



Center for Social Development

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Testing Universal Asset Building at Birth: Early Research Results and Policy Impacts from the SEED for Oklahoma Kids Experiment

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Child Development Accounts (CDAs)

Saving and asset building accounts, initiated by public policy

Ideally, CDAs are:

- Lifelong (begin at birth)
- Universal (for all children)
- Progressive (greater subsidies for poorest children)
- Automatic (opened without prior permission)
- Restricted (for education and child development)

(policy concept in Sherraden, 1991)



Examples of Child Development Accounts: A Beginning for Lifelong Accounts

- Singapore's Baby Bonus and CDAs
- United Kingdom's Child Trust Fund
- Korea's Child Development Accounts
- Canada's several CDA policies
- YouthSave demonstration in Colombia, Ghana, Kenya, and Nepal

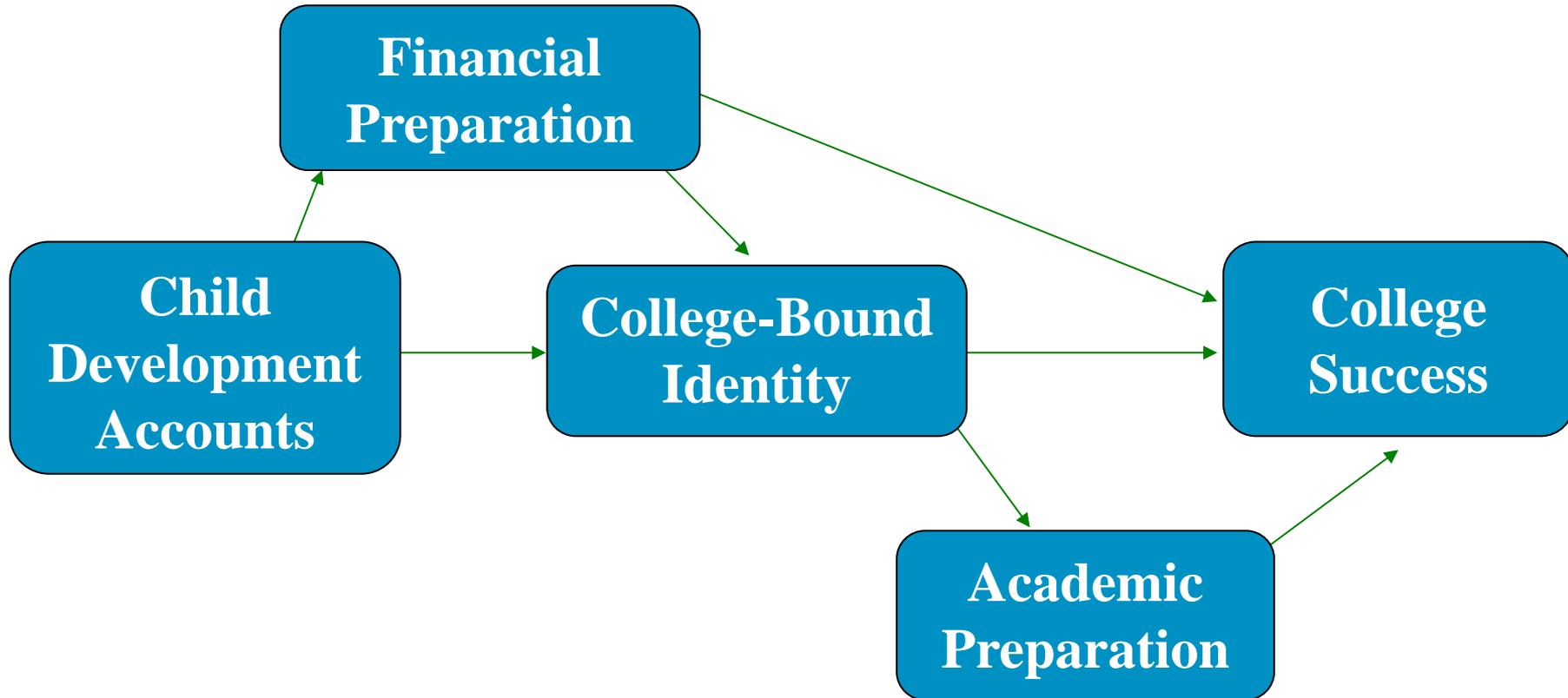


CDAs in USA: Asset Building for Education

- CDA policies focused on child development, education, lifelong well-being.
- Saving behavior matters for CDAs, but is not the primary focus.
- Psychological and behavioral effects may include future orientation, educational expectations, effort (Sherraden, 1991; e.g., Elliott & Beverly, 2011; Beverly, Elliott, & Sherraden, 2013).
- By design, CDA policies can be very paternalistic, with automatic enrollment, restrictions on access, and restrictions on use.



CDAs and College Success



(Beverly, Elliott & Sherraden 2013)



SEED for Oklahoma Kids

Research Design and Early Results





SEED OK Research Design

- Testing first universal model of CDAs in the United States
- Integrated into an existing policy—the Oklahoma College Savings Plan, or OK 529 (sustainable structure)
- An experiment, begun in 2007, with random sample of newborns from a full statewide population (no selection)
- Oversamples of African Americans, Latinos, and American Indians (wealth inequality)
- Random assignment to treatment group (n=1,358) and control group (n=1,346)
- Rigorous study design to test causal impacts



“Repurpose” 529 Plans

- College Savings (529) Plans are currently serving mostly the wealthy, and benefits are highly regressive.
- We are not endorsing this policy. Instead, we are changing it.
- The 529 policy structure lends itself to inclusion of the full population and sustainability.
- The “policy test” in SEED OK is to test an inclusive CDA model using a 529 platform.



SEED OK CDA (for Treatment Families)

- Automatically opened SEED OK account (state-owned), with \$1,000 initial deposit for newborns
- Educational materials about SEED OK, saving for college, and OK 529 accounts
- Time-limited \$100 incentive to open an individual OK 529 account
- Savings match for income-eligible treatments on their deposits of up to \$250 per year from 2008 to 2011 in OK 529 accounts (individually-owned)
- Mothers in control group did not receive the SEED OK intervention (accounts, incentives, and information).



Ideal CDA Policy Model is Single Account Structure

- SEED OK creates a dual account structure in order to run the policy test.
- This is cumbersome and not ideal, but the only way to be able to carry out this applied research.
- Ultimately, a universal CDA policy would have a single, integrated account structure.



SEED OK CDA and 529 Plans

Building CDAs on a centralized 529 savings plan facilitates:

- Automatic account opening
- Subsidies and incentives
- Restrictions on use of funds
- Efficiencies of scale
- Inclusion of small- and large-balance accounts
- Investment options and low costs



(Clancy, Orszag & Sherraden, 2004)



Multiple Data Sources and Methods

- Baseline survey (N=2,704; Fall 2007 and Spring 2008)
- Follow-up survey (N=2,272, 84%; Spring 2011)
- In-depth interviews (40 from the treatment group and 20 from the control group)
- Quarterly 529 account data from TIAA-CREF for all treatments and controls
- Birth records data for all treatments and controls



Any OK 529 Account Holding and Total OK 529 Assets by Treatment Status

	Treatment n=1358	Control n=1346
Percentage with any OK 529 account**	99.9%	2.4%
Percentage with any OK 529 assets**	99.9%	2.1%
Average per-child asset amount across all OK 529 accounts**	\$1,130	\$76

** $p < .01$



Impact of SEED OK CDA On Any OK Account Holding and Total Assets

- Automatic account opening with \$1,000 deposit is highly successful (only one mother of 1,361 “opted out”)
- With the CDA, 99.9% of treatment children had OK 529 accounts and assets after 30 months
- Without the CDA, only 2% of children had OK 529 accounts and some assets after 30 months
- Every demographic subgroup is positively affected

(Nam, Kim, Zager, Clancy & Sherraden, JPAM 2013)
(Beverly et al., CYSR 2015)



Individual OK 529 Account Holding and Savings by Treatment Status

	Treatment n=1358	Control n=1346
Percentage with individual OK 529 account**	17.3%	2.4%
Percentage with savings in individual OK 529 account**	8.5%	2.1%
Mean savings amount in individual OK 529 account	\$109	\$76

** $p < .01$



Impact of SEED OK CDA On Individual OK 529 Account Holding and Savings

- Treatment children (17.3%) are seven times more likely than control children (2.4%) to have an individual OK 529 account opened by family members or friends.
- Treatment children (8.5%) are four times more likely than control children (2.1%) to have savings in an individual OK 529 account.
- In multivariate analysis, the SEED OK CDA increases the predicted probability of having an individual OK 529 account by 20 percentage points.

(Nam et al., JPAM 2013)

(Beverly et al., CYSR 2015)



Saving Outcomes among Advantaged and Disadvantaged Children

- The CDA—by design—virtually eliminates differences by socioeconomic characteristics in ownership of OK 529 accounts and assets.
- The automatic features of the CDA have greater positive effects among disadvantaged children.
- At all levels of material hardship, treatment children are more likely to have individual OK 529 accounts.
- Incentives of the CDA appear to buffer the effect of hardship on 529-plan participation.

(Beverly et al., CYSR 2015; Nam et al., JPAM 2013)

(Wikoff et al., Social Science Research 2015)



In-Depth Interviews: Mothers' Positive Perspectives on SEED OK CDA

Face-to face interviews with 60 mothers when children were between 2 and 3 years old:

- Money is for college—they “can’t touch” it.
- Account appears to give hope and perhaps even confidence in their child’s future.
- Several mothers believe that the account offers them “a sense of security—a little bit of relief.”
- CDA symbolizes for some mothers that someone outside the family cares about their children’s future.

(Gray, Clancy, Sherraden, Wagner & Miller-Cribbs, 2012)



In-Depth Interviews: Mothers' Negative Perspectives on SEED OK CDA

- Many mothers say they do not have money to save (“living paycheck to paycheck”).
- Several treatment mothers say that they did not understand the incentives or “really did not read” the materials.
- Some mothers mistakenly thought they needed to deposit their own money to open their own OK 529.
- English is not the primary language of all mothers, and this barrier caused confusion for some

(Gray, Clancy, Sherraden, Wagner & Miller-Cribbs, 2012)



Impact of SEED OK CDA On Non-financial Outcomes Among Parents and Children

- Key hypotheses are increased parental expectations for child's post-secondary education, and more positive development of children.
- Face-to-face interviews with mothers suggest that the SEED OK CDA may make parents more hopeful about their children's future.
- Automatic features—account opening, initial deposit—seem to be responsible since most families haven't started saving yet.



Impact of SEED OK CDA on Parental Educational Expectations

- Follow-up survey when children four years old.
- Proportion of mothers whose expectations remained stable or increased significantly is greater for the treatment group.
- SEED OK CDA reduces by 3 percentage points the probability that mothers' expectations declined between survey waves.

(Kim, Sherraden, Huang & Clancy, Social Service Review 2015)



Impact of SEED OK CDA on Maternal Depressive Symptoms

- The SEED OK CDA reduces maternal depressive symptoms.
- This pattern holds in multivariate analysis and for several disadvantaged subgroups
- The effect size (.11) is similar to the effect of Early Head Start estimated by Chazan-Cohen et al. (2007).

(Huang, Sherraden & Purnell, Social Science & Medicine 2014)



Impact of SEED OK CDA on Parent-Child Interaction

- Preliminary analyses suggest that mothers in the treatment group report significantly lower levels of negative parenting practices than mothers in the control group.

(Nam, Wikoff & Sherraden, Res. Social Work Practice, 2014)
(Huang, Nam, Wikoff & Sherraden, in progress)



Impact of SEED OK CDA on Child Social-Emotional Development

- Disadvantaged treatment children (e.g., low income, low education, single-mother households) have better social-emotional development scores than disadvantaged control children.
- The SEED OK CDA improves disadvantaged children's early social-emotional development *regardless of whether parents have saved.*
- The effect of the SEED OK CDA is similar in size (.20 to .25) to at least one estimate of the effect of the Head Start program on early social-emotional development.

(Huang, Sherraden, Kim & Clancy, JAMA Pediatrics, 2014)



SEED OK Summary: Potential to Change Outcomes for Children

In sum, research finds that the SEED OK CDA:

- Increases OK 529 account holding and assets
- Promotes parental educational expectations
- Reduces maternal depressive symptoms
- May reduce negative parenting practices
- Improves disadvantaged children's early social-emotional development

. . . . Most effects seem to be related to automatic features rather than parental saving.



SEED OK Research: Next Steps

- It is too early to draw conclusions about long-term impacts of the SEED OK CDA.
- Yet, early positive effects may result in long-term results, perhaps especially for disadvantaged children.
- In the future, researchers can examine whether the SEED OK CDA:
 - Continues to improve child development.
 - Motivates parents and children to prepare for college.
 - Affects high school and college completion.



Policy Impacts of SEED OK Research: State and National Policy Influence



“I HAVE A DREAM” FOUNDATION®



PROMISE INDIANA



CDAs at Birth: Harold Alfond College Challenge Opt-In Strategy 2008-2013

- Every Maine resident child was eligible to receive a \$500 grant in a Next Gen 529 *if parents opened an account* in the child's first year.
- Begun statewide in 2009, the program enrollment rate for 2008-2013 was approximately 40%.
- Families who enrolled infants were more financially sophisticated than those who did not enroll.

(Huang, Beverly, Clancy, Lassar & Sherraden, 2011)



Universal and Automatic Deposits at Birth: College Challenge Opt-Out Strategy 2014

Participation Rate

Opt-in: 2008–2013 **40%**

Opt-out: 2014 and beyond **100%**

Average Annual Investment

Opt-in: 2008–2013

\$ \$ \$ \$

Opt-out:
2014 and beyond

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

1 2 3 4 5 6

Millions of dollars

Average Annual Enrollment

Opt-in: 2008–2013

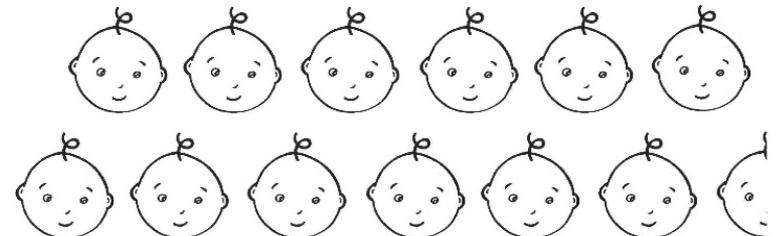
5,000



1 baby = 1,000 children

Opt-out: 2014 and beyond

12,500



1 baby = 1,000 children



Maine College Challenge Opt-Out Strategy 2014

- \$500 grant *automatically deposited* into omnibus 529 account for 100% of resident newborns.
- Quarterly summaries, including 529 balances and age-appropriate tips and activities, sent to all parents.
- Information about opening and saving in NextGen 529 account sent to all parents when child is about one.
- Parents view college savings balances—family contributions and College Challenge grant—on *one* quarterly NextGen 529 statement.

(Clancy & Sherraden 2014)



New CDA Policies in Other States during Past Year

- All children born to Rhode Island and Connecticut families are eligible for a \$100 deposit into the state 529 plan.
- Parents may enroll children in Rhode Island's CollegeBoundBaby program simply by checking a box on the Office of Vital Records Birth Work Sheet authorizing the release of information.
- Nevada automatically establishes a 529 college savings account with \$50 for all public school kindergarten students.



Goal: Making CDAs Universal and Progressive

- College savings initiatives that rely on parent behavior will strongly favor advantaged children.
- Universal, automatic, and progressive CDAs give all children—not just those who are advantaged—the opportunity to benefit.
- 529 college savings plans offer a promising platform for universal and progressive CDAs.
- CDA policy discussions are underway in other U.S. states and at the federal level.



Responsibilities and Partnerships in SEED OK

- SEED OK policy design, research design, and selection of state: Washington University in St Louis.
- SEED OK policy demonstration: Oklahoma Governor, Treasurer, and Department of Health; TIAA-CREF; Washington University in St. Louis.
- Funders: Ford Foundation (major support), CS Mott Foundation, and Lumina Foundation for Education
- SEED OK Survey Research: RTI International
- In-depth Interviews: University of Oklahoma-Tulsa and Washington University in St Louis.



Resources and Additional Information

<http://csd.wustl.edu/>



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