Children’s Savings Accounts to Brighten Outlooks Toward the Future

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The View From the Top

The **richest 20%** of U.S. families... own **88.9%** of all wealth*


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Distribution of U.S. Wealth, 2010

Households in the ... wealth group

Top 1%
Next 4%
Next 5%
Next 10%
Next 20%
Bottom 40%

owned ... of all U.S. wealth

35.4% Top 1%
27.7% Next 4%
13.6% Next 5%
12.2% Next 10%
9.4% Next 20%
2.6% Next 20%
-0.9 Bottom 40%

Source: "The Asset Price Meltdown and the Wealth of the Middle Class," by Edward N. Wolff, NYU (November 2012)

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“Traditional social programs that support low-income populations have focused mainly on income and social services that fulfill basic consumption needs, which have been essential to the well-being of families and children. An asset-based approach would complement this traditional approach and shift the focus to long-term development for individuals, families, and communities. (McKernan & Sherraden, 2008)
Children’s Savings Accounts

- 529 accounts
- Successful components
  - Automatic enrollment, seed amount
  - Matched savings and tax-credits
  - Small deposits, minimal fees, direct deposit
  - Financial coaching

cfed.org
Effects of CSAs

Basic Model

- **Assets**
  - Net worth
  - Children’s savings
  - Parent savings for college

- **Outcomes**
  - Standardized test achievement
  - Grades
  - College

Elliott, Destin, & Friedline (2011)
Effects of CSAs, cont.

- Effects on early socio-emotional development
  - Self-regulation
  - Compliance
  - Interaction with people

Huang, Sherraden, Kim, & Clancy (2014)
Assets and Motivation

- Middle school students
- Providing an “open path” to future goals

Destin & Oyserman (2009); Destin (2013)
College-Bound Identity

Destin & Oyserman (2010)
College Outcomes

Modest College Savings Boosts College Success for Low- and Moderate-Income Students

- No Savings: 45% Enroll, 7% Graduate
- Savings $1-$500: 65% Enroll, 28% Graduate

Source: Assets and Education Initiative, Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education, July 2013
Conclusion

• 1) CSAs as two-generation approach

• 2) Potential to enhance child development and achievement

• 3) Downstream influence on college, access, identity, and success