

The Importance of Children's Savings Accounts:

A tool for helping Head Start Families
Toward Financial Stability



SEED Objectives

Accounts:

Move 1000+ low-income children and their families toward economic independence through cost-effective SEED accounts.

**Practice:

Develop cost-effective, scalable practice models for different age cohorts of children 0-18.

Research & Evaluation:

Document, research, and evaluate SEED account models and effects.

**Policy:

Develop, advocate, and enact progressive universal federal/state policy.

Communication:

Develop and communicate effective messages, results and lessons.

**Coalition-Building:

Build a diverse, inclusive, and effective coalition to guide and promote effective SEED practice and policy.



Goals of the SEED program at OLHSA

- Help families with young children build assets for post-secondary education.
- Instill the expectation that SEED participants will attend college or post-secondary training
- Help families with limited resources meet their financial obligations and build assets through increasing financial management skills
- As the preschool demonstration site in the SEED project, test and research an asset building program that will impel policymakers to invest in and reward low-income families building financial assets to leave poverty

A SEED Account At OLHSA

- Utilized the MESP 529 account and state matching grant account
- Program made \$800 initial deposit (began in December 2004)
- 1:1 match up to \$1200 until December 2008
- Non-custodial account
- Savings is for post secondary education – college or vocational training.



Other program features

- Semi-Annual Home Visits
- Semi-Annual Family Financial Education Events
- Quarterly newsletters and deposit reminders
- Holiday and Birthday cards encouraging saving
- Education and outreach on EITC and free tax preparation services





Who are the Participants?

- 500 children ages 3-5 (at program entry) enrolled in the Head Start program
- Ethnicity
 - 32% African American
 - 42% Caucasian
 - 8% Hispanic



Who are the Participants?

- 48.1% from Single parent households
- 39% from Married households
- 47% of households have monthly income of \$0-\$999
- 57% have a checking account & 44% have a savings account



Results

- 15 months to enroll 500 in the program
- As of 12-31-08
 - 500 children have total assets in their 529 accounts of \$751,041.
 - 51 account owners reached the goal of saving the \$1200 eligible for full match
 - Only 19 withdrawals during the course of the program
 - 11 were only partial withdrawals



Results

- As of 12-31-09, one year after program concluded:
 - Participants contributed an additional \$18,940 in deposits
 - Only 6 additional withdrawals
 - 1 partial
 - 5 full

Lessons Learned: Practice Perspective

- Recruitment
- Staff
- Account Structure
- Financial Literacy
- Participant Support



Recruitment at OLHSA

- It may be harder than you think.
- One on one is essential to be successful in enrolling families in a program like this
- Takes multiple encounters for families to become fully enrolled
- Trust is a key factor in enrolling families in this program
- Changing people's way of thinking about the accessibility of post-secondary education is key

Staff

The people we have working with our families is very important.

- Culture
- Education
- Background
- Experience
- Expectations
- Meeting the clients where they are

Account Structure at OLHSA

- Match given in real time –
 - Pro - participants see match the quarter after their savings is identified.
 - Con-match received and then participant may later withdraw from their account
- If the account is non-custodial, you may not be aware of withdrawals and miss an opportunity to counsel the client about alternatives.
- Education is the only approved use.
- Having to mail deposits vs. stopping by the local bank can be a barrier
- High minimum deposits and inability to use money orders creates barriers for very low income to save in this type of account
- Complicated investment choices may intimidate participants
- Consider developing a program that progressively phases in accounts



Effective Financial Literacy for Young Children

- Make it a Family Affair; Teach parents through fun activities they participate in with their children.
- Make use of newsletters, etc.
- Teachable Moments – during home visits with parents, in classroom.



Participant Support for Preschool Clients

- **Success often requires high touch**
- Real focus is on the parents and other relatives and friends saving for the child
- Providing resources and referrals for immediate needs is crucial in keeping this money in the account for the long run for the child
- One on one home visit has proved to be the most important way to impact participants to date

Key Finding from SEED research at OLHSA

MI SEED program had a significant positive impact on the importance parents attach to a college education.*

*Marks, Rhodes, et. al (2009). Building Assets: An Impact Evaluation of the MI SEED Children's Savings Program.



Why are CSA's an effective strategy for building assets for children?

At 6%, **\$1000 invested for 18 years yields \$3,000:**

- Add \$100 per year and sum → \$5,000
- Invest \$50 per month and total → **\$22,000**
- Typical costs to attend a 2-year public college are below \$2,000 per year; 4-year public college expenses are estimated to be just under \$4,000 annually. (cfed.org)
- People with bachelor's degrees earn over 80% more, on average, than those with only high school diplomas.
- 2 in 5 American children will never complete a single year of college. (cfed.org)



Child Savings Accounts Initiatives & Advocacy

- Join the Child Savings Account Coalition
 - http://cfed.org/policy/federal_policy_advocacy/join_coalition/csa_coalition/
- Illinois Children's Savings Account Task Force
- From Piggy Banks to Prosperity

SEED Initiative Partners

National Partners:

- Center for Social Development (Washington University, St. Louis)
- University of Kansas School of Social Welfare
- New America Foundation
- Aspen Institute – Initiative on Financial Security

Funders:

- Ford Foundation
- Charles and Helen Schwab Foundation
- Jim Casey Youth Opportunities Initiative
- Citigroup Foundation
- Ewing M. Kauffman Foundation
- Rhoda and Richard Goldman Foundation
- W.K. Kellogg Foundation
- Evelyn and Walter Haas, Jr. Fund
- Edwin Gould Foundation



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