Oregon will be stronger when children can realize their dreams

Children's Savings Accounts: An Evidence-Based Strategy

A rigorous body of research demonstrates that investing early in our children by providing them with asset-building accounts lights a flame of hope in children, their families and their communities. Perhaps most importantly, children from families with low- to moderate-incomes with as little as $500 in college savings are three times more likely to attend a two- to four-year college and four times more likely to graduate.i

Children's Savings Accounts (CSAs) are long-term asset-building accounts, established for children as early as birth and allowed to grow over their lifetime. CSAs function like a highway that children travel down to pursue their dreams. Oregon has an opportunity to position itself to be successful in the future by investing in CSAs.

CSAs are especially exciting as a tool to address Oregon's low rates of academic achievement and difficult job environment. Oregon has the worst high school graduation rate in the country.[ii] Moreover, the barriers to opportunity that lead to different educational outcomes between children of color and their white counterparts have been estimated to cause the loss of $2 billion in potential economic activity in Oregon.[iii] By the year 2020, an estimated 67% of jobs in Oregon will require a career certificate or college degree -- yet currently, only 36% of residents have an associate degree or higher.[iv] Research suggests these barriers can be overcome with savings accounts.

Many children don't pursue postsecondary education because they cannot envision their own success. They may not be sufficiently academically prepared or they don't feel they will ever be able to pay for it. For those who do make it to postsecondary education, many drop out as their debt loads rise.[v] Of those students who persist through to graduation, many find themselves struggling with debt that stalls their ability to purchase a home or otherwise pursue the opportunities that allow them to contribute to the economic well-being of their communities.

From early childhood maternal care and early academic success, to post-secondary achievement, to entering the workforce on stronger financial footing -- having a savings account makes a big difference. CSAs can help address some of the biggest challenges Oregonians face throughout their lives.

According to the CFED Assets and Opportunity Scorecard about 1 in 3 Oregonians do not have adequate liquid assets to subsist at the poverty level for three months if their income is interrupted. Additionally 1 in 5 Oregonians have zero or negative net worth. CSAs will provide individuals with a strong start toward the behaviors and attitudes that will cultivate their financial resilience.[vi]

Impacts Beginning in Early Childhood

- **Improved maternal mental health**. Mothers of young children with CSAs demonstrated fewer depressive symptoms than a randomized control group without CSAs in a study in Oklahoma.[vii] Mothers in the study whose children had a CSA also felt more positively about the future.[viii]
- **Improved social-emotional development.** In Oklahoma's experiment, young children with a CSA had significantly higher social-emotional development at age 4 than children in a randomized control group who did not have a CSA. The effects were greater for children in low-income homes.[ix] Better social-emotional development improves the learning environment for everyone in the classroom and, as noted by Oregon's Early Learning System, social-emotional development is an important predictor of school success.[x]
- **Increased expectations.** Children with college savings and their parents have increased expectations that they will go to college, which can increase their engagement in primary and secondary school.[xi] Research suggests that children in households with savings may have increased reading and math scores. [xii,xiii]
- **Jump-starting savings.** While parents understand the importance of post-secondary education, and many plan to use savings to support their children, most have not yet started to save.[xiv,xv] Automatic enrollment in CSAs provides an opportunity for families to jump-start savings and creates a future-oriented environment supportive of early preparation. Mothers in Oklahoma's CSA program report reduced negative attitudes about financial institutions, increased knowledge of financial products and services, and increased motivation to save.[xvi]
- **College saver identity.** Researchers believe that CSAs are successful because they promote a "college saver identity": When children have college savings, it plants and nurtures the expectation that they will go to college and have the means to get there, facilitating college readiness and a future orientation from a young age.[xvii] Universal CSA enrollment for Oregon's children will ensure that our classrooms and communities are full of hopeful and aspirational children.

Impacts in Young Adulthood

- **Increased high school graduation rates.** Children in households with savings may have higher GPAs and higher high school graduation rates.[xviii]
- **Increased enrollment in and graduation from two- and four-year colleges.** Children from families with low and moderate incomes who have as little as $500 in college savings are three times more likely to attend and four times more likely to graduate from a two- or four-year college than children with no savings account.[xix] Given that nearly half (45%) of Oregon children come from families with lower incomes (below 200% of the federal poverty threshold, or $50,000 a year for a family of four),[xx] the potential impact of CSAs on communities with low incomes is substantial.

Impacts on Financial Independence

- **Continued savings.** Research indicates that children with savings accounts are two times more likely to own savings accounts as young adults than children without savings accounts.[xxi] Nationally, only 39% of children from families with low- and moderate-incomes have savings accounts, whereas 74% of children from families with high incomes have savings accounts.[xxii]
- **Less college debt.** College graduates with less debt have higher net worth, more home equity, and more retirement savings,[xxiii,xxiv,xxv,xxvi,xxvii] allowing them to comfortably and securely contribute to the success of their communities by purchasing homes and participating in the economy.
- **Access to capital.** When CSAs are allowed to be used for other asset-building purposes, children who decide not to pursue postsecondary education are able to access seed money to support investments in their own entrepreneurship, first home, or retirement security. These asset-building purposes and income-generating opportunities are crucial to long-term financial well-being.

CSAs Are A Universal and Automatic Tool to Help Families Save

Although 529 accounts in which families can save for college expenses are available in Oregon, they are far from universal or automatic. Fewer than 1 in 8 children in Oregon have an Oregon 529 college savings account.[xxviii] Additionally, 529 accounts are not reaching children from families with low incomes. Among 529 account holders, less than 9% have a household income below $50,000.[xxix] The universal and automatic nature of the CSA mechanism ensures that all children in Oregon will have access to a seed fund for their futures.

Join Us!

We are crafting our proposal and our campaign. We want your thoughts, your energy, and we want to understand how CSAs can help you reach your goals. Whether you are just curious or ready to sign on, we'd love to hear from you, and we'd love to arrange a conversation. Please contact Jill Winsor (503-226-3001 x 118, or jwinsor@neighborhoodpartnerships.org). Together, we can make a better Oregon.

About Us

The Oregon Asset Building Coalition
The Oregon Asset Building Coalition is comprised of organizations focused on state level policy change that will promote financial resilience and the inclusion of under-served communities, communities of color, and rural communities in Oregon's prosperity. Join us!

Neighborhood Partnerships
NP is a statewide nonprofit organization with a 25 year history of achieving impacts throughout Oregon's communities. We manage the Oregon Individual Development Account (IDA) Initiative, convene the Oregon Asset Building Coalition, and convene the Oregon Housing Alliance.

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