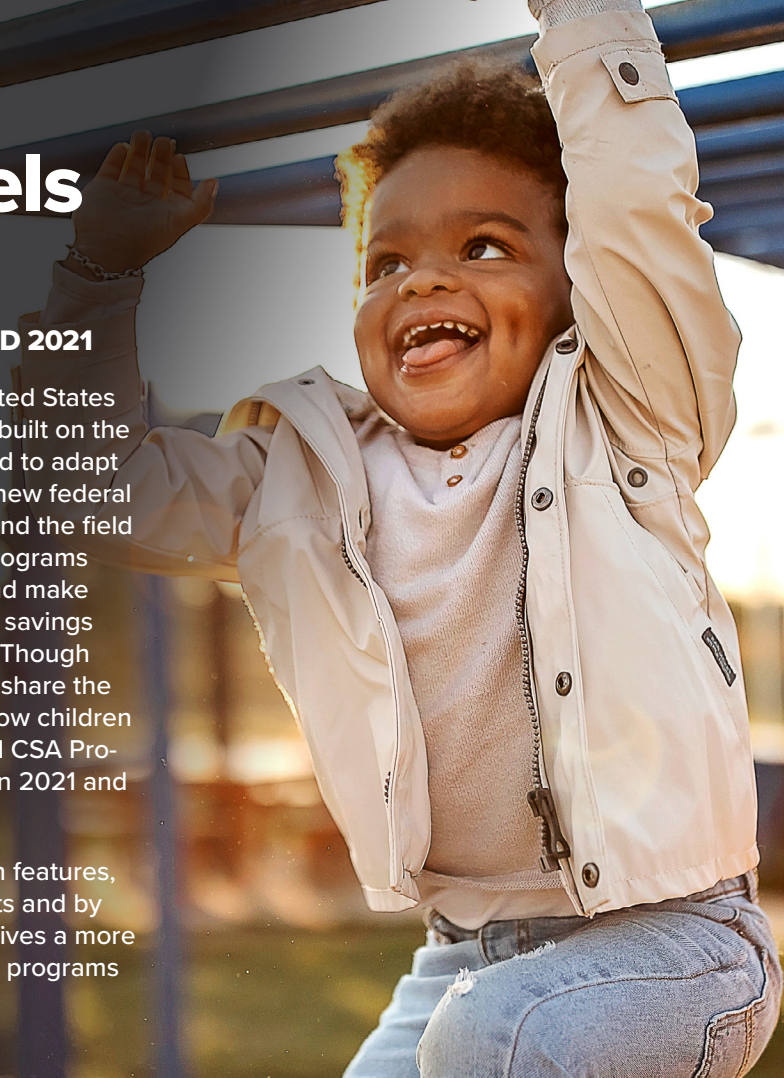


Innovation Propels the Movement

THE STATE OF THE CHILDREN'S SAVINGS FIELD 2021

As the COVID-19 pandemic continued across the United States in 2021, Children's Savings Account (CSA) programs built on the previous year of learning and adjusting and continued to adapt and effectively serve their communities. An influx of new federal and state funding enabled new programs to launch and the field to continue its trajectory of sustained growth. CSA programs provide long-term savings or investment accounts and make contributions into the accounts to help children build savings for the future, typically for postsecondary education. Though programs look different across communities, they all share the same purpose: investing in the next generation to allow children to thrive as adults. Based on Prosperity Now's annual CSA Program Survey, this brief offers a snapshot of the field in 2021 and illustrates trends in the ever-evolving CSA field.¹

This report includes a dual analysis for some program features, showing the breakdown by the number of participants and by the number of programs. This side-by-side analysis gives a more accurate representation of the field, since the largest programs account for the majority of CSA participants.



CSAs BY THE NUMBERS



123 ACTIVE PROGRAMS IN

As of the end of 2021

39 STATES AND DC

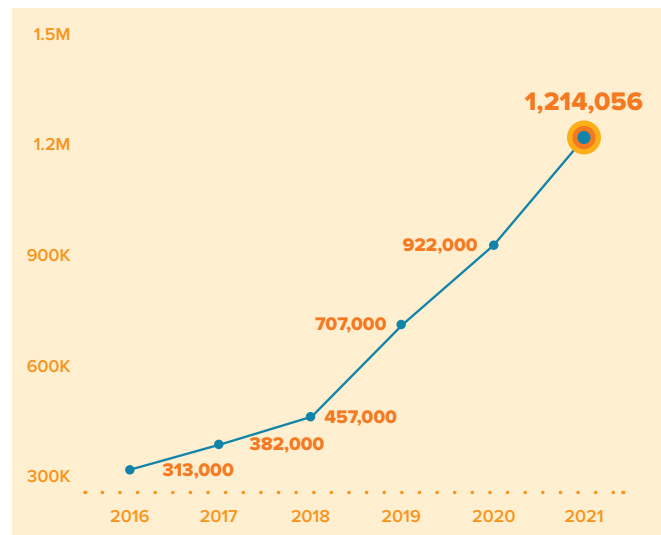
1.2 M+ CHILDREN & YOUTH WITH CSAs

Participating Children and Youth

More than 1.2 million children had CSAs at the close of 2021—a 32% increase from 2020.

2021 was another banner year for CSA expansion. The total number of children with CSAs jumped 32% (from 922,000 to 1.214 million) between 2021 and 2020, mirroring the significant annual growth of 30% between 2019 and 2020—as shown in Figure 1. Automatic enrollment in large programs at the state level (e.g., Keystone Scholars in Pennsylvania) and citywide programs (e.g., Oakland Promise Kindergarten to College) continued to drive growth in the total number of children and youth with CSAs in 2021. Ten programs with automatic enrollment accounted for more than one million participants across the country.

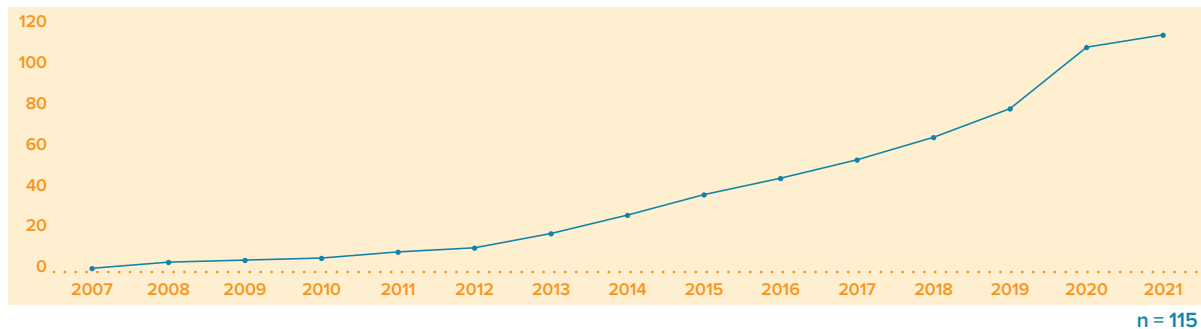
FIGURE 1
TOTAL NUMBER OF CHILDREN & YOUTH WITH CSAs, 2016-2021



Programs

Five new CSA programs launched in 2021.

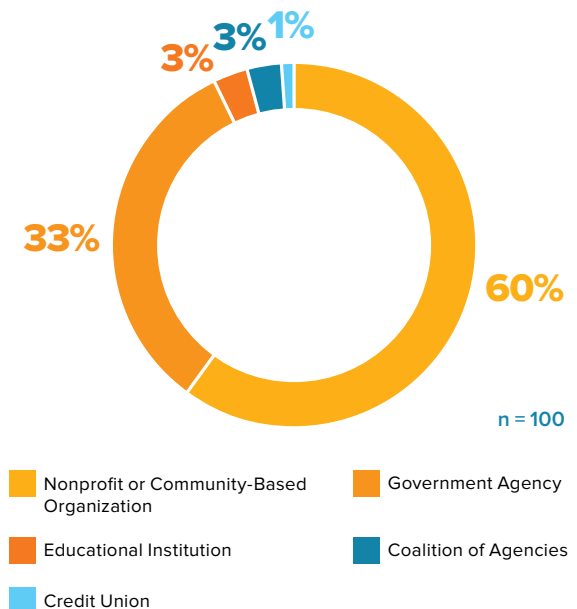
FIGURE 2 | TOTAL NUMBER OF CSA PROGRAMS IN OPERATION, 2007-2021



The number of CSA programs has climbed steadily over the past decade, particularly beginning in 2013, as shown in Figure 2. With the addition of five programs, 123 programs were in operation by the end of 2021. Four of the five new programs are located in California, which included funding for grants to local CSA programs in its 2020 budget. This underlines how impactful state funding to support local CSA programs can be for the expansion of the field. We applaud the state of California for supporting local CSA programs alongside the development of a statewide program (CalKIDS) to begin in 2022.

Nonprofit organizations administer the majority (60%) of programs, though those programs tend to be smaller and only account for about one in five (19%) children and youth with a CSA. Government agencies—including state and local—manage about 33% of programs, and the remainder are managed by educational institutions (three percent), a coalition of agencies (three percent), and credit unions (one percent).

FIGURE 3
TYPE OF ORGANIZATION MANAGING PROGRAMS

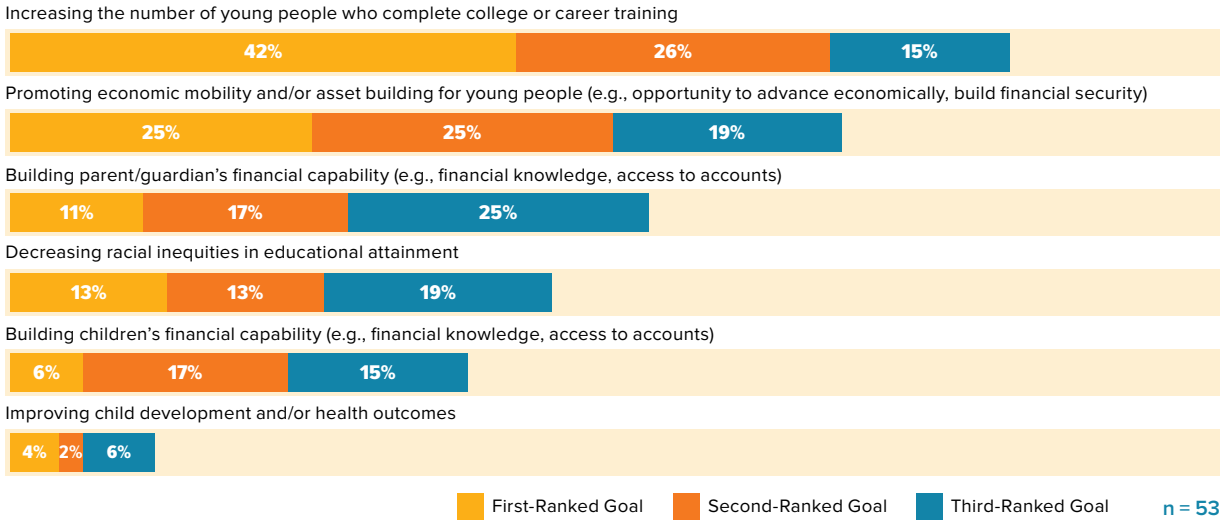


Program Goals

More programs than ever (45%) have named reducing racial inequities in educational attainment as one of their top three goals.

As in previous years, survey participants were asked to rank their top three long-term program goals. The most popular goal remains increasing the number of young people who complete college or career training, with 42% of programs choosing it as their top goal, and 83% as one of their top three. Forty-five percent of programs selected decreasing racial inequities in educational attainment as one of their top three goals (compared to 39% in 2020), with 13% selecting it as their number one goal. Promoting economic mobility and/or asset building for young people (e.g., opportunity to advance economically, financial security) continues to rank as a top three goal, with 68% of programs selecting that as a top three goal, although only one in four programs chose it as the primary goal.

FIGURE 4 | TOP THREE PROGRAM GOALS



Enrollment

Most children and youth with a CSA are automatically enrolled.

FIGURE 5 | ENROLLMENT TYPE BY PROGRAM

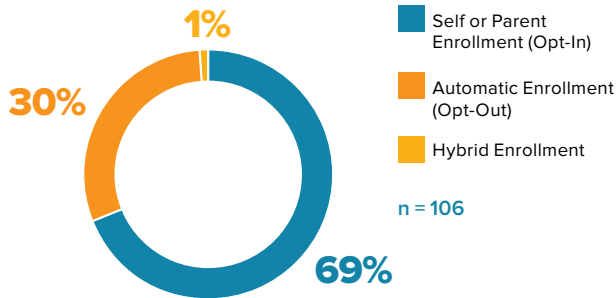
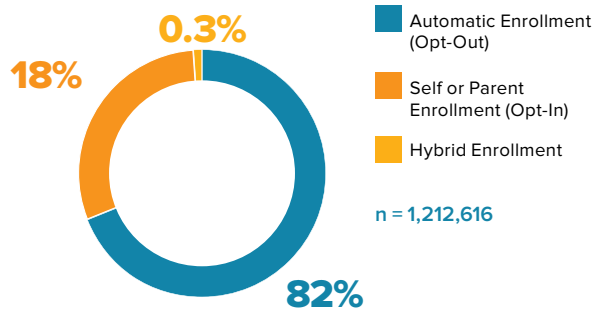


FIGURE 6 | ENROLLMENT TYPE BY PARTICIPANT



CSA programs enroll participants in one of two ways – automatic enrollment (also known as “opt-out”) or self-enrollment (also known as “opt-in”). Automatic enrollment, which does not require an action on the part of parents/caregivers or participants themselves to sign up for the program, reduces barriers to participation and leads to greater inclusivity. Less than one in three (30%) programs use automatic enrollment, as shown in Figure 5. However, the programs utilizing automatic enrollment enroll far more participants (82%) than opt-in programs (18%), as shown in Figure 6. The largest CSA programs, often citywide and statewide programs, scale more quickly across their service area through automatic enrollment.

Self-enrollment usually involves completing an enrollment form and/or opening an account. Sixty-nine percent of programs use opt-in enrollment, but they represent only 18% of the total participants with CSAs. Opt-in programs—even those with large service areas or broad enrollment criteria—scale up more slowly, because it is more difficult for families to sign up and more resources need to be put into recruiting families and supporting them in taking the actions needed to enroll in the program. Outside of statewide 529 matching grant programs, which have statewide eligibility, most opt-in enrollment programs have fewer than 5,000 participants.

Account Type

FIGURE 7 | TYPE OF ACCOUNT BY PROGRAM

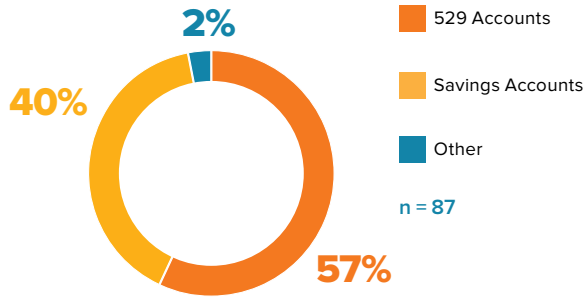
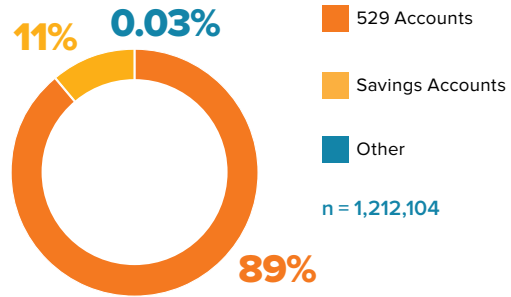


FIGURE 8 | TYPE OF ACCOUNT BY PARTICIPANT



The type of account programs use has remained relatively consistent over the last five years. More than half of CSA programs (57%) use 529 college savings accounts to hold program-provided funds (such as initial deposits and match), including all the large statewide CSA programs. Another 40% of programs use savings accounts, which include using custodial savings accounts, pooled money market accounts, and certificates of deposit. The difference between account types is more pronounced when looking by participants. As shown in Figure 8, 89% of participants have their funds held in 529s compared with only 11% in savings accounts.

Program Contributions

More than 600,000 children and youth have started their savings journeys with a \$100 or greater initial deposit.

To qualify as a CSA program, a program must provide some type of program contribution (sometimes called incentives) to help participants boost account balances. Ninety-three percent of participants received initial deposits (also called seed deposits). Among the 84% of programs that offer a seed deposit, a \$50 seed was the most common in 2021 (35%)—as it has been in each survey since 2016. However, this year a \$100 seed (28%) overtook a \$25 seed (20%) as the second most common amount.

Benchmark incentives, in which participants receive program contributions when they reach milestones (e.g., a child’s first birthday) or complete activities (e.g., completing a financial education workshop), continue to be popular with more than one in three (35%) programs offering one or more.

In addition to starting participants with an initial deposit or offering benchmark incentives, many programs offer additional contributions based on family deposit activity. Programs incentivize participants and their families to make deposits of their own money in one or more of the following ways:

- 49% offer a savings match, e.g., dollar-for-dollar match on participant deposits up to a certain amount.
- 17% offer a deposit bonus, i.e., an extra program contribution given if families deposit a certain amount or a certain number of times.
- 16% offer prize-linked savings, i.e., participants are entered into a drawing or raffle based on making a deposit.

FIGURE 9 | TYPES OF CONTRIBUTIONS USED BY PROGRAMS

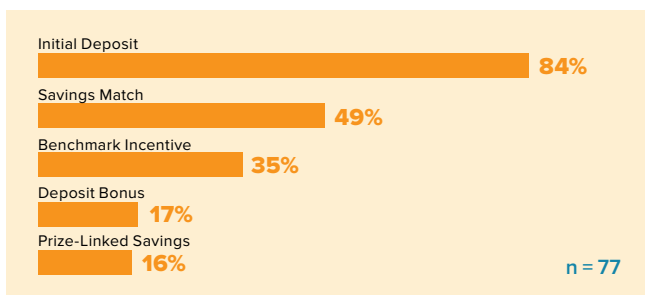
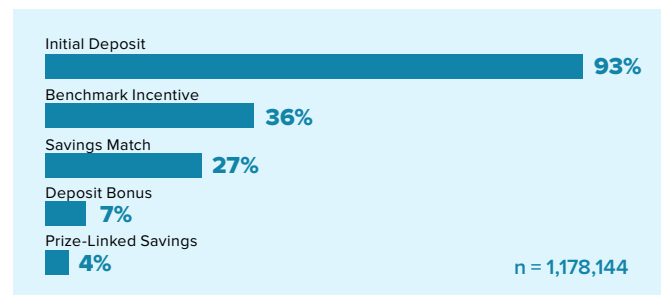


FIGURE 10 | TYPES OF CONTRIBUTIONS BY PARTICIPANTS



Targeted Program Contributions

42% of CSA programs offer targeted benefits to participants from low-income families.

Last year, we introduced new survey questions to measure how many programs provide targeted contributions to participants from low-income families. The number increased from 39% in 2020 to 42% in 2021. This number includes programs that:

- Only serve participants from low-income households (25%)²
- Offer a savings match restricted to participants from low-income households (38%)
- Provide additional deposit(s) for participants who are from low-income households or attend a school with predominately low-income students (25%).

Participant Demographics

For the first time, we are able to share information about how the field is reaching low- to moderate- income (LMI) households. Fifty-four programs³ (representing half of all CSA participants) reported family income for participants or provided a proxy data source, such as information from a partner school district. Thirty-seven programs indicated that at least 50% of their participants are from LMI households, and an additional 12 programs indicated that they exclusively serve LMI households.

Innovations in the Field

2021 saw exciting innovations in the field that have the potential to drive toward greater impact.

Pairing CSAs with Guaranteed Income and Cash Assistance.

While CSA programs can help families build assets for their children's future, families with low incomes also face immediate financial needs. Pairing CSAs with guaranteed income or cash assistance programs allows families to meet the challenges of paying for needs today while building savings for tomorrow. The COVID-19 pandemic prompted nearly a quarter (23%) of CSA programs to provide some sort of emergency assistance to families in 2020, usually in the form of grocery store gift cards or direct cash assistance.

In 2021, as communities across the country launched guaranteed income pilots and/or cash assistance programs, several locations directly integrated these with CSA programs. For example, the City of St. Paul, MN, drew participants for its [People's Prosperity Guaranteed Income Pilot](#) from participants in [College Bound Saint Paul](#), and [Springboard to Opportunities](#) in Jackson, MS, invested funds into CSAs for children of participants in the [Magnolia Mother's Trust](#). Other CSA programs, such as those in Los Angeles, San Francisco and Oakland, are sharing information with families about guaranteed income pilots in their cities.

Adaptations made during the pandemic are likely to stay – and offer more options for families to engage.

The majority of programs (63%) indicated that changes they made to programming will continue regardless of COVID-related restrictions. Many programs will continue offering virtual engagement opportunities for families, especially virtual workshops. For example, LEAF ([Lapeer County Education Attainment Fund](#)) previously hosted financial literacy storytelling for families of young children but adapted to recording videos of community members reading so families could access the content virtually. While programs (and families) miss in-person interactions, offering engagement opportunities for families at home can reduce barriers to participation like childcare and transportation to events.

New Baby Bonds legislation sharpens the focus on the racial wealth divide.

Baby Bonds, which were conceptualized by economist Darrick Hamilton, are specifically intended to meaningfully close the racial wealth divide by providing the most public resources to children whose households have the lowest amount of wealth. Baby Bonds draw on best practices in CSAs: starting from birth, automatic enrollment and progressive contributions. While similar in some ways, Baby Bonds provide a significant initial investment, focus specifically on addressing the racial wealth divide, and allow funds to be used for a broader swath of wealth-building purposes than most CSA programs, including home ownership. In 2021, Baby Bonds legislation passed in Connecticut and Washington, DC. Learn more about Baby Bonds [here](#).

Acknowledgements

Prosperity Now would like to thank all respondents to our annual CSA program survey. We would also like to thank the [Institute for Economic and Racial Equity](#) at Brandeis University (formerly IASP) for advising on the development of the survey questions and for sharing additional program data.

Endnotes

- 1 This document is based on Prosperity Now's 2021 CSA Program Survey, fielded October-December 2021. Programs had to meet Prosperity Now's CSA criteria to be included in the analysis. Sixty-five programs responded to the survey. Data for 22 other programs were incorporated from publicly-available information (e.g., program websites), responses to previous surveys and information provided by the Institute for Economic and Racial Equity. 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 six programs that are inactive but still have open accounts. However, these programs are not included in the analysis for any of the other program features.
- 2 Survey respondents were asked to define "low income" in their responses. The open responses included: at or below area median income (7), at or below federal poverty level (6), and free-or-reduced price lunch eligible (27). Several programs set household income thresholds (e.g., below \$70,000 per year), or used eligibility for benefits, such as Special Supplemental Nutrition Program for Women and Infant Children (WIC), Medicaid, or Pell Grants.
- 3 Responses to this question from 2020 were incorporated for programs that did not provide a response in 2021.