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## EVENT BRIEF

### CHILD DEVELOPMENT ACCOUNTS – TEACHING FISCAL RESPONSIBILITY AND PROMOTING COLLEGE ATTENDENCE

*Prepared by:*

Audrey Busch ([abusch@wpllc.net](mailto:abusch@wpllc.net))

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The New American Foundation, in partnership with the Saving for Education Entrepreneurship and Down Payment Initiative (SEED), released a new publication titled, *Lessons of SEED* which reports on the results of the first-ever research to be conducted on Child Development Accounts. Gathering at the National Press Club on Tuesday, September 21, researchers and public officials launched the report's release with discussion around how these accounts can chart a path over time toward economic security.

#### SPEAKERS

- Robert Friedman, Board Chair, Corporation for Enterprise Development (Moderator)
- Dr. Michael Sherraden, Director, Center for Social Development, Washington University, St. Louis
- Joshua Flores, People for People Charter School, Philadelphia
- Jose Cisneros, Treasurer, City and County of San Francisco
- Ray Boshara, Vice President and Senior Research Fellow, New America Foundation
- Lisa Mensah, Executive Director, Initiative for Financial Security, Aspen Institute

#### SUMMARY

**Robert Friedman**, when introducing **Dr. Michael Sherraden**, stated the research conducted by the SEED initiative clearly makes the argument that savings accounts for children should start at birth. Sherraden presented findings based on Child Development Accounts (CDA) of over 1,171 children and their families located in 12 different states and communities which clearly showed if there are savings made within a household, the expectation of the level of a child's education increases. In addition, if there are savings specifically made for children, they are more likely to attend college. Sherraden emphasized that it is the amount of assets a household has, not a household's income, that predicts college attendance. He also posited that when developing the structure of

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1101 Vermont Avenue, NW | Suite 400 | Washington, DC 20005-3521  
202.289.3900 | 202.371.0197 (fax)

CDAs, savings accounts for children must be inclusive of all children; be life-long accounts; and be progressive and fair. Furthermore, the research suggested automatically enrolling children in CDAs was the most effective method of implementation. The amount of paperwork necessary to initiate a savings account is seen as a barrier to many parents, and automatic enrollment alleviates some of this stress. With automatic enrollment, however, parents are also given the opportunity to opt-out of such accounts.

As participants of the SEED initiative, **Joshua Flores** and his father provided testimonials of what savings accounts have done to change Joshua's behavior and outlook for his education. Flores started saving in fifth grade as part of the SEED initiative and by the end of the program he had saved a total of \$2,500.00. Now, Flores is in high school and through a part-time job has increased the savings in his CDA account to \$4,500.00. According to supporters, the ongoing effort to continue to add to the CDA account, demonstrates how the SEED program incentivizes students like Flores to invest in their education and reveals that financial behavior can be altered. Consequently, the SEED program teaches financial responsibility and contributes towards a shift in the economic model of the United States.

In several cities across the nation, pilot programs of CDAs are organically developing. **Jose Cisneros**, Treasurer of the city of San Francisco, described the "Kindergarten to College" program that he is helping implement. Cisneros explained that in 2010-2011, the first year of the program's implementation, 25 percent of students enrolled in San Francisco's public schools will be automatically enrolled in a CDA with an initial deposit of 50 dollars and 100 dollars for children who qualify for free or reduced lunch made by the local government. In the second year, 50 percent of students will be enrolled in a CDA and by the third year, 100 percent of students will be enrolled. Over time, a dollar-for-dollar match for the first 100 dollars saved will be incorporated into the program and eventually a financial incentive for school attendance will be added. Parents who attend financial education classes will be offered money for their child's savings account as well, Cisneros added.

Wrapping up this discussion and making a connection between these findings and the federal landscape, **Ray Boshara** and **Lisa Mensah**, described the long-term benefits of fostering a nation where saving, as a financial behavior, is valued. Given the economic climate, Boshara stated, "There is opportunity to incorporate CDAs at birth into federal policy with social security reform and tax extenders legislation which promotes a change in the United States' economic model." Building on Boshara's comment, Mensah stated that given the "billions of dollars the federal government already spends on saving subsidies, to add CDAs from birth would cost the United States two billion more." The U.S. can afford such endeavors, Cisneros asserted, and the long-term benefit is worthwhile.

## **CONCLUSION**

All panelists agreed that CDAs will not only provide children with financial resources to put toward higher education, incentivize savings and instill long-term saving behaviors, but CDAs will also provide educators the opportunity to teach financial literacy to their

students. SEED instructors see increased financial literacy occurring not only with the students but also with parents when implementing this program.

For more information about the SEED Initiative, visit:

[http://assets.newamerica.net/sites/newamerica.net/files/policydocs/Lessons from SEED.pdf](http://assets.newamerica.net/sites/newamerica.net/files/policydocs/Lessons_from_SEED.pdf).