability to affect long-term preparation, a critical element of the enrollment decision (Finnie & Mueller, 2007). Looking at account ownership effects, which may be even more significant for access to higher education and persistence to degree than for initial access (Mueller, 2008; Johnson, 2008; Martinello, 2007) will give a more complete understanding of CSAs' potency and, perhaps, suggest policy reforms that may increase positive CSA outcomes, particularly for disadvantaged students. For example, hosting RESPs within group scholarship promoters that do not offer other types of financial services may interrupt CSAs' 'gateway' function (Friedline, Johnson, & Hughes, 2014), while maintaining RESP accounts in subscribers' (adults') names may depress expectations by distancing children from their savings. Certainly, if students see RESP contributions disbursed to parents who subsequently spend them on non-educational purposes, the transformative effect of owning an account capable of facilitating attainment of post-secondary aspirations may be blunted. Today, as Canadian stakeholders question the investment needed to achieve impact on a grand scale, it must be emphasized that the amount saved does not encompass all of the potential benefit from an asset-based approach to PSE financing.

Table 5: Framework for Understanding the Problems Children's Savings Accounts (CSAs) Address

Age	Postsecondary Education	CSAs	
		Account Ownership (i.e., expect to go to college & have strategy to pay for college)	Accumulation of Savings
0-5	Preschool	Socio-emotional Well-Being of Child Mental Health of Parents (e.g., improved parental expectations and maternal depression)	
6-18	Postsecondary Ed. Prep	Math, Reading, College Saver Identity	
18-21	Postsecondary Ed. Enrollment	Higher Odds of Enrolling	

22-25	Postsecondary Graduation	Higher Odds of Graduating	
	Initial Assets	Gateway Financial Instrument	Accumulation of Assets
26-40	Balance Sheet Health	Diversified Asset Portfolio (savings account, stocks, retirement savings, homeownership)	Reduced College Debt Initial Assets (the amount of assets young adults start off with will be important to determining the amount of assets they are able to accumulate)
41-72	Economic Mobility		<div> More Assets (e.g., net worth, home value) More Income from Assets More Retirement Savings </div> <div> } Initial Assets </div>

Canada is certainly not alone in primarily assessing Children’s Savings Accounts on the relatively narrow dimension of actual dollar accumulation in the savings accounts. In part, this reflects the origins of the CSA policy and research conversation, rooted in the larger asset-based anti-poverty movement, sparked in 1991 by Michael Sherraden’s *Assets and the Poor*. Initially, there were real questions about whether—and how much—low-income individuals could save and a need to articulate the differences between income flows and asset stores for individual and household well-being. Today, the focus on asset accumulation is also fueled by concerns about growing wealth inequality and very low levels of asset accumulation, particularly among low-income households and communities (Piketty, 2014). These emphases have, in turn, prioritized questions about the policy and program levers associated with the greatest asset accumulation, including continued debate over the relative superiority of institutional solutions—structure and availability of savings vehicles, type and amount of match, leverage of initial deposits and other transfers—over those that hinge on savers’ behavioral responses (Curley, Ssewamala, & Sherraden, 2005).

RECOGNIZING THAT THE POOR CAN SAVE, BUT ONLY A LITTLE

These efforts have been transformative, on many levels, as evidence from the field has clearly revealed that low-income individuals and families can and will save (Mason, Nam, Clancy, & Sherraden, 2013), if given meaningful access to facilitative institutions, and that early and sustained savings can have a significant impact on asset accumulation, even with relatively low levels of deposits (Wells Fargo, 2014). However, policy demonstrations have also revealed the very real limitations of individual savers’ efforts, when they are saving from limited incomes (Mason, Nam, Clancy, & Sherraden, 2013). In Canada, recognition of these savings barriers prompted increases in match progressivity to “make savings in RESPs more effective” (Department of Finance Canada, 2004). Absent this commitment to public transfers, though, acknowledgement of the limited savings capacity can raise doubts, albeit unfairly, about the viability of asset approaches for low-income populations. If CSAs are to deliver true equity for disadvantaged students, policy must account for low-income families’ financial realities and incorporate understanding of the importance of initial asset levels for later mobility (Elliott & Lewis, 2014). Even progressive policy structures cannot capitalize tremendous asset accumulation without sizable public transfers, for which CSA advocates in both countries must continue to build will.

HOWEVER, EVEN SMALL AMOUNTS OF SAVINGS CAN MAKE A DIFFERENCE

A parallel path of CSA research and practice has explored the educational effects related to account ownership, even with very low levels of actual asset accumulation (Elliott, 2013a). Findings that demonstrate improved access to and graduation from post-secondary education for children with education savings (Elliott & Beverly, 2011), as well as improved post-college outcomes when higher education is financed at least in part from an asset foundation, reveals another metric by which to judge the ‘success’ of CSAs. Theory has developed to explain how these effects happen, even without large account balances, and rigorous analysis has probed the level of savings needed to trigger these effects (Elliott, Song, & Nam, 2013a,b). These findings are transforming the field of asset interventions, now understood to have the potential to cultivate identities consistent with educational achievement, long before the point of PSE enrollment, even if accounts do not have balances large enough to actually pay for PSE. This potential sets CSAs apart, as there are, of course, alternative ways to finance actual college costs but no other known mechanism that can work on pre-college preparation and post-college financial well-being, as well. This more complete

accounting of asset effects is partly responsible, then, for growing interest in CSAs from educators and policymakers at various levels of government and an important part of the CSA policy discussion.

PROGRAMMATIC FEATURES MATTER FOR SMALL DOLLAR EFFECTS TO OCCUR

Since we now understand just how valuable account enrollment can be, the most critical first design question becomes how to structure CSAs so that every child gets an account, an indispensable, although inadequate, mechanism through which to facilitate asset effects. Increasingly, CSA champions are concluding that this may be difficult outside an automatic enrollment structure (Clancy & Sherraden, 2014). However, enrollment alone may not be enough; fostering CSA effects requires attending to programmatic features that build on theories of identity-based motivation (Oyserman, 2013). For example, CSAs should provide children with the opportunities for interactions that can trigger ‘college-saver’ identities, including having some real control over their accounts. This debate is crucial for policy considerations in the U.S., where some states’ 529 incentive programs have used parallel account structures to hold the government deposits (see Totten, 2014, re: Nevada), in ways that may lead to students and families failing to fully ‘account’ for these assets. Policymakers cannot assume that the institutional facilitation effects will take root without structuring accounts so that children and families authentically experience them as interventions facilitative of their success.

“WE SAVE, WE GO TO COLLEGE”

While any account structure that provides the architecture for transfers of assets to disadvantaged children and families could catalyze greater economic mobility, given the relationship between initial asset levels and subsequent economic well-being (Elliott & Lewis, 2014), some of the greatest value of CSAs is in their potential to facilitate greater educational attainment, itself a significant driver of mobility (Urahn, et al., 2012). Even when balances are not enough to actually finance a higher education, there are clearly other factors—aspirational, attitudinal, and behavioral—at work. The college-saver identity (i.e., children see themselves as going to college and savings as a strategy for paying for it) appears to have implications for academic preparation (see Elliott, Jung, & Friedline, 2011). As children near PSE enrollment, having dedicated school savings can bridge the chasm that can derail educational progress; findings reveal that 46% of low- to moderate-income children with school savings of their own are on course to complete PSE, compared to only 24% without savings (Elliott, Constance-Huggins, & Song, 2011). And educational assets can increase attainment all the way to college graduation. Children in low- and moderate-income households with college-saver identities and school-designated savings of \$1 to \$499 or \$500 or more are about three times more likely to graduate than children who have a college-bound identity only (Elliott, Song, & Nam, 2013a).

In the Canadian context, as well, the educational effects of asset accumulation and associated PSE preparation may be even more significant than effects on affordability and initial access (Finnie & Mueller, 2007). Among the factors believed to have the greatest effects on attainment are self-esteem, group identity as a ‘college-bound’ individual, student/teacher relationships, reading skills, and parental engagement (Frempong, Ma, & Mensah, 2012; Frenette, 2007), all of which are associated with savings (Elliott, 2013a). While Canadian evidence is more limited, there are at least some correlations between academic performance and PSE savings (cited in Girdharry, Simonova, & Lefebvre, 2010), possibly resulting from the incentives sensitizing parents to the need to save for PSE earlier in children’s academic careers (EKOS Research Associates, 2008).

Earlier account opening and initiation of PSE saving were explicit rationales for the creation of the CESG (Department of Finance Canada, 1998) and evidence suggests that the initial CLB deposit may accelerate RESP account opening (Duhaime-Ross, 2012). In 1998, the average age of new CESG beneficiaries was 8 years; by 2013, this had fallen to 3.5 years (CESP, 2014). While this is significant on the asset accumulation side as well, because savings will have longer to grow, the institutional facilitation effects of savings on academic expectations and behaviors may also be greater if allowed to develop over time. Provincial savings programs may intensify these effects. Alberta’s ACES is associated with a 43% decrease in age of RESP initiation, resulting in account opening a full year earlier than without the match (Duhaime-Ross, 2012).

One of the most potentially significant implications of Canada's education savings plan is its ability to craft a 'college savings culture'. Surveys conducted with recipients of the CESG and CLB suggest that participation affects PSE attitudes and expectations (HRSDC, 2009). This is critical, since expectations tend to diverge significantly by socioeconomic class, with almost 90% of Canadian parents in the highest-income quartile expecting their children to go to PSE, compared to only 62% in the lowest quartile (Frenette, 2007). Increasing expectations about PSE attainment is not just a 'soft' externality of CSAs but a potentially potent tool for expanding the educational horizons of an entire generation of children and parents, working alongside asset accumulation to shape educational attainment. Some analysis suggests that increasing the expectations low-income Canadian parents hold for their children's educational futures could increase university attendance rates by 12%, enough to make significant inroads in the achievement gap (Frenette, 2007). And Canadian families are behaving in ways that at least create the possibility for such effects; in 2007, more than 93% of RESP accounts had at least \$1 deposited, and approximately 65% had at least \$500 (HRSDC, 2009). Although this reveals a sizable minority of RESP 'savers' with very little account activity, these amounts are potentially significant, given research linking savings at this level to improved educational outcomes, including post-secondary education enrollment and graduation (Elliott, Song, & Nam, 2013b).

IN CONCLUSION

While there are some limitations, as described above, as seen through the CSA framework, the components of the CESP work together to support educational outcomes, with the CLB primarily understood as an investment in families' ability to pay for college from asset stores and the CESG designed in part to "signal the importance the Government places on early planning for post-secondary education" (Department of Finance Canada, 2004) and to increase utilization of RESPs. Critically, key leaders in Canada's higher education and government sectors articulate a belief that the CESG and CLB work together to promote savings for PSE and, ultimately, college attendance (HRSDC, 2009). While understanding of asset effects on education is still nascent in Canada (and, to a significant degree, in the U.S.), the mix of Canadian approaches reflects some alignment with these principles and, then, provides a promising foundation. This also increases the value of an international analysis for U.S. policy development, allowing examination of the different elements—national architecture, savings matches, initial deposits—that, collectively, would construct a CSA in the United States. Among the significant strengths of the Canadian structure, seen through the CSA framework lens:

- National commitment to PSE saving, which signals the importance of account ownership and asset accumulation
- Asset disbursements that compare favorably with post-secondary education costs and increase the likelihood that children perceive their RESPs as 'up to the challenge' of financing PSE
- Sizable initial deposits and regular public transfers that drive average balances beyond what low-income families could otherwise expect to accumulate
- Creation of a savings infrastructure that facilitates other progressive asset initiatives by reducing the administrative costs associated with program development
- Incentives that reduce the average age of account opening and allow both balances and expectations to grow over time

It is clear, though, that there are ways in which Canada could improve the efficacy of its education savings initiatives, as well as opportunities to more completely capture their effects by expanding the metrics against which 'success' is judged. This investigation has sought to diffuse asset knowledge to inform policy development and evaluation in Canada along these multiple dimensions. Simultaneously, U.S. asset scholars, practitioners, and advocates use this CSA framework to organize their pursuit of universal CSA efforts. While the above section highlights some of the lessons learned from comparing the two countries' CSA priorities and histories, the following questions illustrate arenas left to explore, toward a vision of equitable and optimal child development, supported by robust asset policies.

POLITICAL AND ADVOCACY CONSIDERATIONS

HOW TO STRENGTHEN THE CONSTITUENCY FOR CHILDREN'S ASSET-BUILDING IN CANADA?

Won largely without having to mobilize for a policy ‘push’, Canada’s education savings programs outpaced anti-poverty advocates’ championing of asset interventions. As in the U.S., the relative invisibility of asset supports may make them vulnerable to official neglect. While the incentives’ location as statutory programs confers considerable protection, without an organized champion or universal utilization, government officials could ‘starve’ the CESP, without risking the negative publicity that might accompany terminating them entirely (Wong, 2014). This danger is increased by clear gaps in the public’s understanding of CESP’s value; even key leaders have even been skeptical about evidence linking savings and post-secondary outcomes (EKOS Research Associates, 2008). While some organizations have woven the incentives into their financial capability initiatives (Jeshani, 2014; Mulholland, 2014), some Canadian advocates seem to take the programs somewhat for granted, a calculus likely to worsen with the discontinuation in March 2014 of approximately \$2 million/year in government spending for outreach and community engagement strategies to promote awareness of the savings vehicle and incentives (ESDC, 2014). Likely to further erode engagement of disadvantaged populations, this move speaks to the importance of constituency-building to defend critical elements of program design.

CESP staff have activated some of these outreach partners into a CLB Champions Network, a group of committed individuals from community-based organizations who are interested in keeping RESPs and the CLB on the agenda, but, for many Canadians, these PSE savings supports are simply not on the radar. Surveys find that between 22-40% of Canadians were unaware that the government provided matches for families’ PSE savings, even after a decade of the CESP (HRSDC, 2009; BMO Wealth Institute, 2013). The RESP has more fully penetrated the public consciousness, with 93% of Canadians aware of the savings vehicle, but this level of recognition was only achieved after 40 years (BMO Wealth Institute, 2013). U.S. college savings programs face similar public relations challenges, with, for example, 50% of college savers unaware of 529s (GAO, 2012). This subtext of political vulnerability gives further urgency to questions of how to increase uptake, since bringing more children into education savings systems would not only affect those households but also, potentially, the political dialogue. The development of a more robust community of academics and culture of related inquiry could also feed this political pressure. Today, many important questions go unasked, missed opportunities to highlight effects associated with PSE savings and to draw others into the children’s savings arena.

THE IMPORTANCE OF A POLITICAL CONSTITUENCY

Comparing the political trajectories of asset interventions for children in the United Kingdom, United States, and Canada reveals the importance of building a political constituency to sustain such investments, especially given the long timeline required to demonstrate outcomes. In the U.K., support for the Child Trust Fund evaporated with a change in leadership and the advent of austerity politics (Zichawo, Farber, & Mensah, 2014). While post-mortem analyses differ in their attribution of the abandonment of the policy, a key distinction of the U.K. approach was the lack of articulation of a higher education purpose for the savings. When the Child Trust Fund was abolished, its critics advocated that the allocation be redirected to primary education—specifically, reducing class sizes—because “All the evidence show[ed] this would be a far more effective way to improve educational standards among people from poorer backgrounds, dispersing power to the disadvantaged at a time when it makes the biggest difference” (Clegg, 2009).

In Canada, analysts and advocates are cautiously optimistic about the sustainability of education savings programs, despite the perception that approximately 10 years are still needed for effects to ‘come online’ (Robson, 2014). While the RESP is seen by some student leaders as a diversion of funds that could be used to reduce tuition, as subsequent cohorts become more invested in RESPs and the transfers they contain, this political equation may change dramatically, particularly if students are able to use their RESP holdings to reduce debt assumption. In 2012, 15% of post-secondary education students used RESP disbursements to finance their educations (Swol, 2013). Growing concern about student debt and related household indebtedness could become the levers through which to generate greater enthusiasm for PSE savings, given the political salience of these issues. Canadian political discourse tends to emphasize college costs (Usher, Lambert, & Mirzazadeh, 2014), a dynamic which contributed to the creation of the savings incentives (Department of Finance Canada, 1998) and may help to preserve them, as well.

Political alliances may unfold in unpredictable ways around the development of CSAs, given their potential for regressive enrollment patterns as well as progressive redistribution. In Canada, the New Democratic Party mostly argued against the CLB and A-CESG, in spite of their redistributive potential, because of opposition to expansion of the basically regressive registered savings instruments. Some within Canada prefer grants to assist low-income households, fearing that relying on savings may dilute government responsibility (Mulholland, 2014), somewhat paralleling opposition in the U.S. to proposals to incorporate a savings component into the Pell Grant system, for example. On the other hand, more conservative elements within Parliament generally support the savings initiatives but have often failed to invest in the outreach and enrollment support which would likely increase participation among underrepresented households (Robson, 2013). Certainly, a similar political future is possible in the United States, as well. The financial institutions that hold and market the RESPs could be powerful advocates for their sustenance (Mensah, Laraia, & Perun, 2009), but, in Canada, this support has largely failed to materialize.

HOW TO LEVERAGE EDUCATION SAVINGS INFRASTRUCTURE FOR OTHER ASSET INVESTMENTS?

If Canada is to realize the full benefit of its federal education savings investments, it must find ways to, in the words of one advocate, “get assets into the water system” (Mulholland, 2014). Laying asset investments onto the architecture of the RESP could revolutionize Canada’s delivery of public benefits. From the perspective, then, of building a progressive, lifelong, asset-building structure, one of the most encouraging offshoots of Canada’s commitment to education savings is the development of the Registered Disability Savings Plan (RDSP), a fairly generously subsidized effort to build an asset foundation for people with disabilities. The program developers who wanted to create a savings program for these families built on the lessons learned from the RESP experience, including related to questions of design and client services (CESP, 2014). There are other potential applications of the education savings program infrastructure, as well. Significantly, these innovations could be developed with little technical investment, thanks to the infrastructure of the education savings system. With relatively little modification, RESPs could be the vehicle for other human capital development, including continuing education and retraining; capital accumulation for entrepreneurship; and/or initial assets with which to finance homeownership. There is some precedent for this cross-fertilization of asset accumulation and usage, in Canada, as in the Lifelong Learning Plan, which allows those with Registered Retirement Savings Plan (RRSP) holdings to use those accounts for higher education or other advanced training (Canada Revenue Agency, 2013).

HOW MUCH INCOME CAN LOW-INCOME FAMILIES DIVERT TO SAVINGS WITHOUT HARMING CONSUMPTION?

While emerging scholarship suggests a rethinking of the relationship between income and assets, as mutually reinforcing instead of zero-sum (Elliott & Lewis, 2014), it should be obvious that saving, for post-secondary education or any longer-term purpose, comes at a greater opportunity cost for low-income households than for those with ample disposable income. This calculus motivated creation of the CLB, so that low-income families could accumulate PSE saving without imperiling their immediate needs (Department of Finance Canada, 2004). These opportunity costs are magnified by asset limits in many public assistance programs, which can make asset accumulation a threat to low-income families’ overall consumption capacity (CFED, 2013). While Canadian evidence suggests that low-income households may be able to save more than would perhaps be expected (Robson, 2013), there are also some indications, particularly evidenced in high dropout rates in group scholarship plans, that savings expectations may provoke some financial hardship among families. Here, better understanding of where and how households come up with the money they save for higher education would help to inform policy, not just within the savings realm, but also in the arena of income supports. Designing public assistance programs such as the Universal Child Benefit explicitly as savings supports, instead of just consumption subsidies, could promote the facilitation of ‘economic mobility budgets’ within individual households, to fuel asset accumulation without inducing additional hardship. This builds on the CSA framework (Elliott, 2014), framing education savings as investments in household financial capacity and well-being, rather than mere mechanisms through which to pay PSE costs.

HOW CAN BETTER INFORMATION INFLUENCE POST-SECONDARY EDUCATION DECISION-MAKING, AND HOW CAN PSE SAVINGS INCREASE FINANCIAL LITERACY?

Many observers of higher education policy and trends cite a need for better information to help students and parents make good decisions: about financial aid, college quality, post-degree career selection (Whitsett, 2012). There is evidence that families that engage in more planning are better able to finance their post-secondary educations and may, then, have superior options available to them (Sallie Mae, 2014), setting off a chain of improved outcomes. Financial literacy is seen as a particular deficit crippling young adults' futures, with few approaching financial independence equipped with the skills and knowledge they need, particularly given the relative complexity of the decisions they face. And, yet, there are few effective models for engaging students in financial training truly capable of catalyzing superior financial and educational decisions. Instead, much evidence points to a perhaps surprising sequence for greatest efficacy, with youth financial knowledge resulting from engagement in college savings, rather than the other way around. For example, a pilot program initiated by the Canada Millennium Scholarship Foundation, *Future to Discover*, created learning accounts and a specialized financial literacy curriculum to increase PSE attainment among targeted students (Ford, Grekou, Kwakye, & Nicholson, 2014). Consistent with evaluation of financial education efforts in other contexts, the provision of the 'accounts' increased engagement with financial literacy, compared to the instruction alone (SRDC, 2012). Additionally, the learning accounts had lower administration costs than the financial literacy alone, realizing greater gains in PSE attainment for relatively less in government expenditure. Other analysis suggests that hands-on opportunities to interpret information received are especially valuable, and that savings accounts can provide such opportunities to connect knowledge and behavior (Lerman & Bell, 2006). Particularly as student loan borrowing is likely to remain part of the financial aid landscape, helping students navigate this marketplace increases their chances of holding onto an asset foundation as they pursue PSE.

HOW SHOULD CSAs INTEGRATE EDUCATION AND PSE SAVINGS POLICIES, ACROSS DIFFERENT ADMINISTRATIVE SECTORS?

Ultimately, if education savings programs are understood as interventions capable of charting dramatically different academic trajectories, especially for disadvantaged children, they should be rooted within the education system, rather than narrowly framed as financial aid. This would allow integration of financial education efforts into the curriculum to build financial capability (Lerman & Bell, 2006) and could leverage changes in group coherence to increase teachers' expectations for the educational attainment of low-income children. Fully supporting children's development requires not only engaging educational institutions in supporting children's savings (CFED, 2014) but also reforming schools so that they are equipped to respond positively to children's increased academic expectations. Incorporating CSAs into schools could transform the educational experience, starting before kindergarten and continuing through college graduation. This rethinking of education and financing systems could open new opportunities, including redeploying scholarship supports as asset-building early commitment investments, developing two-generation initiatives that help parents build capital, and experimenting with community savings programs.

In Canada and, to some extent, in the U.S., this policy cohesion is complicated by the strict division of authority between the federal and provincial/state governments around education financing and policy, which makes it difficult to even *study* the educational effects of CSAs. For example, there are currently few partnerships with Canadian educational institutions to ensure that eligible households receive timely and actionable information about the benefits available to them through the CESG and CLB. While there may be gains in group congruence—and, then, identity-based motivation—from weaving savings into the educational context, education savings proponents and administrators have little authority to orchestrate this integration. This is area where U.S. policy innovation at the local/district level may offer relevant insights, as municipalities like San Francisco, California leverage relationships with school districts to encourage participation and universities encourage asset accumulation as a tool for persistence to degree (Arizona Earn to Learn, 2014).

OPERATIONALIZING CSA THEORY INTO POLICY

HOW TO FOSTER COLLEGE-SAVER IDENTITY WITHIN RESP STRUCTURE?

One of the most significant learnings from U.S. CSA demonstrations, including those rigorously evaluated, is that even automatic enrollment—which can get nearly every child an account—does not necessarily secure 'engagement' among those most in need of asset interventions. Similarly, in Canada, even as asset accumulation

climbs in the aggregate and enrollment penetrates a broader swath of the population, there are real questions about the extent to which children identify with their accounts. There is evidence from surveys of CESG and CLB recipients that participation does affect PSE attitudes and expectations (HRSDC, 2009), but, some students do not even know they have RESPs, and children's identification with 'their' accounts may be constrained by parents' rights as the official subscribers. There is no rule that prevents subscribers (usually, parents) from spending their RESP contributions on something other than their child's education, and this knowledge may keep the assets held within RESPs at arm's distance, particularly for children in low-income families more susceptible to routine economic emergencies (Collins & Gjertson, n.d.). Public policy exacerbates this, as in bankruptcy proceedings, which do not protect RESPs, reinforcing the perception that the account belongs to the parent(s), not the child. Other RESP features may also mute account ownership effects, including the rules that make it nearly impossible for anyone but the subscriber to directly deposit into a given RESP, and restrictions that prevent children from owning or controlling their own RESPs in most circumstances. Finally, the asset transfer of the CLB and arguments for initial deposits raise questions about whether the *act* of saving is required to trigger asset effects on educational outcomes, or whether transfers such as the CLB are adequate to cultivate the identity theorized as critical to post-secondary success (CFED, 2014).

Sometimes, CSA policy development conversations can take on a sort of 'chicken or egg' character, with questions about how to promote engagement in education savings pitted against policy design to deliver universal account access. While changes to RESP policy and programming, as discussed above, could increase identification with education savings accounts among Canadian children, U.S. policymakers must consider how to structure CSA approaches so that account ownership effects are maximized, even if a policy of universal, automatic enrollment is pursued. On this front, there are open questions about the relative significance of 'high-touch' supportive services—financial education and case management, in particular—often believed to be essential for low-income savers' success (Leckle, Dowle, & Gyorfi-Dyke, 2008), as compared to more structural approaches, such as direct deposit. The question of which instruments can best facilitate savings among low-income households has long been of theoretical and academic significance (Beverly, et al., 2008), but the development of robust structures has made it an urgent issue for elected officials and administrators, who exhort the CSA field to develop a "better understanding of what motivates" low-income saving (Cisneros, J., cited in CFED, 2014). Among the doubts is whether the amount of incentive available is the primary determinant of engagement and how much 'awareness' is needed to garner momentum. Here, comparative outcomes between the U.S. and Canada could reveal important insights. In Canada, education savings programs are conceived of primarily as financial products, with significant government transfers making financial literacy perhaps less determinant of individual outcomes than in the U.S., where accounts are often understood, at least in part, as vehicles to improve financial knowledge and skills (Wiedrich, Collins, Rosen, & Rademacher, 2014; Butrica, 2010).

Efforts in the U.S. are revealing some best practices in CSA engagement, but mostly through the mechanism of *enrolling* parents and families in a savings system. For example, some states seek to cultivate PSE expectations among disadvantaged children and, then, connect these aspirations to education savings, as in Nevada, which provides t-shirts to elementary students that signal their college expectations during mass 529 sign-up and college savings 'celebrations' in schools (Marshall, 2013). While more data are needed to understand the factors driving RESP participation, it seems that Canada is more successful at engaging families with young children in RESPs, with greatest uptake around the time of a child's birth. The Canada Scholarship Trust Plan, for example, sees 80% of its subscribers enroll before the child's third birthday (Lewis, 2014). Mining these enrollment successes may illuminate lessons on which to build other engagement approaches, including with families with older children who missed earlier opportunities.

HOW WILL PARTICIPATING IN A CHILDREN'S SAVINGS ACCOUNT AFFECT LIFELONG DEVELOPMENT?

Canadian children born in 1998, the year of the initiation of the first savings incentives, are just now approaching post-secondary education, and it is still too early to judge any of the longer-term effects of the CLB, as the oldest children receiving those benefits from birth are just over ten. Research from the U.S. that has explored the relationships between asset holding, child development, and subsequent educational outcomes have relied on secondary data (Elliott & Beverly, 2011) or looked only at still fairly young children (Huang, Sherraden, Kim, & Clancy, 2014), leaving open questions as to how, exactly, participating in a CSA throughout one's childhood will

affect well-being. Canada's experiences may make significant contributions to this body of knowledge, but the policy impact is yet incomplete. Canadian policymakers are only just beginning to examine RESP disbursements, and relatively little is known about how assets are used. Fully understanding and, then, being able to articulate CSAs' effects will require examining labor market participation, later asset accumulation, and intergenerational economic standing, arenas theorized to be positively impacted by CSAs, but not yet demonstrated conclusively.

PRAGMATIC DESIGN QUESTIONS

WHAT IS THE BEST ROLE FOR PRIVATE FINANCIAL INSTITUTIONS WITHIN A CSA SYSTEM, AND HOW SHOULD ACCOUNTS BALANCE INVESTMENT SOPHISTICATION AND EASE OF ENTRY?

There are some clear advantages to involving private financial institutions in the provision of CSAs, particularly the potential for these accounts to bridge low-income children's access to mainstream financial services as they age (Friedline, Johnson, & Hughes, 2014). However, there are some undesirable aspects of relying on private businesses to deliver essential government benefits, not the least of which is their reluctance to do so. While Canadian CESP officials believe that the relationships of financial institutions to the RESP and incentives are evolving as low-income households' savings behavior changes institutional calculations, RESPs remain a 'niche' business product. This makes it difficult to induce institutions to take specific actions in regard to their delivery and oversight of RESPs, even where particular practices may promise superior outcomes. The government would likely have little interest in taking on account management but could, perhaps, be motivated to do so if they understood the limits of the retail model, or financial institutions may perform these roles more successfully with a clearer outline of expectations and careful attention to their incentives to fulfill this function.

One of the challenges in constructing universal CSAs, particularly when mediated through private financial institutions, is to simultaneously make the accounts attractive to high-income investors and accessible to low-income savers. Making account options work for disadvantaged consumers is obviously central to the theory of change behind CSAs. There is already an abundance of account options in the marketplace unfriendly to low-income families, so only structuring CSAs differently can deliver differential returns. But accounts that are only appealing to those without existing relationships with financial institutions are unlikely to be sustainable, without the balance of higher-dollar and, therefore, more profitable holdings by wealthier households. Even the maximum size of the RESP--\$50,000—makes it a marginal product for many institutions, only appealing to banks as a way to demonstrate their good corporate citizenship or, in some limited cases, as a 'hook' with which to lure households to other financial products. While one way to provide this spectrum would be to construct different account options for consumers with different levels of financial sophistication, risk tolerance, and expectation of returns—with, for example, a 'starter' CSA run through a basic deposit account (Cramer, Black, & King, 2014) and riskier options for those demanding them—a portfolio like this runs the risk of exacerbating inequities, since the returns afforded would obviously vary. Still, there are reasons not to push low-income savers to riskier investments, including the fees and potential for loss associated with these investments. In reality, most of the 'return' low-income savers realize is from the government transfers and educational outcome effects associated with account ownership. Since building a structure that would afford such account access to low-income households would be difficult outside strict government control, this calculus suggests a potential rationale for moving away from private institutional involvement in CSAs. Still, an exclusively public alternative comes with a political price of its own, making this a real conundrum for policymakers.

HOW SHOULD CSAS STRUCTURE INCENTIVES TO STIMULATE NET NEW SAVINGS?

Critical to realizing CSAs' potential will be the development of incentives and supports capable of inducing net *new* savings, rather than merely supplanting existing asset accumulation. Of concern, then, is evidence that much RESP saving may reflect reallocated deposits. Some analysis suggests that only approximately 35% of RESP savings are new; among low-income families, it may be less than 25% (HRSDC, 2009). While the 60% increase in net RESP accumulation in the first year following the introduction of the CESG (Girdharry, Simonova, & Lefebvre, 2010) is a policy success, then, it paradoxically casts doubt on the instrument's facilitation of new savings. Significantly, this was foreseen by some critics who warned that families would simply transfer assets from Registered Retirement Savings Plans (RRSPs) to RESPs (Brison, 1998). Even with growth in RESP holdings, aggregate household saving

has declined significantly in Canada (SEDI, 2013). Indeed, between 1962 and 2000, there was almost no change in the percentage of income that RESP enrollees save for PSE (Robson, 2013), illustrating the limited utility of the registered product prior to the creation of the savings incentives, the first of which started in 1999. In the U.S., there has been little analysis of the extent to which the increase in 529 assets represents net new savings, even in research specifically looking at efforts to increase 529 saving (Beverly, et al., 2012). Since families clearly need new asset tools, this must be a policy priority. Of particular interest in Canada and in asset research generally is whether the ‘lockbox’ effect of mental designation within RESPs, in contrast to vehicles with somewhat looser designations, serves to increase overall savings, by triggering planning and expectations, or, conversely, to decrease savings by communicating that assets in these accounts will be less inherently valuable than saving in unrestricted vehicles (Milligan, 2002). Again, these are questions raised by institutional determinants literature, where restrictions are articulated as a double-edged sword (Beverly & Sherraden, 1999).

CONCLUSION

In many respects, the field of Children’s Savings Account policy—or even the broader concept of asset development as an investment in child well-being—is still quite young. With few accessible institutions facilitating low-income households’ saving, relatively few large-scale asset-building demonstrations, and a still evolving theory and evidence base explaining the effects of asset accumulation, there are still many unanswered questions surrounding CSA design, rationale, and institutionalization. While recent work has advanced understanding of the arenas in which CSA effects can be expected (Elliott, 2014; Beverly, Clancy, & Sherraden, 2014), this opportunity to learn alongside Canadian colleagues with experience using policy interventions to encourage household saving and transfer significant assets for post-secondary education offers valuable insights. As CSA advocates, administrators, policymakers, and practitioners on both sides of the border continue work in their respective spheres, it is our hope that this investigation has planted seeds of collaboration that will bear fruit, informing each country’s efforts and, ultimately, delivering new insights that can be put to work improving opportunities for all children.

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