529 College Savings Plans: A Platform for Inclusive and Progressive Child Development Accounts (CDAs)

Early Positive Impacts from SEED OK CDAs

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CHILD DEVELOPMENT ACCOUNTS

BRIEF OVERVIEW
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)
  - *restricted* (child development, education, well-being)

_for policy concept, see Sherraden, 1991_
CDAs 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

Clancy, Orszag, & Sherraden, 2004
CDAs: Potential to Improve Child Outcomes

- Saving behavior matters, but is not the primary focus
- Early evidence that CDAs positively impact parent expectations, parent well-being, and child development
- Automatic features—account opening, initial deposit—seem to be responsible
- These early positive effects may improve later child outcomes

*Beverly, Clancy & Sherraden, 2015*
UNIVERSAL CHILD DEVELOPMENT ACCOUNTS

POTENTIAL IMPACT
• State governments can promote asset building for all.

• All children can be included.

• Some 529 plans offer progressive savings matches.

• State sponsorship enables collaborations for greater inclusion.

• Innovations can inform a future national policy.

*Clancy, Sherraden & Beverly, 2015*
529 Platform Facilitates Asset Building

- Deposits have potential for investment growth.
- 529 plans simplify investment decisions.
- Many plans require low or no minimum initial contributions.
- Many 529 plans have low fees.
- 529 plans facilitate electronic gifts from family and friends.

Clancy, Sherraden & Beverly, 2015
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EARLY RESULTS
Universal CDAs at Birth: Early Research

Overview of results from treatment group

- Begun 2007
- Random sample of newborns
- Random assignment to treatment groups with oversampling of ethnic minorities
In-Depth Interviews: Mothers’ Perspectives on SEED OK CDA

- 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

Most mothers had college or higher expectations for child at birth

Yet, previous research suggests that educational expectations decline over time

SEED OK CDA led mothers to maintain or increase their expectations of children’s education between birth and age 4

Kim, Huang, Sherraden, & Clancy, Social Service Review, 2015
• After 3 years, disadvantaged treatment children had better social-emotional development scores than disadvantaged control children.

• The SEED OK CDA improved disadvantaged children’s early social-emotional development regardless of whether parents have saved.

Huang, Sherraden, Kim, & Clancy, JAMA Pediatrics, 2014
Summary and Future Research

• Holding a CDA and having assets for college *may matter more than the saving behavior of parents*

• 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
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Clancy, Sherraden & Beverly, 2015
Resources and Contact Information

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