



**Savings Patterns and Asset Accumulation in New Mexico's
Prosperity Kids Children's Savings Account (CSA)
Program: 2017 Update**

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What is Prosperity Kids?

New Mexico's Prosperity Kids Children's Savings Account (CSA) program provides incentives, financial education, and peer support to encourage participants—most of whom are relatively low-income Latino families—to save for their children's futures. Nonprofit Prosperity Works leverages social networks and community partnerships in the Albuquerque, New Mexico area to recruit accountholders. While the particular features are somewhat unique to this model, Prosperity Kids evidences the hallmarks of CSA policy: initial seed deposits, facilitated or universal account opening, savings incentives, and long-term asset ownership (Goldberg, 2005; Sherraden, 1991).

Participants who open Prosperity Kids CSAs receive an initial \$100 seed deposit and up to \$200 in a 1:1 match for their savings per year, over ten years.¹ Parents may also earn benchmark deposits for completing activities associated with child development and academic achievement. As is the case in many CSA programs, these incentives are financed with a mix of philanthropic and public dollars. Prosperity Kids accounts are custodial, held by Prosperity Works until used for postsecondary education, or for “transition to a stable adulthood” when the child turns 23, such as homeownership or entrepreneurship.

Report Sample and Methods

This report uses administrative savings data from 509 Prosperity Kids accountholders to examine saving and asset accumulation from the initiation of the CSA program in May 2014 through December 31, 2016; We build on previous analysis of quantitative and qualitative data regarding saving and asset accumulation in the Prosperity Kids CSA (Lewis et al., 2016). To analyze these data, the Center on Assets, Education, and Inclusion (AEDI) merged Prosperity Kids' enrollment roster, which has basic demographic information including enrollment date, accountholder race/ethnicity, relationship of the accountholder to the child (i.e., parent or grandparent), child's age and school status at enrollment, and name of school, if applicable, with financial records from the credit union holding the accounts, in order to create a complete dataset of account activity including deposit amount by type (i.e., seed, match, or family contribution). Savings data and characteristics of accountholders were summarized with frequencies and descriptive statistics for the overall sample and by sub-groups of savers and non-savers (the latter defined as those families that opened a Prosperity Kids account but made no additional contributions) using STATA version 14.0. To augment these data, additional data on gender, English Language Learner, Free/Reduced Lunch, and Special Education statuses for the 2015-2016 school year were obtained from the Albuquerque Public School (APS) district for the subsample of children attending an APS school.

Results

Below we present summaries of Prosperity Kids enrollment over time and demographic and savings data for the overall sample of Prosperity Kids accountholders overall, with

¹ For more background on the Prosperity Kids CSA design, see Lewis et al. (2016).

account data further broken down by saver/non-saver subgroups, account tenure, and quarterly account activity.

Prosperity Kids Sample Characteristics

Column 1 of Table 1 provides demographics for the entire sample. Columns two and three display demographics by the subgroups of savers and non-savers. All but one of the children in Prosperity Kids are Hispanic/Latino. While information about participants' socioeconomic status is not available directly for children not enrolled in the Albuquerque Public School system, previous research (Lewis et al., 2016), child poverty (New Mexico Voices for Children, 2015) and aggregate well-being (Annie E. Casey, 2016) statistics for the larger community, and free and reduced-price lunch status for the school district (New Mexico Voices for Children, 2015), all suggest that at least most families with Prosperity Kids accounts are low-income. Reflecting Prosperity Kids' openness to children within a wide age range, children were enrolled as young as 2 months and as old as 12 years, with an average age at enrollment of 6.6 years. This age distribution is also reflected in grade at enrollment, with just over two-thirds of children enrolled before starting elementary school.

Table 1. Demographic Characteristics of Prosperity Kids Participants

	Total Sample N=509	Savers n=226 44.4%	Non-savers n=283 55.6%
Average age in years at enrollment	6.6 years (range 0.2-12)	7.0 years (range 0.2-12)	6.3 years (range 0.2-12)
Grade at enrollment			
K	10.3%	10.9%	9.8%
1st-3rd grade	30.8%	31.2%	30.5%
4th-6th grade	21.6%	24.4%	19.2%
Pre K, Headstart, EvenStart, Preschool	15.6%	18.6%	13.2%
Not in school	21.8%	15.0%	27.4%
Average months Enrolled	20.6 months	21.3 months	20.0 months
Time enrolled			
<1 month	0%	0%	0%
1-6 months	0.4%	0%	0.7%
7-12 months	22.6%	20.8%	24.0%
13-18 months	19.7%	20.8%	18.8%
19-24 months	29.1%	23.5%	33.6%
25 or more months	28.3%	35.0%	23.0%

Table 2 summarizes demographic data for the subset of 296 children attending Albuquerque Public Schools, also analyzed separately by savers and non-savers. Among this subset, slightly fewer than one-half were male (48.6%), 57.4% were English Language Learners, 83.4% qualified for Free/Reduced Lunch, and 10.5% received some special education services. These values did not vary substantially when comparing savers to non-savers. Savers and non-savers missed between 3-4 total days of school.

Table 2. Demographic Characteristics of APS Students with Prosperity Kids Accounts

	<u>Total Sample</u> <u>N=296</u>	<u>Savers</u> <u>n=143</u> <u>49.4%</u>	<u>Non-savers</u> <u>n=153</u> <u>50.6%</u>
Male	48.6%	46.9%	50.3%
Race/Ethnicity			
Hispanic	99.6%	99.3%	100.0%
White	0.4%	0.7%	0%
English Language Learner	57.4%	58.7%	56.2%
Special Education	10.5%	14.0%	7.2%
Free/Reduced Lunch	83.4%	80.4%	86.3%

Children’s Savings Account Ownership in Prosperity Kids

Outreach and recruitment for the Prosperity Kids CSA started in spring 2014, with the first accounts opened in May of that year. The distribution of account opening by quarter is displayed below (Figure 1). Prosperity Kids’ account ownership tenure at the end of 2016 reflects the concentration of account-opening activity in the period between mid-2014 and the end of 2015. The first quarter of savings records in Prosperity Kids is spring 2014. By the 7th quarter, Prosperity Kids had enrolled 493 kids, almost reaching their target capacity of 500 kids. This upper bound helps explain the steep drop in enrollment after the 7th quarter. However, Prosperity Works received additional funding to allow them to extend the enrollment period and enroll a few additional children. Eventually, the Prosperity Kids CSA enrolled a total of 509 children.

Figure 1. Prosperity Kids Account Opening (maximum capacity of 500 accounts)

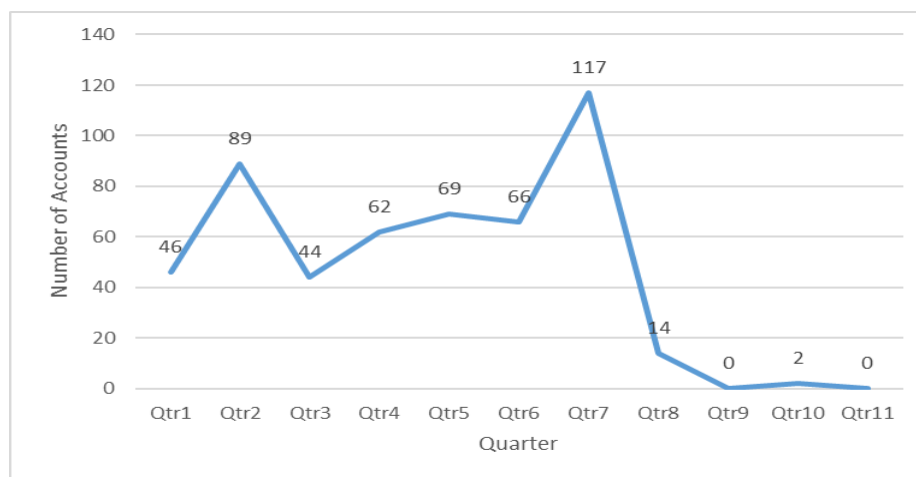


Table 3 provides information on enrollment by child age. As one would expect given the grade at enrollment data in Table 1, nearly all accounts were opened for children ten years and younger. Since parents may open an account for multiple children at the same time, having siblings may influence the age accounts are opened for children in Prosperity Kids. Limitations in the dataset do not allow identification of siblings who may both have Prosperity Kids accounts.

Table 3. Prosperity Kids Account Ownership by Child Age²

Age Group	N	Percent
0-4 years	153	31.2%
5-7 years	155	31.6%
8-10 years	142	29.0%
11 years+	40	8.2%
Total	490	100.00%

Savings Patterns

Because of Prosperity Kids' design, which provides savings matches and also an initial seed deposit as well as opportunities to earn program incentives for completing tasks other than making a family contribution, even families that have never contributed their own money to the Prosperity Kids account (non-savers) have some assets for their children's educations held in the CSA. For the entire sample of 509 children with Prosperity Kids accounts, total account values (including seed and match) ranged from \$100 to \$1,440 (mean \$274; median \$100).

Table 4. Family Contributions to Prosperity Kids Accounts

	As of 2016 Total Sample N=509	Savers Only N=226 (44.4%)
Total Value of Account	Mean \$274 Median \$100 Range \$100 to \$1,440	Mean \$492 Median \$370 Range \$110 to \$1,440
Match	Mean \$81 Median \$0 Range \$0 to \$600	Mean \$181 Median \$302 Range \$5 to \$600
Total family contribution among all accountholders (no seed or match)	Mean \$94 Median \$0 Range \$0 to \$940	Mean \$211 Median \$133 Range \$5 to \$940
Total family contribution grouped		
\$0	55.6%	0%
\$1-\$50	12.4%	27.9%
\$51-\$100	5.3%	12.0%
\$101-\$200	9.0%	20.3%
\$201-\$300	5.7%	12.8%
\$300+	11.9%	27.0%
Family Contribution by months enrolled	Mean/ Median/ Range	Mean/ Median/ Range
0-6 months	0	0
7-12 months	\$71/\$0/\$0-\$480	\$166/\$8-\$480
13-18 months	\$86/\$0/\$0-\$767	\$182/\$5-\$766
19-24 months	\$92/\$0/\$0-\$940	\$259/\$20-\$940
25 or more months	\$126/\$0/\$0-\$624	\$229/\$10-\$624

² Here, N=490, instead of 509, because 19 cases are missing the child's age.

Forty-four percent (n = 226) of accountholders have made at least one contribution to their child’s account, with about 60% of these savers contributing at least \$100. Table 4 shows family contribution patterns for this sub-sample of savers. Overall, median total family contribution for savers was \$133, with a low of \$5 and a high of \$940. These families, on average, received \$181 in match (ranging from \$5 to \$600; median \$302). Together with the seed deposit, the median total Prosperity Kids account value for savers was \$370 (with mean of \$492 and a range of \$110 to \$1,440).

While there is little difference in children’s ages between savers and non-savers, savers did differ in tenure of account ownership. Savers have had their Prosperity Kids accounts for average of 21 months, compared to 20 months for non-savers (Table 1). There are more savers within the Prosperity Kids program now than at the last point of analysis at the end of 2015 (Lewis et al., 2016). Then, 29% of the Prosperity Kids participants had made at least one deposit, while, by the end of 2016, more than 44% had done so.

Family Contributions

Total family contributions tend to increase the longer an account has been open as Figure 2 illustrates. The drop-in contribution values for accounts open longer than 24 months may stem from the fact that the majority of Prosperity Kids accounts are between 12 and 24 months old (Table 5). The fact that there are so few accounts older than 24 months might skew these data.

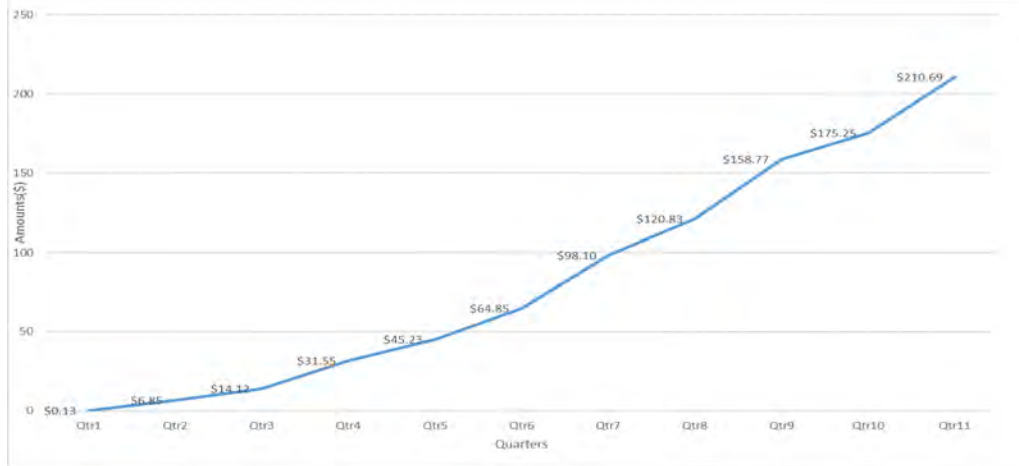
Figure 2. Ranges of Family Contribution among Savers by Account Tenure (n = 226)



Asset Accumulation

On average, family contributions increase regardless of the calendar year when the account was opened (Figure 3).

Figure 3. Accumulated Average Family Contribution by Quarter among Savers (n = 226)



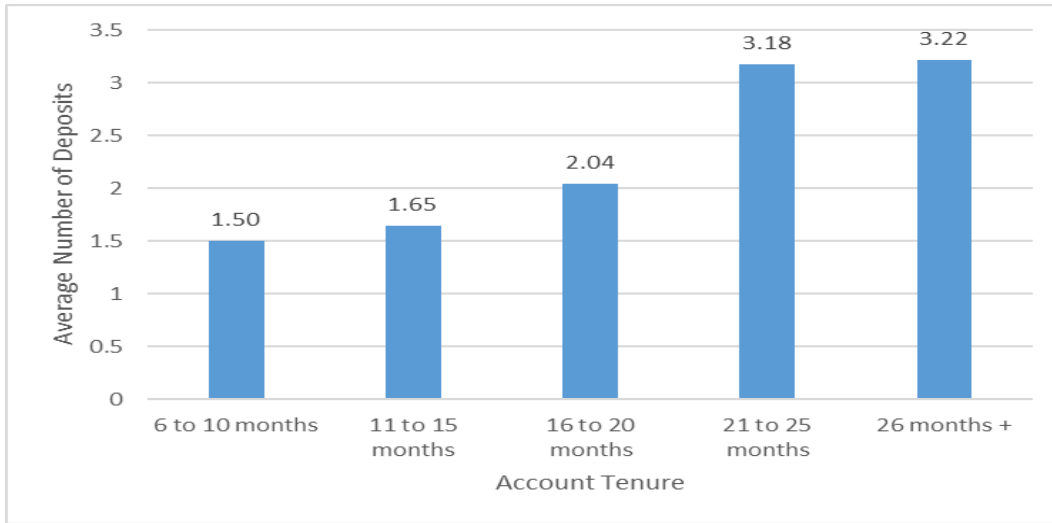
At the end of 2016, most Prosperity Kids accounts (83.5%) that had seen at least one contribution (accounts classified as belonging to “savers”) had been open at least 12 months. Total asset accumulation in these older accounts is substantially more than in accounts opened within the last year (Figure 4). This greater asset accumulation reflects both longer periods over which family contributions accumulate (and matches are added), as well as some greater level of contribution activity.

Figure 4. Total Value of Account by Account Tenure among Savers



Examining the differences in family contribution activity by account tenure, we see that families’ frequency of deposit into the Prosperity Kids account is greater at every interval of CSA account ownership tenure (Figure 5). Those whose accounts have been open at least two years made the most frequent deposits into the Prosperity Kids accounts (depositing on average in 3.22 different quarters, compared to 1.51 different quarters for those who have had Prosperity Kids accounts for less than 12 months) (Figure 5).

Figure 5. Average Number of Quarterly Deposits by Account Tenure³



Indeed, looking at saver status by tenure group confirms this divide (Table 5); 40% of those whose Prosperity Kids accounts have been open less than twelve months are savers, compared to 55% of those who have had Prosperity Kids accounts for at least 24 months.

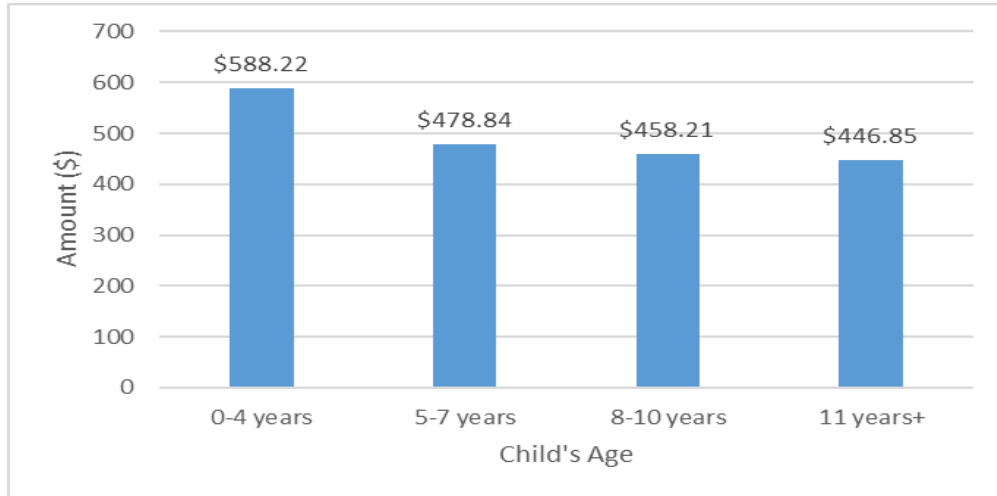
Table 5. Saver Status by Tenure

Account Tenure	Non-saver	Saver
< 12 months	60%	40%
12 months to 23 months	60%	40%
24 months +	45%	55%
Total	56%	44%

Figure 6 indicates while families of children younger than school age (typically, age 5) are a relatively small percentage of the total Prosperity Kids population (31.2%; see Table 3),

Figure 6. Average Total Account Value by Age Group among Savers

³ While 35% of the sample has had a Prosperity Kids account for at least 26 months and less than 2% for 10 months or less, the sample size is roughly equivalent in the other categories (25%, 21%, and 18%, respectively).



they have accumulated more in assets than any other group of savers, as shown below

Discussion

This research extends AEDI’s earlier analysis of family contributions and asset accumulation in New Mexico’s Prosperity Kids Children’s Savings Account program (Lewis et al., 2016), utilizing another year of administrative account data to study how saving activity and account balances have evolved.

Families are saving for their children’s futures, early and often. Forty-four percent of Prosperity Kids accounts have seen family contributions. These deposits reflect families’ commitment to their children’s postsecondary educational futures, even when high school graduation is a decade away in many cases. This saving is frequent particularly among accountholders who have had their Prosperity Kids accounts for nearly two years or more. On average, accounts open at least 21 months see deposits every three to four months.

Families are saving, despite considerable odds. Most notable is the level of family contribution activity among this low-income population. Given that 84% of those for whom household economic status is directly known are eligible for free or reduced-price lunch, the 44.4% of accountholders who have deposited at least some of their household’s limited resources into an account dedicated for their children’s long-term futures represents a substantial investment.

Earlier enrollees are saving more. Given the requirement that Prosperity Kids accountholders “opt in” to account ownership, the greater levels of family contribution by those whose Prosperity Kids accounts are older (by likelihood of saving, amount deposited, and frequency of deposits) could reflect relatively greater savings motivation among these “first adopters” of the Prosperity Kids CSA. There is greater asset accumulation by families with very young children. This is possibly explained by differences in the populations that elect to participate in Prosperity Kids. Although families with very young children face considerable financial challenges (Center on Budget and Policy Priorities, 2015), it is possible that the families who have opted in to Prosperity Kids CSA ownership while their children are still quite far from college are those with particular capacity and/or orientation

to saving.

Savings participation seems to increase over time. There is also evidence that at least some of the families included among the 44.4% who had contributed to the accounts by the end of 2016 were not yet saving at the end of 2015. At least for some Prosperity Kids accountholders, contributions to the CSAs emerge over time.

Accumulation is not the only way CSAs help children. It should be emphasized that Children's Savings Account programs such as Prosperity Kids have been shown to be valuable—particularly to disadvantaged children—even apart from their actual balances. This is accurate in terms of the cultivation of college-saver identities (Elliott, 2013a), greater educational expectations (Kim, Sherraden, Huang, & Clancy, 2015), stronger social and emotional development (Huang, Sherraden, Kim, & Clancy, 2014), and associated effects on academic achievement (Elliott, Jung, & Friedline, 2011) and progress towards college (Elliott, 2013b). At the same time, it must also be acknowledged that CSAs cannot be maximally potent counterbalances to growing wealth inequality unless they are designed and funded to equip low-income families with robust asset balances.

Conclusion and Future Research

Future research with New Mexico's Prosperity Kids CSA program may further explore the relationship between program design and participant savings outcomes, including how the peer support approach used, selection of a credit union partner, and availability of incentives affect participants' experiences with and saving in Prosperity Kids. Given the findings presented here, questions related to why there is greater savings activity among longer-tenured Prosperity Kids accountholders and why the accounts of younger children have larger asset balances are of particular interest. While only universal policy can deliver transformative early assets to every child whose future could be shaped by them, these findings suggest that locally-designed and culturally-responsive CSA interventions can engage families in saving for the postsecondary educations of their young children. As the national CSA landscape continues to evolve, the lessons learned on the ground in programs like Prosperity Kids can make valuable contributions.

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