Latino Immigrant Families Saving in Children's Savings Account Program against Great Odds: Prosperity Kids

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Executive Summary

This study uses administrative records from New Mexico's Prosperity Kids Children's Savings Account (CSA) program and in-depth interviews with a sample of participating parents and children to examine savings outcomes and experiences for these low-income Latino families. Prosperity Kids' model relies heavily on social networks to recruit participants, encourage savings, and foster college-saver identities. Parents participate in financial education sessions designed to increase their financial knowledge and equip them to transmit financial competencies to their children. Families who open Prosperity Kids Children's Savings Accounts with the local participating credit union receive a $100 initial seed and up to $200 in a 1:1 match for household savings per year, over ten years. These incentives are financed with a mix of philanthropic and public dollars. The total budget for Prosperity Kids contributed to the cap of 500 total Children's Savings Accounts, at least in this initial iteration of Prosperity Kids. In addition to savings matches, parents can earn benchmark deposits for completing activities associated with child development. Parents may also open emergency savings accounts to use for other purposes; these accounts are held in the same partner credit union and seeded with $10.[1] Children's Prosperity Kids accounts are custodial, held by nonprofit Prosperity Works. If not used for postsecondary education prior, young adults may withdraw the funds in their CSAs at age 23 to use for a 'stable transition to adulthood', to include homeownership, entrepreneurship, or other investment.

Prosperity Kids at a Glance

Program Elements	Funding	Administration
• Comprehensive, evidence-based curriculum (10 two-hour sessions) on child development, health, academic preparation, and families' rights • Financial capability training for parents • Custodial children's accounts, seeded with $100 • Emergency savings accounts for adults, seeded with $10 • Matches for family savings in the CSA up to $200/year for 10 years • Incentive deposits to the CSA for families' completion of specific activities associated with children's success • Allowable uses that include investments in a transition to stable adulthood, including entrepreneurship, homeownership, and/or retirement savings, in addition to postsecondary education	• Grant funding from Kellogg Foundation • $25,000 from City of Albuquerque • In-kind support from Prosperity Works, Partnership for Community Action, and other partners	• Account administration by local credit union (creation of account type, account opening, tracking of deposits for match) • Custodianship by Prosperity Works, including maintenance of the account from which incentives, matches, and seeds are drawn • Statements issued by Prosperity Works, pursuant to receiving financial data from the credit union

Results

Administrative Savings Data Results

This analysis considers account data, provided by the Prosperity Kids credit union partner, on 493 accountholders. The majority of children with accounts are Hispanic (99%), and among the subset of 298 children for whom demographic data were available through the Albuquerque Public Schools, slightly greater than one-half were English Language Learners (ELL) (57%), 84% qualified for Free/Reduced Lunch, and 11% received special education services of some kind. These values did not vary substantially when comparing savers to non-savers.

[1] This analysis is focused on the Children's Savings Accounts within Prosperity Kids, not the Emergency Savings Accounts owned by some participating parents.

- Savings Rate
    - 29% of Prosperity Kids accounts have seen deposits from families' saving.
- Savings Amount
    - Among savers (families who contributed their own deposits, in addition to match or incentives)
        - 54% have saved more than $100 in their account.
        - Median total account value for these saver families was $345 at the end of 2015 (mean, $394). The median amount of family deposits is $123 (mean, $155), with median match deposits of $124 (mean, $139).
- Average monthly contributions are $12 (ranging from <$1 to $220); average quarterly contributions are $31.
- Comparing savers and non-savers (those who had not yet made a deposit from family savings), savers have a longer tenure as Prosperity Kids accountholders, at an average of 13 months, compared to 7 months for non-savers. However, average family savings amounts, for savers, were comparable regardless of time enrolled.
    - Families who have been enrolled for six months or less have an average savings of $151, while savings averaged $152 for savers who have been enrolled for more than one year (ranged from $1 per month to $220 per month).
    - More savers (23%) also have Emergency Savings Accounts than non-savers (7%).

In-depth Qualitative Interview Results

Identity-Based Motivation, as extensively researched by Oyserman and colleagues, is understood to comprise three critical components that, together, help to explain why individuals act in ways consistent with a particular desired identity (Oyserman, 2007; Oyserman, 2013; Oyserman, 2015; Oyserman & Destin, 2010). As applied here to the concept of a college-saver identity, the dimension of salience connotes bringing college to the forefront of one's mind, prompting urgent preparation. Normalization of difficulty refers to framing college saving as a manageable, albeit still hard, task. Group congruence is implicated in activating individuals to behave in ways consistent with this college-saver identity, because they see doing so as consistent with their membership in key social groups. Identity-Based Motivation serves as the theoretical frame through which data gleaned from in-depth interviews with parents whose children have Prosperity Kids Children's Savings Accounts were analyzed.

Additional demographic information was gathered on the sample of parents (all of whom were mothers) interviewed. Interviewed mothers are financially disadvantaged, with the majority reporting average household incomes of $25,000 or less and 87% receiving Food Stamps and/or TANF. The majority were employed in non-professional industries such as housekeeping, childcare, and retail/food services. Most mothers reported some difficulty with paying bills each month. Nearly one-fifth found it very or extremely difficult to meet their financial obligations.

- <u>Salience:</u> Participation in Prosperity Kids may be making college saving a salient financial objective, something worth striving for, starting today.
    - As Luz, age 41 and earning less than $15,000 annually, underscores, *"in a way we would never have thought of forcing ourselves to open an account,"* without Prosperity Kids. Maria, age 30 and with two children in elementary school,

reiterates that, *"without the program I really wouldn't have thought about saving for college, for them."*

- <u>Normalization of difficulty:</u> The support of the Prosperity Kids program—including the initial seed, withdrawal restrictions, and match incentives— may help to make saving seem like a manageable, albeit still difficult, objective.
    - Sara, age 28, has an annual income between $25,001 and $35,000 and has saved $75 in each of her three children's accounts. She attributes her motivation to her realization of the challenges inherent in saving for college. Rather than being dissuaded by this bleak reality, she has seized the opportunity presented by Prosperity Kids. "*My children, when they grow up, I might not have enough money to pay for the university. I guess it is very expensive. And I know that this will help them."*
- <u>Group congruence:</u> The structure of Prosperity Kids, where parents recruit each other and are encouraged to hold each other accountable for adhering to savings goals, explicitly seeks to foster a shared commitment to saving.
    - Reflecting this, Maria is quick to assure the interviewer that she can always get needed information about Prosperity Kids, because, "*I have people I know that also get very involved in that…many times at my sons' schools there's a parent class and there we get together."* Rocio credits parents she knows with influencing her decision to open the account, and several parents describe their efforts to convince others to enroll, as well.

The qualitative interviews also examine parents' strategies for saving in Prosperity Kids and, in particular, contributions of elements of the Prosperity Kids design that parents see as shaping their savings outcomes.

- These parents describe saving primarily by reducing consumption, drawing on lessons from the financial education provided by Prosperity Kids.
    - Daniela, age 27 and earning between $15,001 and $25,000 per year, is among the most successful savers in the sample, having already deposited almost $1,000 of her own money into her two children's accounts. In addition to taking advantage of an opportunity to increase her hours at work, Daniela details new habits informed by education received through Prosperity Kids: "*Well now I make a shopping list. I didn't before. I used to bring money in the purse, and I'd just spend it in things that I didn't really need in the house you understand?...And whatever is left over instead of spending it I go to deposit it…And before we used to go to restaurants too often…now there's no fries, no juices, more savings."*
- Elements of the Prosperity Kids design may also support families' saving.
    - Adriana, age 32 and with a household income between $15,001 and $25,000 per year, has managed $280 in deposits into her child's account, a feat she attributes in part to the withdrawal restrictions. "*And the most important thing is that you can't touch that money; that's what I like because that money is there and we know we can't withdraw it or anything, it's just for them."*
- Prosperity Kids' model positions parents as children's first financial teachers, and there is early evidence that they may be assuming this role. All but one of the parents interviewed

described interactions with their children around saving. Children's interviews confirm these exchanges.

- Rocio, for example, takes advantage of frequent interactions with her children to inculcate these savings values. "*Well I always look for discount opportunities, of everything. I always tell them that if I can save a penny {laughter}. I will save it…I always tell them "well we have to look always where it's cheaper and save it and save it because one doesn't know what may happen tomorrow."*
- Parents in Prosperity Kids teach by example as well as through overt instruction. Elizabet reports that her son has learned about saving because *"he sees us, for example…not spending money in things that you don't need."* Isabel, whose daughter's Prosperity Kids account already has more than $575, includes her child in the entire process, from saving in the piggybank to depositing at the credit union.

Conclusion

The experiences of the disadvantaged families enrolled in New Mexico's Prosperity Kids Children's Savings Account program underscore what should now be accepted fact: poor people can save, although they need additional supports and appropriate opportunities in order to succeed (e.g., Schreiner & Sherraden, 2007). These parents' documented deposits, generated primarily by sacrificing consumption in order to stretch limited incomes, further illustrate the disproportionate effort required for disadvantaged households to achieve financial outcomes commensurate with those that more privileged Americans can realize with less exertion. This finding should provide further evidence of the need for progressive policies that change the distributional consequences of existing institutions. Pilot programs such as Prosperity Kids can demonstrate significant effects on the financial well-being and future child outcomes (see Elliott, 2015) for those who participate, but it will likely take national CSA policy (see, among others, Cramer, Black, & King, 2014) to create an infrastructure capable of providing universal opportunity and seeding accounts with a wealth transfer equal to the task of redressing inequity. Examination of Prosperity Kids further suggests, however, that a national, universal model may be most successful if local organizations are able to innovate unique features that align with populations' needs and to layer on culturally-relevant engagement strategies, rooted within existing programs and institutions. In this case, Prosperity Works carefully designed the Prosperity Kids Children's Savings Account program so that alternative documentation could be used to open accounts, entire families could enroll together, and parents would be given tools with which to improve their own financial positions. They also leveraged an existing—and funded—peer outreach program in order to facilitate efficient implementation. These parameters may have contributed to successful rollout and, these findings suggest, to meaningful savings outcomes for this population, as well.

The idea of using children's assets to catalyze transformative effects—on educational expectations and subsequent achievement (Elliott, 2013), on family finances, on overall well-being (Sherraden, 1991)—has captured the imaginations of program architects and philanthropists and the attention of policymakers. Communities around the country (CFED, undated), representing different sectors and institutions with influence over children's outcomes, have latched onto the promise of Children's Savings Accounts, innovating their own approaches, adding to the knowledge base, and, most importantly, tangibly improving children's chances.

Prosperity Kids is a relatively small CSA program, working with a relatively select group of obviously motivated—if economically disadvantaged—families. Still, the distance between these households and financial security is arguably as great as in any community. That college saving can take root in this adverse environment and against these great odds further credentials the CSA concept. Building on the theoretical and empirical foundation undergirding progressive children's asset-building interventions, efforts such as Prosperity Kids continue to prove that savings can work, in a variety of contexts and on many fronts.