

The Movement Soars Ahead

THE STATE OF THE CHILDREN'S SAVINGS FIELD 2018

The Children's Savings Account (CSA) movement continued to gather momentum in 2018. CSA programs provide long-term savings or investment accounts with incentives to help children build savings for the future, typically for postsecondary education. Nine new programs launched in 2018, including the pilot Keystone Scholars program in Pennsylvania, which expanded across the state in January of 2019 and will be the largest CSA program in the country by annual enrollment. Based on Prosperity Now's annual CSA Program Survey, this document offers a snapshot of the field and illustrates trends in CSA program models.¹

This year, we have added an alternate analysis for some features, showing the breakdown by the number of participants, in addition to the number of programs. This gives a more accurate representation of the field, since the largest programs account for the vast majority of children with CSAs.



CSAs BY THE NUMBERS



65 PROGRAMS SERVED

As of the end of 2018

457,000

CHILDREN IN

34 STATES AND DC

Participating Children

More than 457,000 children have a CSA as of the end of 2018—a 20% increase from 2017.

The 65 currently active CSA programs range in size from small community-based programs to universal statewide and citywide programs like San Francisco's Kindergarten to College (K2C), in which all kindergarten students in San Francisco public schools are enrolled. As shown in Figure 1, the total number of children with CSAs has steadily increased over the past three years, primarily driven by several large, universal-eligibility programs. In fact, 83% of total CSA participants are enrolled in the six largest programs—Nevada College Kick Start (200,000), Harold Alfond College Challenge in Maine (93,000), K2C (35,000), Rhode Island Collegebound**baby** (23,000), Promise Indiana (14,300) and College Kids in St. Louis (13,000).

FIGURE 1 | TOTAL NUMBER OF CHILDREN WITH A CSA, 2016-2018



Enrollment

Most CSA participants are automatically enrolled.

Three-quarters of all CSA programs use opt-in enrollment, which requires parents/caregivers or children to sign up for the program. A quarter of programs automatically enroll participants and open accounts without any action from parents/caregivers or children (known as “opt-out”). However, looking at the data by participants instead of programs essentially flips the percentages for enrollment type—80% of total CSA participants are in programs that use opt-out enrollment. This is because most of the largest CSA programs automatically enroll participants. At a large scale, it is more feasible to automatically enroll children as opposed to expending resources encouraging people to sign up. Opt-out enrollment also ensures that all children—especially those from low-income communities or who have recently-arrived immigrant parents who may have limited English proficiency—benefit from the program.

FIGURE 2 | ENROLLMENT TYPE BY PROGRAM

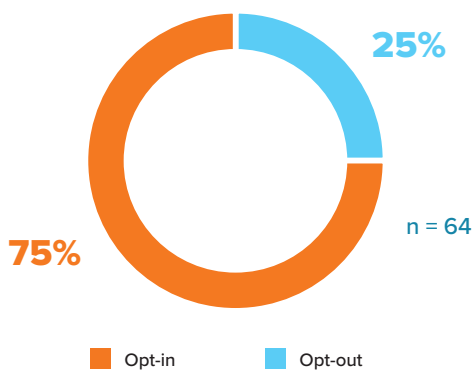
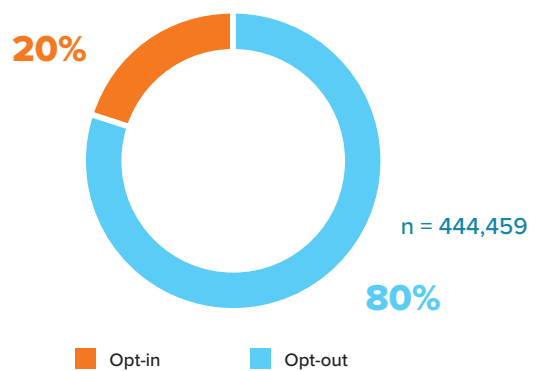


FIGURE 3 | ENROLLMENT TYPE BY PARTICIPANT



Account Type

Most CSA funds are held in 529 accounts.

A small majority of programs (52%) use 529 college savings accounts to hold CSA funds, while 46% use third-party custodial savings accounts through banks or credit unions. The difference is more pronounced when looking at the account type by participants, since four of the six largest programs use 529s. Overall, 84% of CSA participants have their funds held in 529s and 15% in third-party custodial savings accounts.

FIGURE 4 | TYPE OF ACCOUNT BY PROGRAM

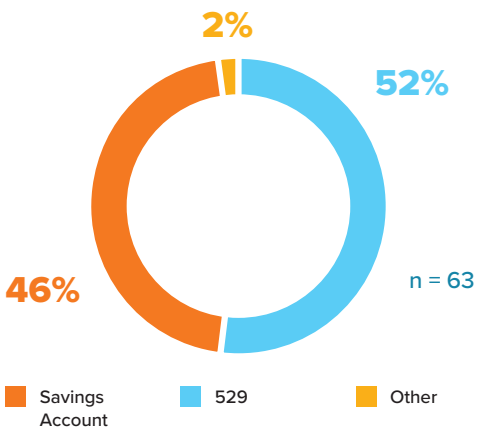
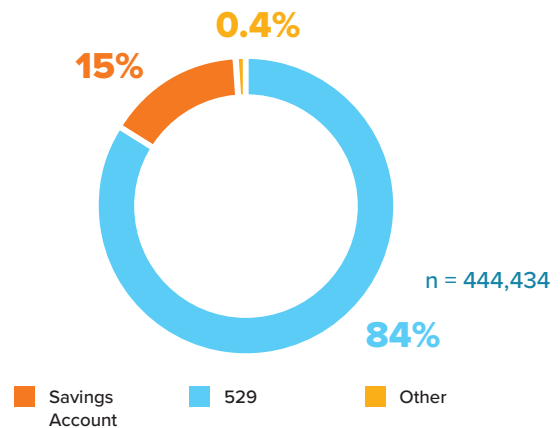


FIGURE 5 | TYPE OF ACCOUNT BY PARTICIPANT

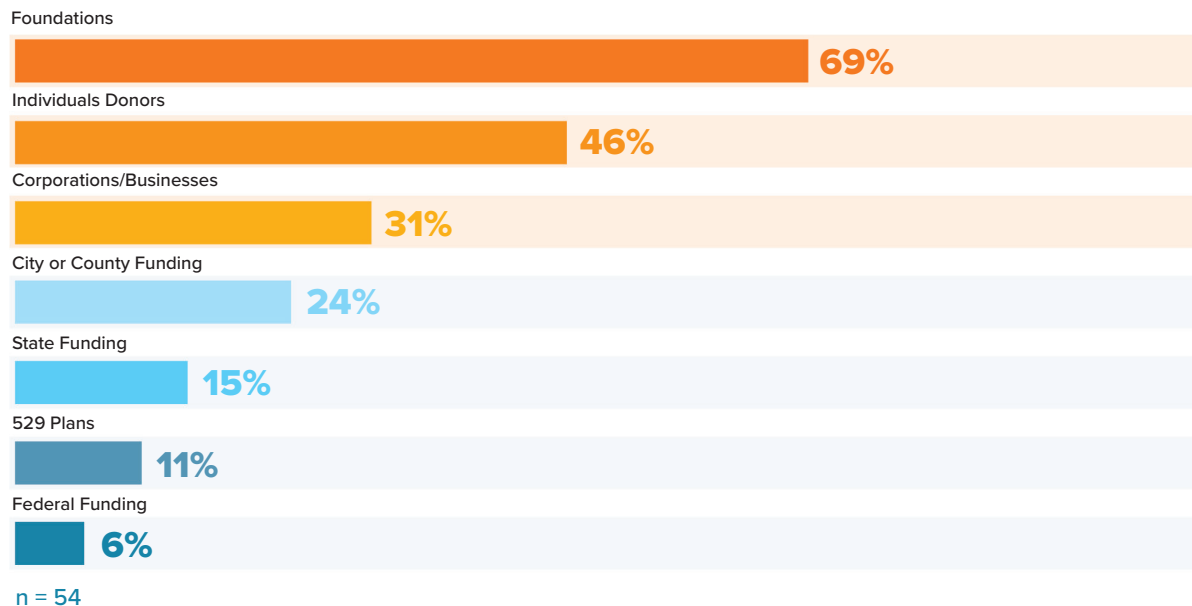


Funding

Foundations remain the most common type of CSA program funding.

The distribution of funding sources for CSAs held steady in 2018.² In fact, the percentages of programs receiving support from the top two funding sources—foundations and individual donors—remained unchanged from 2017, at 69% and 46%, respectively. The percentage of programs receiving any type of government funding also held steady from 2017 at 33%. More than half of programs (57%) indicated that they receive at least two types of funding, an uptick from 50% in 2017.

FIGURE 6 | FUNDING TYPES FOR CSA PROGRAMS

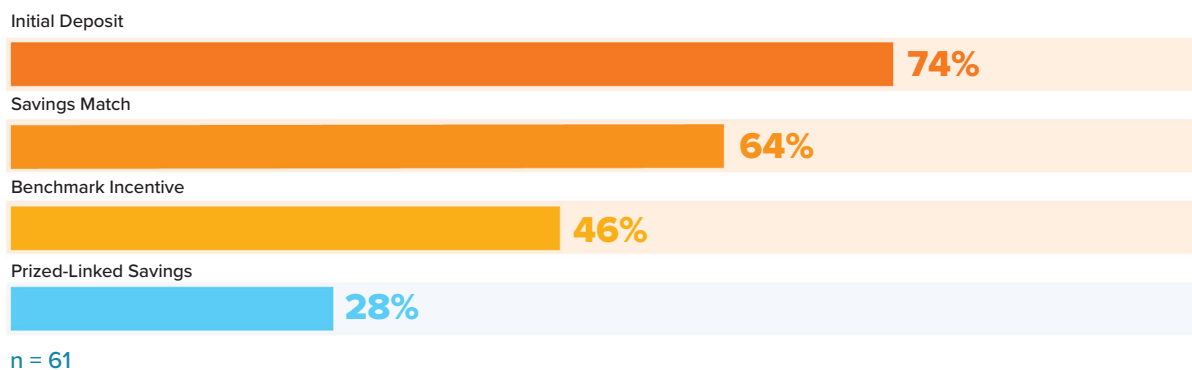


Incentives

Nearly three-quarters of programs provide an initial deposit.

All CSA programs offer incentives to help children build savings. About two-thirds of programs (66%) offer at least two types of incentives. Initial deposits are the most common type (74% of programs). Among these programs, \$50 is the most common amount for an initial deposit (40% of programs), and \$100 is second most common (27% of programs). For the second year in a row, the percentage of programs offering benchmark incentives increased—from 41% in 2016 to 43% in 2017 and 46% in 2018—which may indicate increased interest in leveraging CSA programs to incentivize certain actions or activities.

FIGURE 7 | TYPES OF INCENTIVES USED BY PROGRAMS

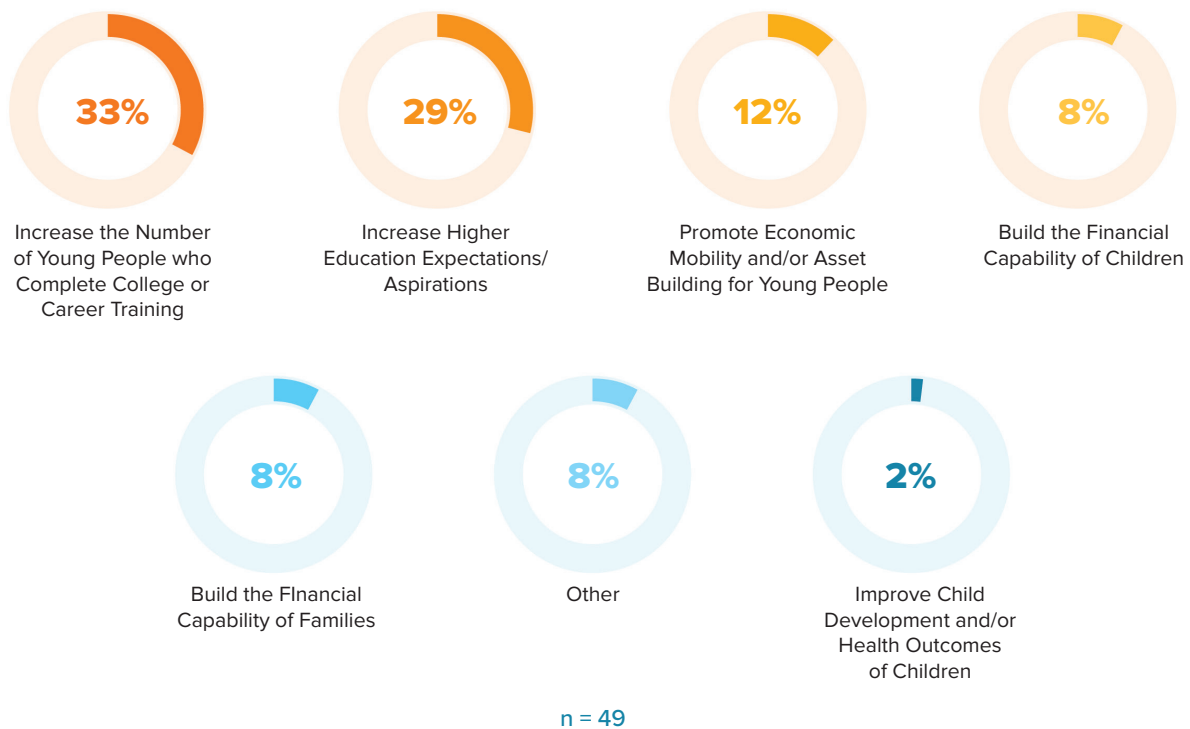


Primary Long-Term Goals

Increasing the number of young people who complete college or career training is the most common goal of programs.

While CSA programs share some defining characteristics, their goals can differ. For the first time, the CSA Program Survey included a question about the primary long-term goal of CSA programs. The majority of programs (62%) indicated that their primary goal is around postsecondary education—either increasing the number of young people who complete college or career training (33%) or increasing higher education expectations (29%). A smaller percentage of programs focus on building the financial capability of children or families (16% total) or promoting economic mobility for young people (12%).

FIGURE 8 | PRIMARY LONG-TERM GOALS OF CSA PROGRAMS



¹ This document is based on Prosperity Now's CSA Program Survey, fielded August-September 2018. Programs had to meet Prosperity Now's CSA criteria to be included in the analysis. Fifty programs responded to the survey. Data for 15 other programs were incorporated from publicly-available information and responses to previous surveys, though data could not be obtained for all questions, as indicated by the "n" in each chart. The total number of children with a CSA includes four programs that are inactive or closed but still have open accounts. However, these programs are not included in the analysis for any of the other program features.

² The survey asked respondents for the types of funding received but not the amounts or percentages of their total funding provided by each type.