

The Movement Reaches New Heights

THE STATE OF THE CHILDREN'S SAVINGS FIELD 2019

The **Children's Savings Account (CSA)** movement grew exponentially in 2019, led by the statewide expansion of Keystone Scholars in Pennsylvania. CSA programs provide long-term savings or investment accounts with incentives to help children build savings for the future, typically for postsecondary education. In addition to the expansion of Keystone Scholars, 14 CSA programs started during 2019 in diverse areas ranging from large cities, such as Milwaukee and Miami, to more rural areas such as Lapeer County, Michigan. Based on Prosperity Now's annual CSA Program Survey, this document offers a snapshot of this expanding field and illustrates trends in CSA program models.¹

As in 2018, this report includes an alternate analysis for some features, showing the breakdown by the number of participants in addition to the number of programs. This dual analysis gives a more accurate representation of the field, since the largest programs account for the majority of children with CSAs.



CSAs BY THE NUMBERS



82 ACTIVE PROGRAMS IN

As of the end of 2019

36 STATES AND DC

707,000

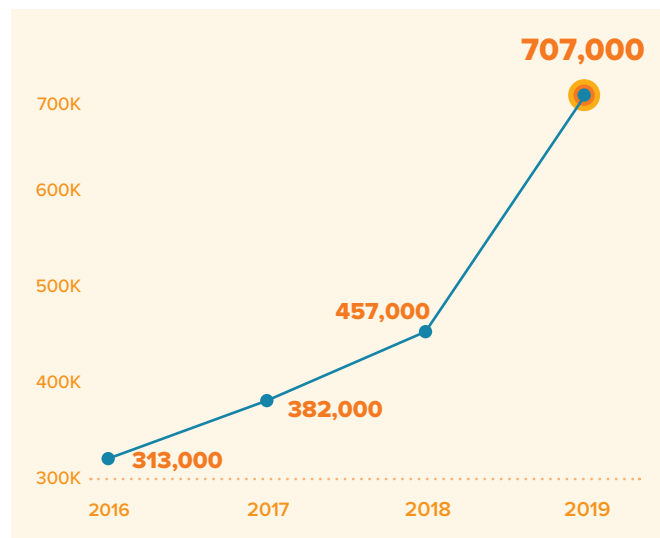
CHILDREN WITH CSAs

Participating Children

Nearly 707,000 children had CSAs at the close of 2019—a 55% increase from 2018.

The total number of children with CSAs jumped 55% (from 457,000 to 707,000) between 2018 and 2019, an increase from the steady annual growth of approximately 20% between 2016 and 2018. Pennsylvania's Keystone Scholars accounts for much of this growth, enrolling around 140,000 babies in its first year. At the same time, other large programs such as My Alford Grant (Maine) and College Kick Start (Nevada) contributed to the overall growth with consistent annual increases in enrollment.

FIGURE 1
TOTAL NUMBER OF CHILDREN WITH CSAs, 2016-2019



Programs

Fourteen new CSA programs launched in 2019.

With the addition of 14 programs, 82 programs were in operation by the 2019. The number of CSA programs has been climbing steadily over the past decade, particularly beginning in 2013, as shown in Figure 3. In fact, 86% of the CSA programs currently in operation began in 2013 or later.

The majority of CSA programs (65%) are administered by nonprofit organizations, as shown in Figure 2. Government agencies administer only 31% of programs. However, these include many of the largest programs, such as College Kick Start (Nevada), Keystone Scholars (Pennsylvania), Kindergarten to College (San Francisco) and CollegeBoundbaby (Rhode Island).

FIGURE 2
TYPE OF ORGANIZATION MANAGING PROGRAMS

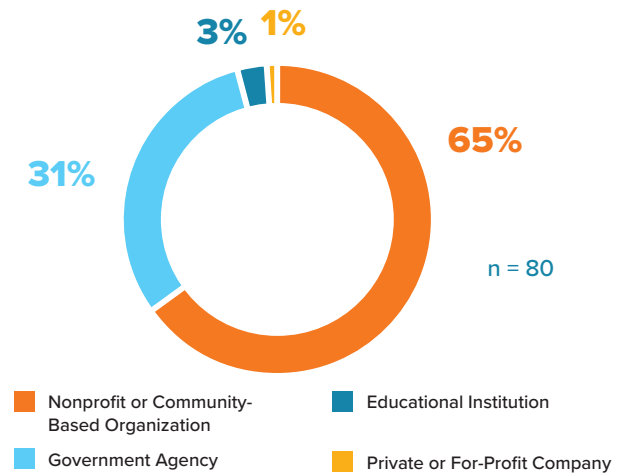
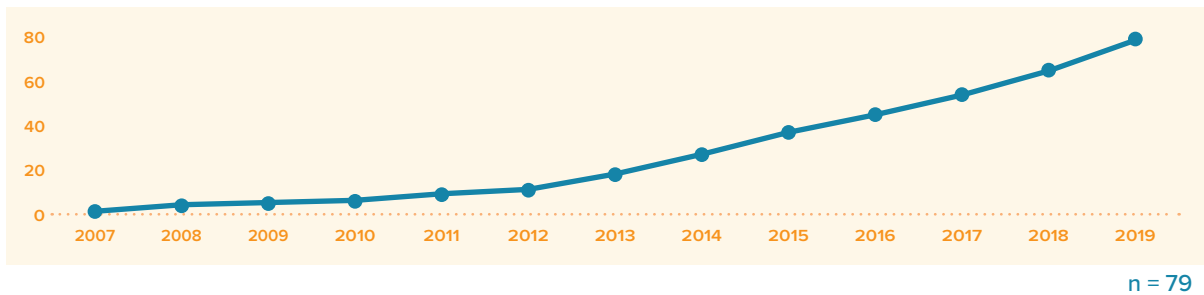


FIGURE 3 | TOTAL NUMBER OF CSA PROGRAMS IN OPERATION, 2007-2019

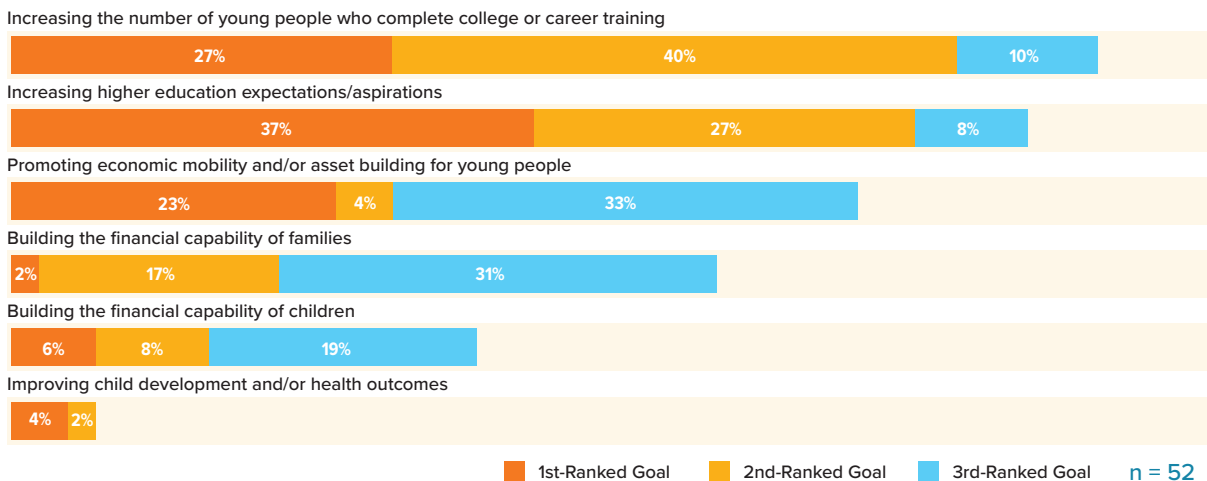


Programs Goals

More programs are focused on increasing postsecondary education outcomes than on building financial capability.

Survey participants were asked to rank their top three long-term goals. The majority of programs (64%) selected options related to postsecondary education as their top goal, including increasing higher education expectations (37%) and increasing the number of young people who complete college or career training (27%). The third most common top goal is promoting economic mobility and/or asset building for young people (23%). Just eight percent of programs view building the financial capability of children or their families as their top goal.

FIGURE 4 | TOP THREE GOALS OF CSA PROGRAMS



Enrollment

The field is trending toward automatic enrollment.

Automatic enrollment (also known as “opt-out”)—in which children are enrolled and their accounts opened without any action from them or their parents/caregivers—is a best practice that ensures that all eligible children are included in CSA programs. The percentage of programs using automatic enrollment increased to 34% in 2019 compared to 25% in 2018. Sixty-four percent of programs require parents/caregivers or children to sign up for the program (known as “opt-in”), a decrease from 75% in 2018. Looking at enrollment type by participants instead of programs—as shown in Figure 6—makes this trend even clearer. Since most of the largest statewide and citywide programs are opt-out, 89% of participants are in programs with automatic enrollment, up from 80% in 2018.

For the first time, the survey included a third enrollment type, automatic enrollment with a claiming provision. Under this method, children are automatically enrolled in the program, but if they or their parents do not take action to claim their account within a certain number of years after enrollment (usually five or ten), they lose the initial deposit. With these claiming requirements, programs become in essence opt-in, leading to less inclusivity, particularly for children from low-income households.² Only 3% of programs fit this enrollment category in 2019.³ However, we expect this to increase in 2020 and 2021 because of new statewide programs launching in Illinois and Colorado that have claiming requirements.

Account Type

Most CSA funds are held in 529 accounts.

Similar to 2018, just over half of CSA programs (53%) use 529 college savings accounts to hold program-provided funds (such as initial deposits and match), while 40% use savings accounts through banks or credit unions. Since most of the largest CSA programs use 529s, the difference is more significant when looking at the account type by participants. As shown in Figure 8, 85% of participants have their funds held in 529s compared with only 11% in savings accounts.

FIGURE 5 | ENROLLMENT TYPE BY PROGRAM

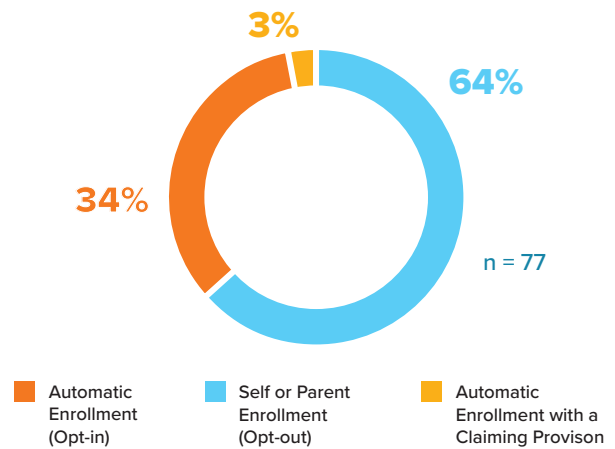


FIGURE 6 | ENROLLMENT TYPE BY PARTICIPANT

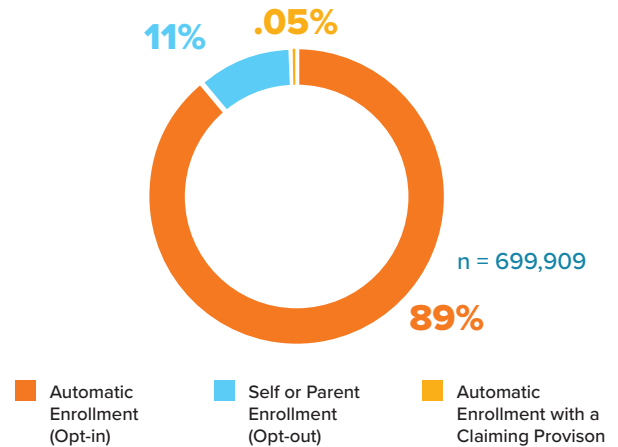


FIGURE 7 | TYPE OF ACCOUNT BY PROGRAM

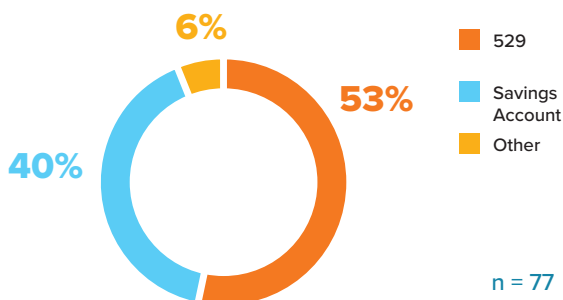
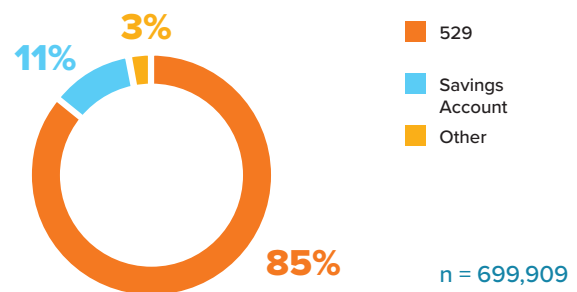


FIGURE 8 | TYPE OF ACCOUNT BY PARTICIPANT

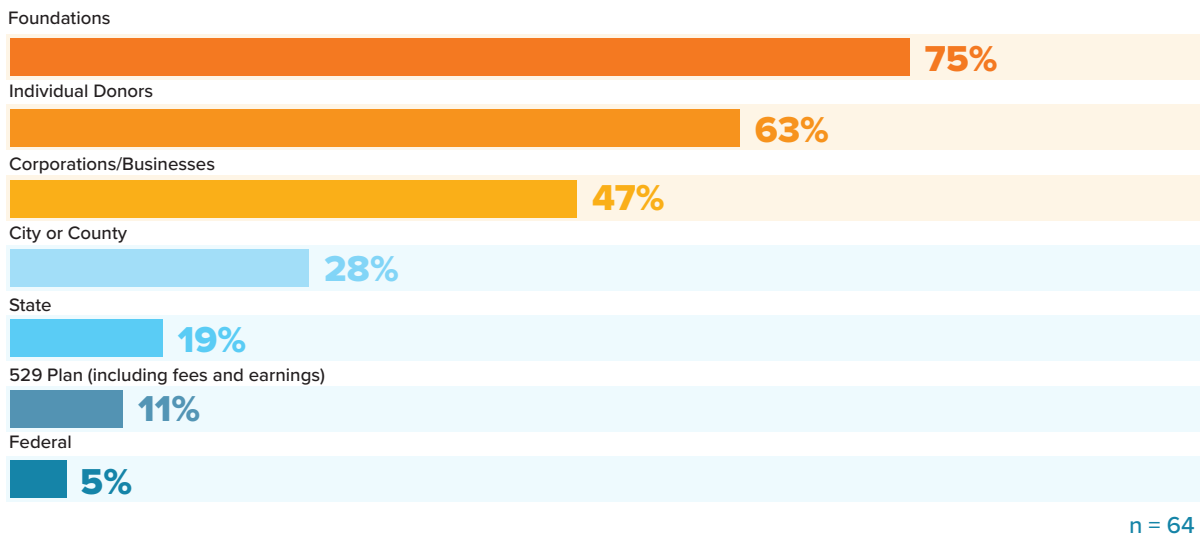


Funding

Foundations remain the most common type of CSA program funding.

Foundations remain the most common source of CSA funding, as they were in the previous three years, with 75% of programs receiving at least some of their funding from foundations.⁴ At the same time, the percentage of programs receiving funding from individual donors jumped significantly from 46% in 2018 to 63% in 2019. The percentage of programs receiving any type of government funding (city/county, state or federal) also increased from 33% in 2018 to nearly 41% in 2019. Program funding appears to be becoming more diverse as the field matures, with nearly 69% of programs indicating that they receive at least two types of funding, compared with 57% in 2018 and 50% in 2017. This increased diversity of funding could help programs be more sustainable, since they are not reliant on one funding source that could dry up.

FIGURE 9 | FUNDING TYPES FOR CSA PROGRAMS



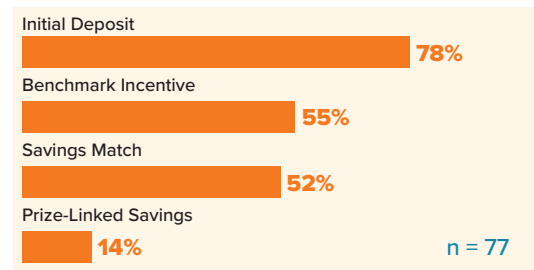
Initial Deposits and Incentives

Most CSA participants receive initial deposits to jumpstart their accounts.

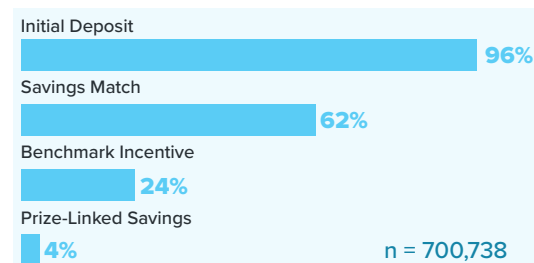
All CSA programs provide at least one type of incentive to boost participants' savings including initial deposits, savings matches, benchmark incentives or prize-linked savings. About two-thirds of programs (68%) offer at least two types of incentives. Initial deposits are the most common incentive offered by 78% of programs covering 96% of CSA participants. Among programs with initial deposits, \$50 is the most common amount (37% of programs) followed by \$100 and \$25, both representing 23% of programs.

As shown in Figure 10, 55% of programs offer benchmark incentives for meeting certain milestones or completing activities, and 52% offer savings matches. However, the analysis by participants in Figure 11 shows that the programs with savings matches cover 62% of participants, while the programs with benchmark incentives cover only 24% of participants. Programs with significant numbers of participants tend not to offer benchmark incentives, because they can be challenging to administer and fund at scale.

**FIGURE 10
TYPES OF INCENTIVES USED BY PROGRAM**



**FIGURE 11
TYPES OF INCENTIVES BY PARTICIPANT**



Endnotes

1 This document is based on Prosperity Now's 2019 CSA Program Survey, fielded October-December 2019. Programs had to meet **Prosperity Now's CSA criteria** to be included in the analysis. Fifty-two programs responded to the survey. Data for 30 other programs were incorporated from publicly-available information (e.g., program websites), responses to previous surveys, and information provided by the Institute on Assets and Social Policy at Brandeis University. The "n" in each chart indicates the number of programs (and corresponding participants) for which we were able to obtain information for each data point. The total number of children with CSAs includes three 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 For more on claiming provisions, see "**Why Adding Claiming Provisions to State CSA Legislation is a Bad Idea.**"

3 Nevada College Kick Start's proposed claiming requirement had not been implemented as of the end of 2019, so it is classified as automatic enrollment in this report.

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



www.savingsforkids.org

