

Children's Savings Accounts Expand Opportunity

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Children's Savings Accounts (CSAs) help families save and invest in their kids

Working families want to save for their kids. CSAs are based on the simple idea that all families, given the right support, can save and invest in the potential and aspirations of their children. This idea has been proven again and again by research, demonstration projects and the on-the-ground experience.¹

CSA programs seed accounts, match deposits and boost financial literacy. CSAs are seeded with an initial deposit and built by deposits from family, friends and the children themselves. CSA contributions are often matched, for instance by adding an additional dollar to the account for each dollar deposited. CSA programs often combine the savings product with engagement of children and their families in financial education to build lifelong savings habits.

How CSAs Work

1. Seed the account with an initial deposit and match deposits
2. Boost financial literacy
3. Use savings for education, homeownership or business

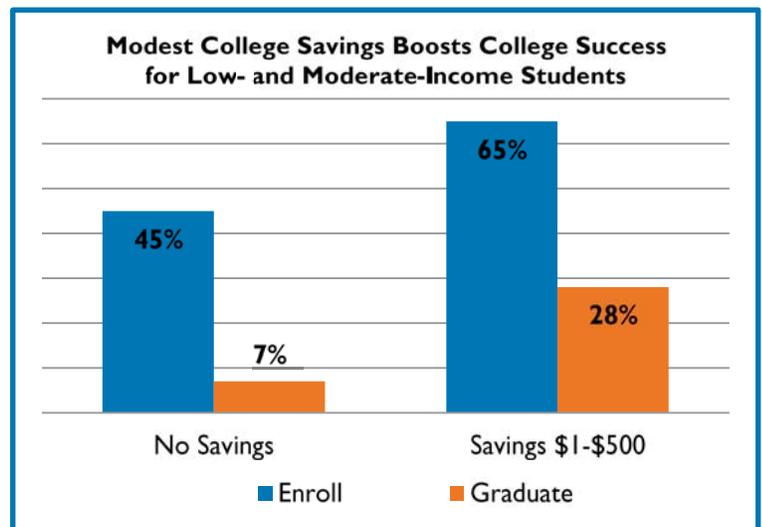
CSAs increase self-sufficiency and break the cycle of poverty. CSA programs typically limit account use to higher education expenses, but may also allow investments in homeownership or small businesses. By focusing on long-term assets, CSAs help families invest in their children in ways that can break the intergenerational cycle of poverty.

CSAs improve kids' educational success and economic well-being

By changing aspirations, CSAs turn small investments into big life changes. CSAs change kids' aspirations for the future. Research shows that children from low- or moderate-income families who have between \$1 and \$500 in savings for college are three times more likely to go to college than those without college savings. And, these children are four times more likely to graduate.²

More savings means more economic mobility. Children from families that own assets have higher academic achievement and complete more years of education.³ Plus, boosting savings early equips students with a bigger nest egg, which means less debt. Student loan debt has nearly tripled over the last eight years to almost \$1 trillion, becoming the second largest source of consumer debt.⁴

CSAs promote lifelong savings habits. By teaching the fundamentals of financial literacy early, CSAs help kids form healthy, lifelong habits around savings, investments and financial security.



Source: Assets and Education Initiative, [Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education](#), July 2013

Support for CSAs is growing throughout the country

CSAs represent an idea whose time has come. States and local communities throughout the country are launching CSAs to support families and young savers. A sample of these includes:

- San Francisco's Kindergarten to College program has already opened 13,000 accounts—one for each kindergartner entering the city's public schools starting in 2012.
- Cuyahoga County, Ohio, home to Cleveland, launched the single largest publicly funded CSA program in the country in the fall of 2013, promising to provide 15,000 new kindergartners every year with CSAs.
- Nevada is launching an ambitious plan to provide CSAs to 3,000 kindergartners in 13 rural counties.

CSAs are a uniquely bipartisan approach to supporting savings and investments in children. One of the earliest federal CSA proposals was a bipartisan bill introduced in 2005 by Sen. Santorum (R-PA) and cosponsored by Sens. Schumer (D-NY), Corzine (D-NJ) and DeMint (R-SC). More recently, in the 113th Congress, Sens. Coons (D-DE) and Rubio (R-FL), along with Rep. Fattah (D-PA) introduced the *American Dream Accounts Act* (S. 918 & H.R. 2155), a new proposal to support children's savings throughout the country.

How Congress can support CSAs

- **Provide direct support to CSAs.** There are several options for Congress to support CSAs directly:
 - GRANT PROGRAM to support community-based organizations that create CSA programs
 - 529 REFORMS to expand these accounts and ensure access and usability for all working families
 - INDIVIDUAL TAX CREDIT for families that deposit savings into CSAs for their children
 - ALLOCABLE TAX CREDIT to support local organizations that operate CSA programs
- **Expand the Saver's Credit to allow for college savings.** The Saver's Credit currently only subsidizes retirement savings. The *Savings Enhancement for Education in College Act* (H.R. 529), introduced by Reps. Jenkins (R-KS) and Kind (D-WI), would expand eligible saving products to include 529s. Additional reforms could make *all* CSA deposits eligible for the credit, greatly increasing the impact of the Saver's Credit for working families.
- **Exempt CSAs from public benefit asset limits and student aid calculations.** Asset limits discourage saving and limit parents' ability to invest in their children. A parent who saves for her child's education should not be punished by being forced off of TANF, SNAP or SSI.
- **Encourage innovation in child savings,** such as the *American Dream Accounts Act* (S. 918 & H.R. 2155), which would help prepare students for college by creating online accounts with a savings component.
- **Improve existing federal support for higher education.** Pell grants and higher education tax credits amounted to more than \$85 billion in federal support for higher education in 2013. Thoughtful reforms could leverage some of this spending to incent early college savings.
- **Leverage existing federal programs to increase access to child savings opportunities.** Federal initiatives, such as Promise Neighborhoods, Head Start and public housing programs could provide working families with the opportunity to save for their children in CSAs.

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¹ CFED, *Rebuilding American Success: Savings and Financial Security for All*, April 2013

² Assets and Education Initiative, *Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education*, July 2013

³ Min Zhan and Michael Sherraden, *Assets, Expectations, and Children's Educational Achievement in Female-Headed Households*, November 2009.

⁴ Federal Reserve Bank of New York, *Quarterly Report on Household Debt and Credit Report*, May 2013.