

Understanding Children's Savings Accounts

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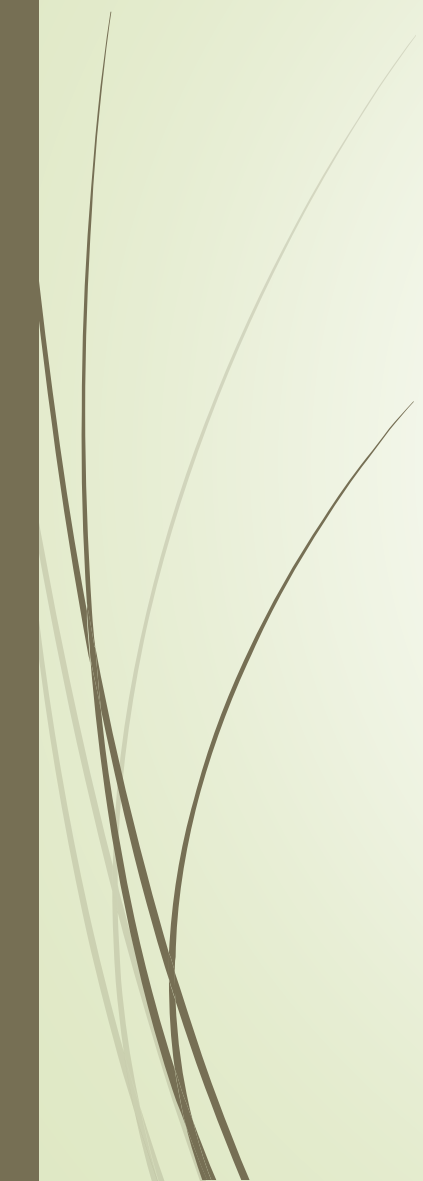
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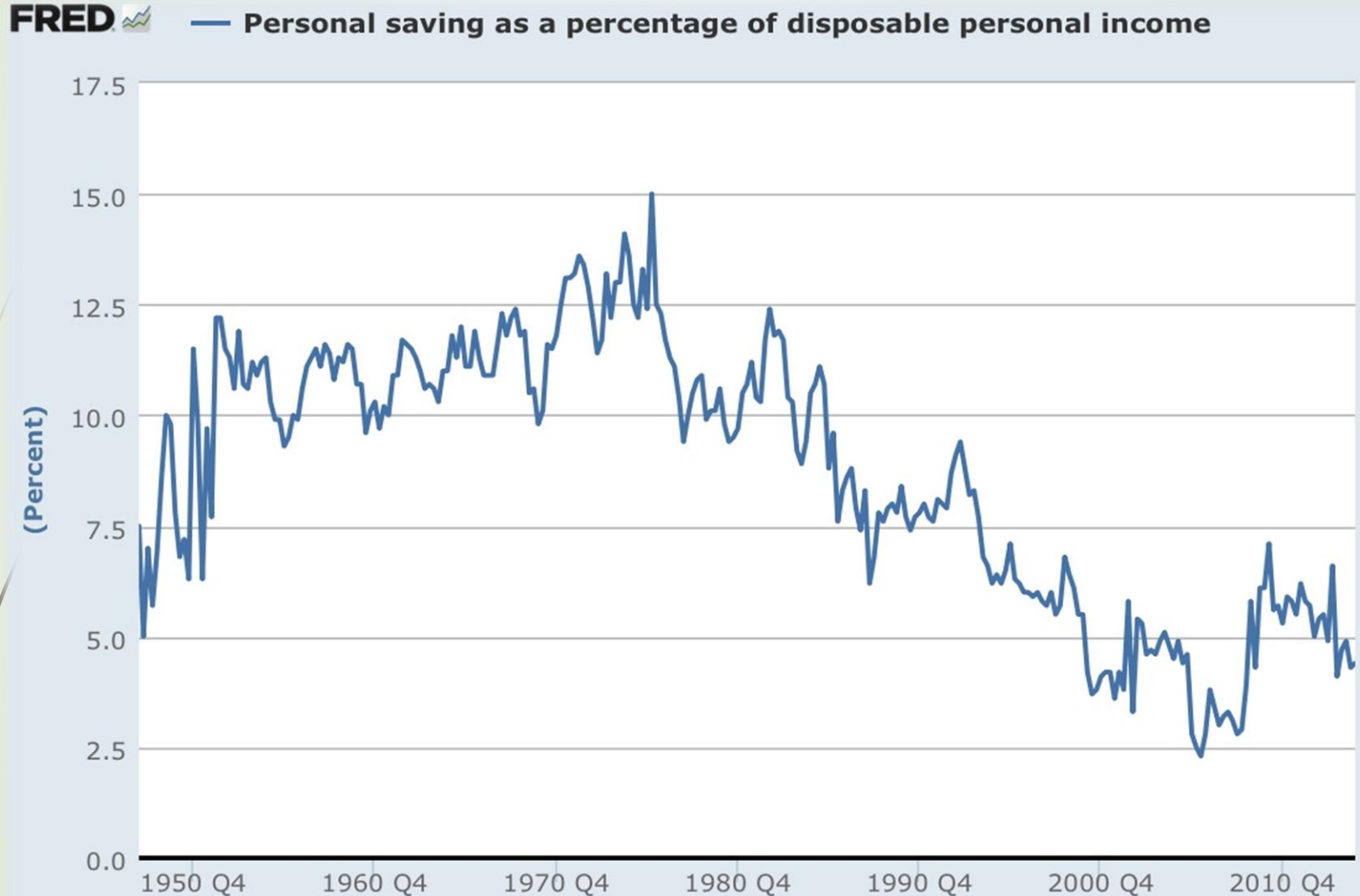
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Topics to Be Discussed

- American Saving Habits
 - What are Children's Savings Accounts (CSAs)
 - The Impact of CSAs
 - Examples of CSAs
 - Barriers that Have Constrained CSAs
 - Overcoming Barriers to Create Successful CSAs
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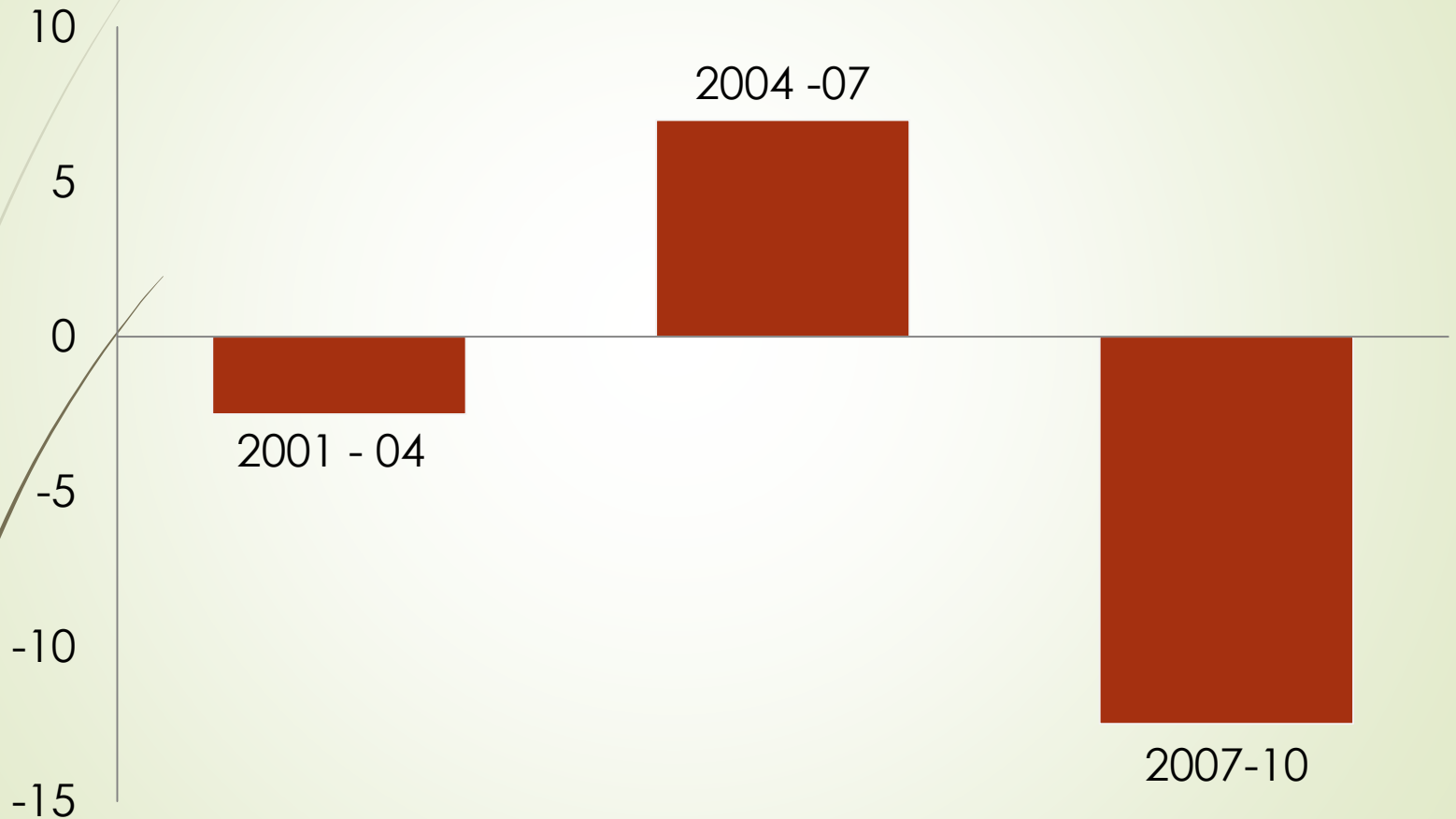
US Personal Savings in Relation to Disposable Income



Source: U.S. Department of Commerce: Bureau of Economic Analysis

2014 research.stlouisfed.org

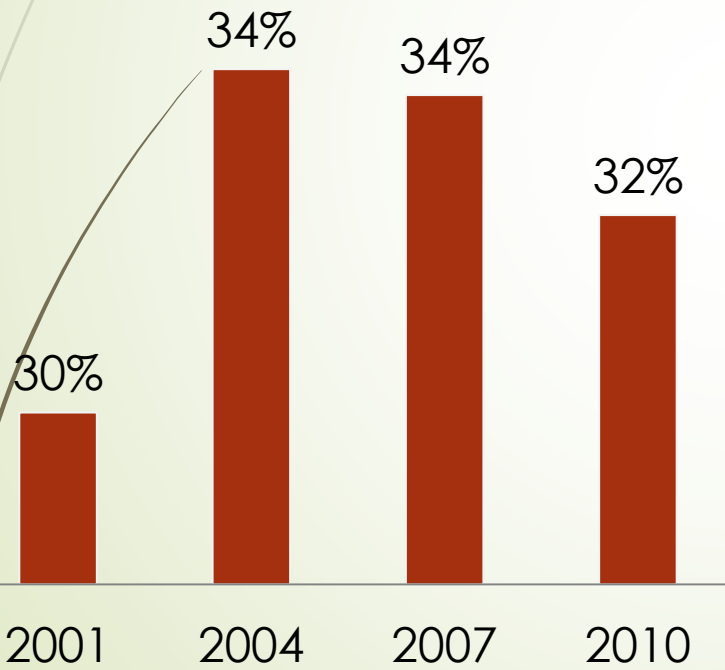
Changes in Consumer Net Worth 2001-2010



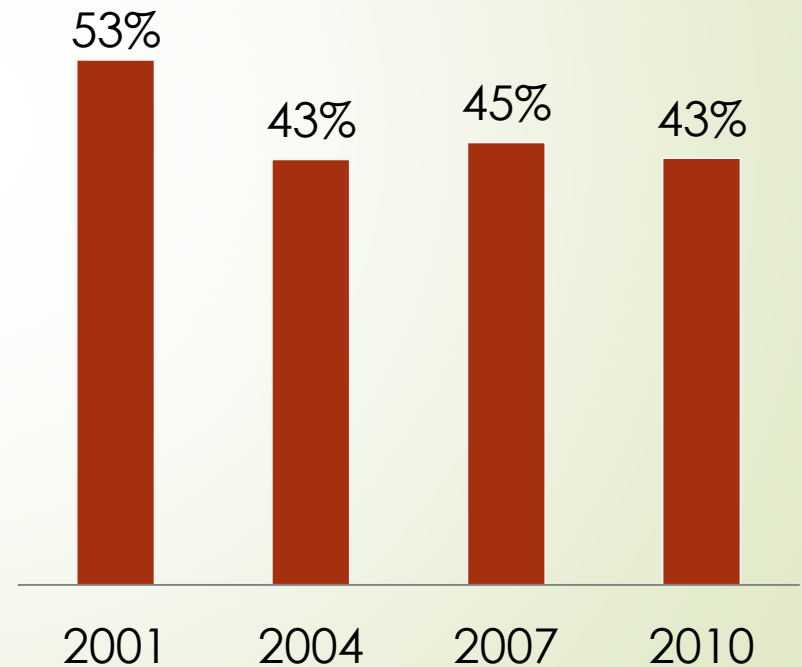
Source: Federal Reserve Board Survey of Consumer Finance

Family Savings Patterns

Savings Pattern
for Families
making **less than
\$20,500**



Savings Pattern
for Families
making **between
\$20,500 to \$39,000**



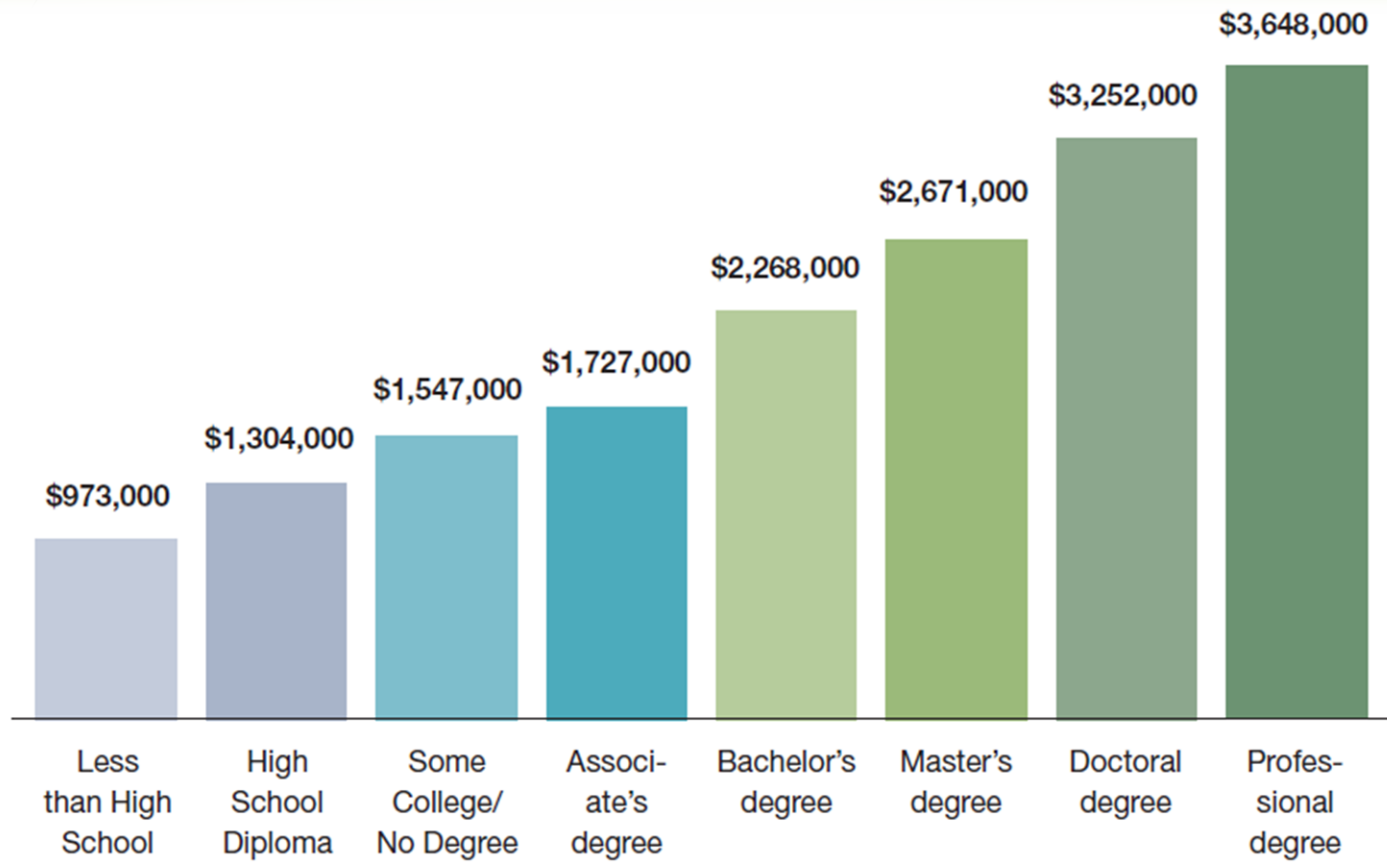
Source: Federal Reserve Board Survey of Consumer Finance



Importance of Savings

- ▶ Unexpected events
 - ▶ Job Loss
 - ▶ Vehicle Repair
 - ▶ Health Issues
- ▶ Expected Events
 - ▶ Retirement
 - ▶ Education
 - ▶ Home Purchase
 - ▶ Business Start-up
 - ▶ Special Events (e.g., wedding, vacation, holiday, etc.)


Investment in Education – Lifetime Earnings by Educational Attainment





Are **Children Savings Accounts** a
pathway to greater economic
mobility/security for the next
generation?





What are Children Savings Accounts (CSAs)?

- CSAs are long-term asset-building accounts.
- Accounts are seeded with an initial deposit and built by contributions from family, friends and the children themselves.
- Accounts can be augmented by savings matches and/or other incentives.
- CSAs gain meaning as young accountholders and their families engage in age-appropriate financial education.
- At age 18, the savings in CSAs are used for an asset-building purpose – typically financing higher education.

Source: <http://cfed.org/programs/csa/about/>



Impact of Children's Savings Accounts

- ▶ Children's savings improve early child development and future financial capability
- ▶ CSAs create and prepare children for their economic future
- ▶ Children with college savings have greater college expectations
- ▶ Children with college savings do better academically



Examples of CSAs

CSAs can be divided into 2 product models

- **529 College Savings Plans**

- Harold Alfond College program
- The START Saving program

- **A deposit-only savings account**

- SEED Oklahoma
- K2C Model (Kindergarten to College Program in San Francisco California)
- GEAR UP Saving Account Program

International CSAs

- The U.K. Child Trust Fund (CTF)

School-Based Banks & CSAs

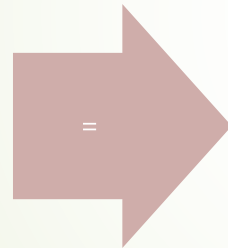
Banks



School
Administrators



Non-
Profits



Children Savings Accounts

- Financial Education
- Mini Banks
- Banking Centers
- Student Tellers

Barriers that Constrain Successful CSA Programs

- ▶ **Families – Financial Situation**
 - ▶ Limited Income
 - ▶ Low Frequency of Savings
 - ▶ High Debt Payments
- ▶ **Banks**
 - ▶ *Myth-* Lack of Demand for Savings
 - ▶ Costs of Services
- ▶ **Government**
 - ▶ Lack of Constituent and Interest Group Support
- ▶ **School Districts**
 - ▶ Absence of Incentives for Administrators



Overcoming Barriers – Creating a Successful CSA

► Families

- Promote Opportunities to Save
 - Meet People Where They Are
- Increase Parental Involvement
 - Institute/Require a Parental and Student Commitment Letter
 - Distribute CSA Information to Parents through School Administrators
 - Provide Parent and Child Financial Education and Planning Workshops

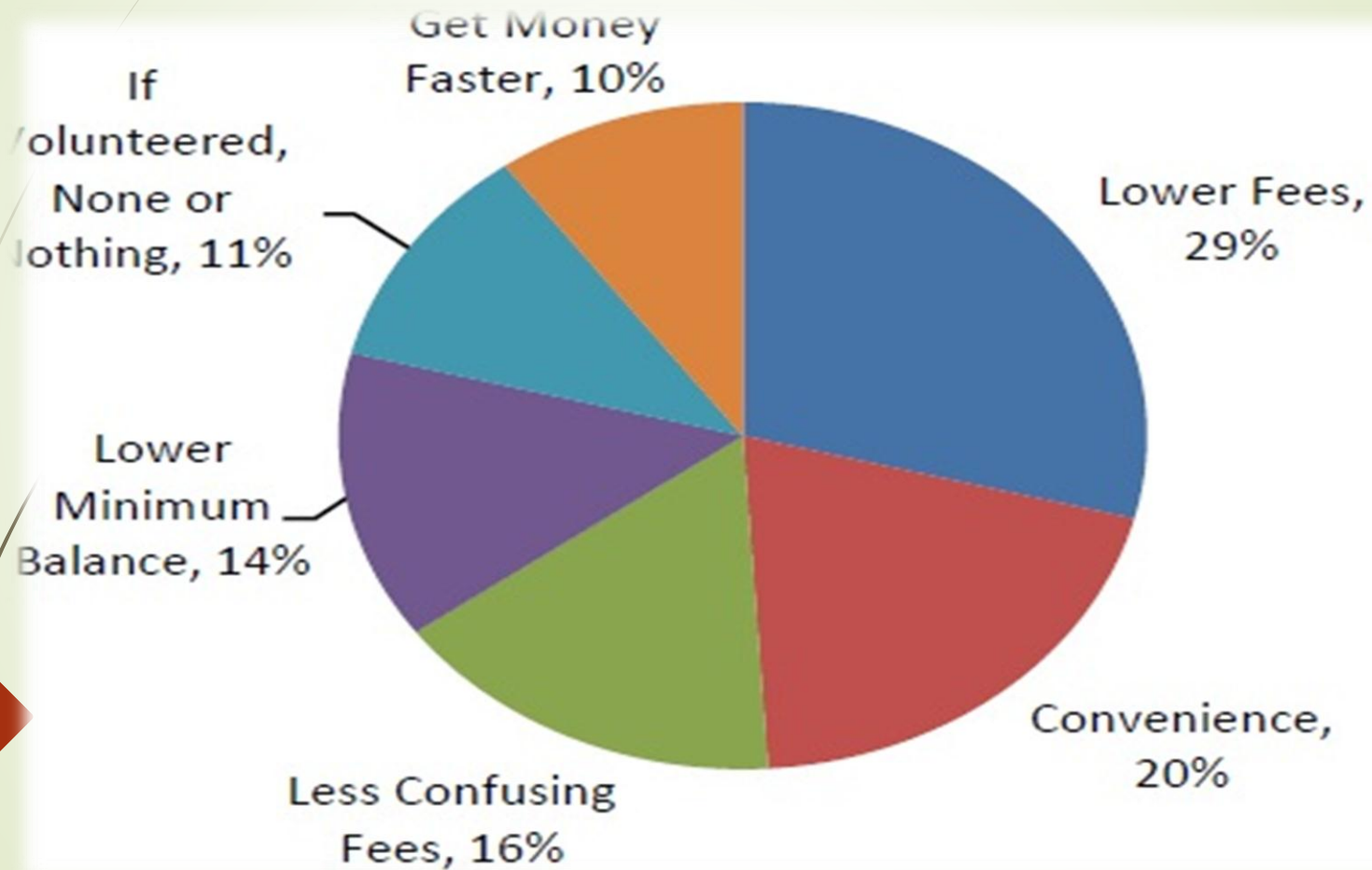


Overcoming Barriers – Creating a Successful CSA

➤ Banks

- Justify Account Fees
- Provide Flexibility in Account Features
- Ease Withdrawal Restrictions
- View CSA as a Long- Term Investment
- Provide only Effective Bank Features
- Increase Families' Access to Credit Reports

Suggested Account Changes to Incentivize Low to Moderate Income Individuals to Save



Source Barr, 2009 – New America Foundation



Overcoming Barriers – Creating a Successful CSA

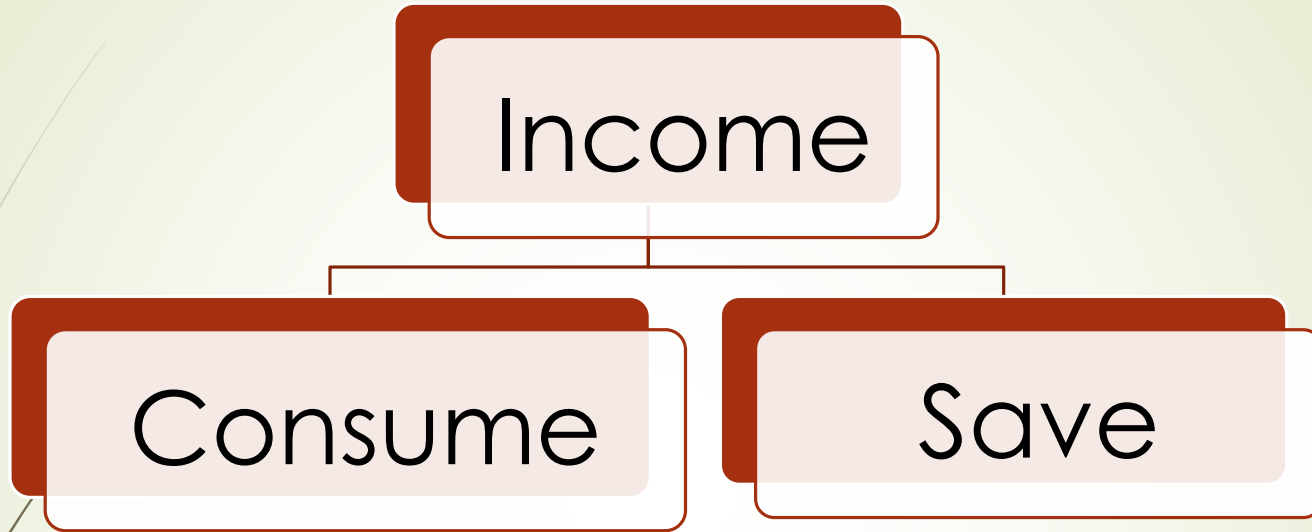
➤ Schools

- Provide Age Appropriate Financial Education
- Distribute Promotional Information through School Administrators
- Adopt Financial Education as a Learning Outcome

➤ Other Suggestions for CSAs

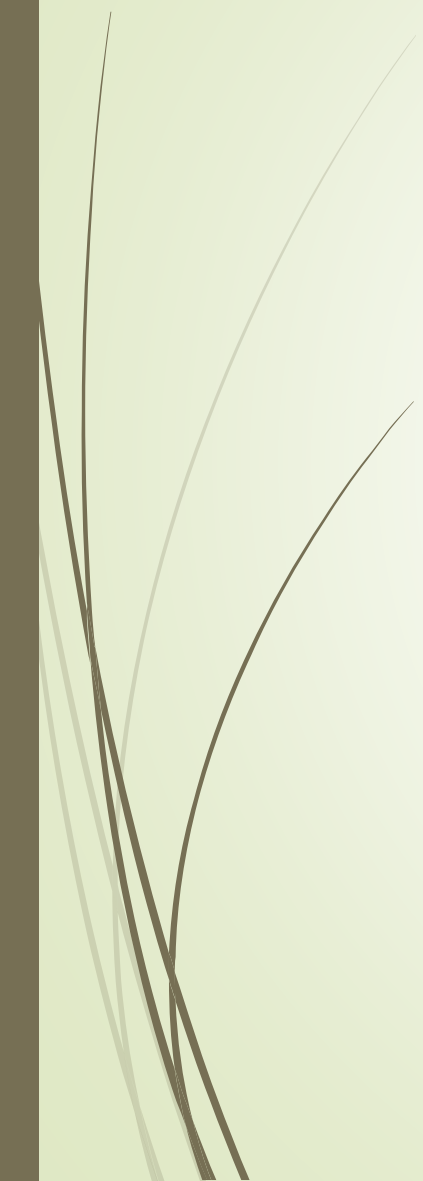
- Provide Automatic Enrollment in CSA accounts
- Guarantee an Average Return
 - Provide Confidence that the CSA Money will be Safe
- Create and Use Motivational Promotional Slogans

Proposal – Retail Agent Banking





Conclusion

- Research has shown that CSAs offer a viable solution to greater economic mobility for the next generation.
 - We have numerous examples of CSAs in the US and abroad.
 - CSAs can work if stakeholders collaborate and work together for the interest of the children.
 - Banks should view CSAs as a long-term investment.
 - Low-Income families want to save. We just have to meet them where they are.
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