



Examining the relationship between parental educational expectations and a community-based children's savings account program



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ABSTRACT

This paper presents evidence of the relationship between exposure to a community-based Children's Savings Account (CSA) program and parents' educational expectations for their children. We examine survey data collected as part of the rollout and implementation of The Promise Indiana CSA program. Although results differ by parental income and education, results using the full sample suggest that parents are more likely to expect their elementary school-age children to attend college if they have a 529 account or were exposed to the additional aspects of the Promise Indiana program (i.e., the marketing campaign, college and career classroom activities, information about engaging champions, trip to a University, and the opportunity to enroll into The Promise). Parents who were both exposed to the additional aspects of the Promise Indiana program and have a 529 account are over three times more likely to expect their child to attend college than others, increasing to 13 times more likely among parents with no college education. Overall, results suggest a community-based CSA program – Promise Indiana – is associated with nontrivial benefits for families.

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1. Introduction

Education spurs economic growth and innovation, promotes health, and expands skilled and higher-paying jobs that demand more educated workers (Lutz, Cuaresma, & Sanderson, 2008; Lutz & Samir, 2011; Rauscher, 2015). Educational expansion has become more critical for economic growth and job creation in the context of what some call the “knowledge economy” (Powell & Snellman, 2004), when production relies more on intellectual resources than on physical or natural resources (Coomans, 2005; Lutz et al., 2008; Hooks, Mosher, Genter, Rotolo, & Lobao, 2010). Parental educational expectations, defined as parents' realistic predictions about their children's future academic achievements (Briley, Harden, & Tucker-Drob, 2014; Elliott & Sherraden, 2013; Wang & Benner, 2014), are critical for children's educational achievement and attainment (Kim, Sherraden, & Clancy, 2013; Wang & Benner, 2014; Benner & Mistry, 2007; Elliott, 2009; Wang & Benner, 2014; Wells, Seifert, & Saunders, 2013). Thus, increasing parental expectations may be crucial to help increase educational attainment.

Children's Savings Accounts (CSAs) are one potential policy lever that could increase parental educational expectations. A growing body

of research examines the relationship between CSAs and multiple outcomes, including parental educational expectations for their children (Kim, Sherraden, Huang, & Clancy, 2015), but also children's social and emotional development (Huang, Sherraden, Kim, & Clancy, 2014), children's and parents' college-saver identity development (Elliott, 2015), and maternal well-being (Huang, Sherraden, & Purnell, 2014). Other research has independently discovered effects of assets—including those held in account vehicles and in amounts comparable to CSAs—on academic achievement (Elliott, Jung, & Friedline, 2011), educational attainment (Elliott, 2013; Elliott & Beverly, 2011), and later financial well-being (Friedline, 2014). While this collective evidence base supports the utility of children's savings as an investment in educational outcomes, the field currently lacks thorough examination of the relative contributions of different CSA design features to these measures. For example, there is some evidence of the effectiveness of state- or city-level CSA programs in influencing college expectations and educational preparation (Kim et al., 2015), but little is known about how a community- or county-level CSA program – involving schools, community organizations, local philanthropists, and banking institutions – may be related to educational expectations among parents. Although research has found effects of a CSA program with a \$1000 initial deposit (Kim et al., 2015), policymakers facing budget constraints may need to know whether a much smaller initial deposit of \$25 is similarly associated with increases in parental expectations for their children.

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In an effort to address these knowledge gaps, we collect and examine data on the implementation of a CSA program in four counties in Indiana. This CSA program, called Promise Indiana, brings together school districts, convening organizations (in some cases, the YMCA; in other communities, key roles are played by school districts, county economic development agencies, United Ways, and/or community foundations), and the state 529 plan—Indiana CollegeChoice (Kugler, personal communication January 7, 2015; Jones-Layman, personal communication May 12, 2015).

In addition to the facilitation of college saving through various programmatic features, the Promise Indiana model also hinges on activation of community champions whose contributions—financial and otherwise—aim to support children's educational attainment. Promise Indiana's model and implementation approach have been refined as the CSA has been rapidly replicated in other Indiana communities. As more states develop CSA programs, evidence of the effects of various types of CSA models can inform policymakers working to increase children's opportunities.

1.1. Background on child savings accounts

Michael Sherraden (1991) introduced the concept of Child Savings Accounts (CSAs) in his seminal book, *Assets and the Poor*.¹ While sometimes conflated with the state 529 savings plans on which many are built, CSAs are interventions distinct from this account infrastructure, and they work on several fronts to alter children's educational trajectories. In accordance with Sherraden's conceptualization, CSAs provide children and families with an initial 'seed' deposit to spark asset accumulation. The amount of the initial deposit for most programs ranges from \$25 to \$1000, with smaller amounts typically serving the purpose of paying initial fees required to open the 529s and larger deposits serving to more vigorously catalyze asset accumulation. CSAs also incorporate matching funds and incentives, which add public or philanthropic funds to families' savings in order to extend meaningful savings incentives, support balance-building of lower-income savers, and parallel the supports already available to higher-income households through tax benefits (Woo, Rademacher, & Meier, 2010).

The notion of Children's Savings Accounts as outlined by Sherraden (1991) is less about achieving a particular outcome such as increased college enrollment and more about how to build assets among lower-income children and families in pursuit of greater equity across the lifespan. CSAs were envisioned as "savings accounts that provide financial access, information, and incentives to encourage lifelong asset building and promote child development" (Huang, Sherraden, Kim, & Clancy, 2014, p. E2). The initial vision for these accounts called for a range of allowable purposes, including education, homeownership, and other development (Sherraden, 1991). As such, they are sometimes referred to as Child Development Accounts (CDAs). From this perspective, in order to be considered a CSA, an initiative must:

- Provide some financial information/education
- Bridge families' access to financial products and services
- Seed accounts with an initial deposit
- Provide incentives for saving, often including matches

While Sherraden's vision originally included broad asset purposes, in more recent years, CSAs have been designed more specifically as savings vehicles for helping families and children begin planning for college early, loosely situated within the educational institution as part of states' or municipalities' college-going and financial aid strategies. As a result, what constitutes a CSA has evolved somewhat to encompass

features that not only help children and families build assets but also help them develop a college-going orientation.

Unlike some other financial aid tools like student debt, which may actually reduce the return on college (for a review of some of this research, see Elliott & Lewis, 2015), thereby compromising education's equalizing effect, CSAs and education appear to enhance the capacity of one another to act as economic mobility agents. For instance, evidence suggests that CSAs are associated with children's educational attainment (AEDI, 2013), which itself is a conduit of economic mobility (Butler, Beach, & Winfree, 2008). Therefore, we suggest linking CSAs to human capital development may be one of the best ways to maximize the power of both for restoring the promise to all people of being able to achieve economic mobility if they work hard. Interventions that augment education's capacity as the primary path to economic mobility may be particularly significant given growing murmurs that college may not be paying off like it once did (Bennett & Wilezol, 2013), even while the lifetime 'cost' of failing to continue one's education is nearly twice what it was two generations ago (Greenstone & Looney, 2011).

With greater focus on CSAs as part of their college-going strategies, a number of states are adopting specific outreach and engagement approaches to cultivate an orientation to early college saving as a mechanism through which to increase educational attainment (e.g., Lewis & Elliott, 2015). For example, after streamlining uptake of the initial \$100 deposit into the 529 available to all babies born in Rhode Island, the state is now implementing an outreach approach designed to take advantage of this gateway to college saving. These efforts, begun shortly after a child's birth, include welcome packets, media campaigns, and alliances throughout the educational system to increase awareness of Rhode Island's CSA and to further develop positive educational expectations among both children and parents. Similar efforts are underway in Maine, which provides a larger initial seed to all children born to state residents and then uses regular account statements and age-appropriate educational materials to further strengthen educational expectations. Promise Indiana, the focus of this paper, provides a more comprehensive example of how CSAs can be designed to better achieve their college-going objectives and how, in many cases, state 529 plans can be modified to align with this mission.

1.2. Project description

At its core, Promise Indiana's model assumes that communities can be activated to empower families to plan, prepare, and at least partially pay for their children's future education. The model further advances the idea that supporting children in the development of an early college-bound identity is not the sole responsibility of parents, but that each child in a community deserves and can benefit from the mobilization of champions who provide financial resources and social encouragement of children's educational aspirations (see Lewis & Elliott, 2015 for more details on the early history and development of the Promise Indiana CSA design and evolution).

Based on personal communication with key architects (Kugler, January 7, 2015; Jones-Layman, May 12, 2015) and review of Promise Indiana materials, we gathered information about the program design. Promise Indiana represents a collaboration among various community groups, including the Wabash County YMCA, local philanthropists, financial institutions (UPromise/Ascensus, Indiana Education Savings Authority or IESA), and schools. The program facilitates the opening of youth CollegeChoice accounts at school registration events and includes classroom activities to expose children to college and careers. Promise Indiana seeks to provide children and families not only with opportunities and support to open accounts and the concrete financial resources with which to pay for college, but also the college-saver identities that accrue through the account ownership experience. Significantly, while the Children's Savings Account aspect of Promise Indiana is 'opt-in', requiring parental account opening, many of the other features that may

¹ Sherraden (1991) originally referred to CSAs as Child Development Accounts, or CDAs. However, they are more commonly known today in the media and by Promise Indiana as Children's Savings Accounts (CSAs), and so here, we have chosen to use CSAs.

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