

# Children's Savings Accounts as Scholarships: Silver Bullet or Leverage?

October, 2014

National Scholarship Provider's Association



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THE  
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# Session Road Map

- **Opportunities and Issues** - Faith Sandler
- **Basics and Research** on CSAs - Carl Rist
- **Models and Examples:**
  - **FUEL Boston, Bob Hildreth**
  - **1:1 Fund, Carl Rist**
  - **Future Forward, Scholarship Foundation**
  - **DISCUSSION**

# IMPACT

- What kind of **influence** do scholarships have?
  - On student aspiration?
  - On family perception?
  - On school choice?

What **outcomes** will you consider a measure of impact?

## CSAs

STRETCH \$\$\$

EMBED HOPE

INCREASE COLLEGE-GOING CULTURE

# EQUITY: The Case for CSAs

- Early awareness, early identification of potential
- Leveraging of hope and dollars (investment grows)
- Money management, exposure and tools



# EQUITY: Mitigating Factors

- Expanding reach, spreading \$s too thin.
- Role of “need” (how early and how permanent?)
- It takes deep and aged investments to have significant financial impact.
- “Hope” or expectation without sufficient aligned resources can be dangerous.





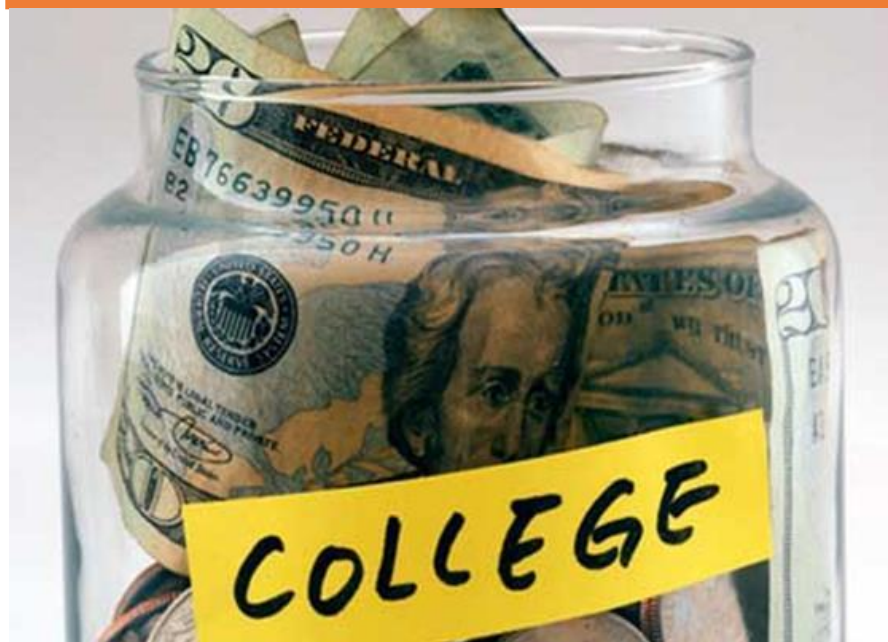
# CSAs: Just one tool in the toolkit



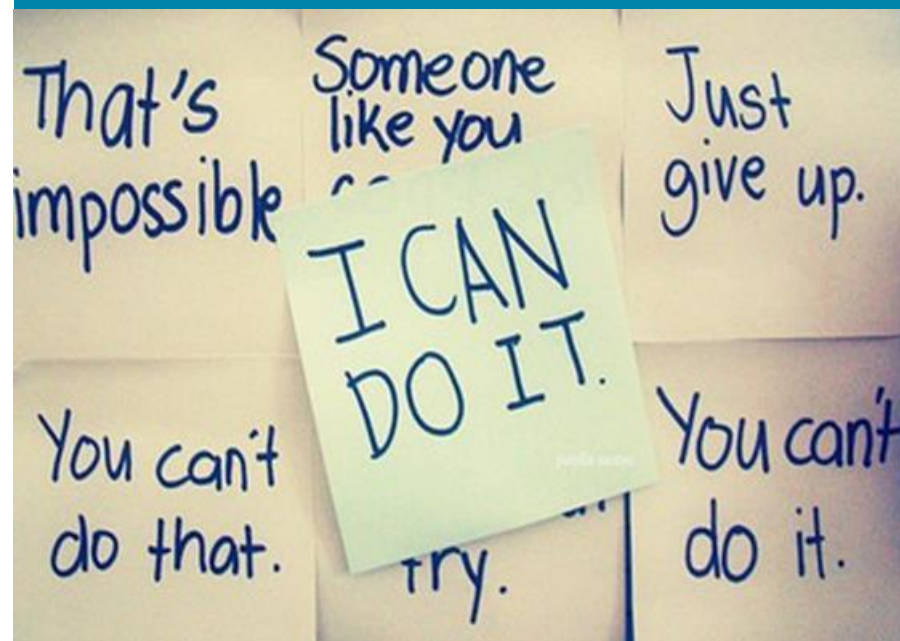
- Awareness, hope (CSAs)
- Academic preparation
- Navigation, support
- Match, fit
- Financial wherewithal (CSAs PLUS.....)
- Persistence to graduation

# Dual Benefits of Savings

## The Financial Value



## The “Asset Effect”



# The Financial Value – What Research Tells Us



A LMI student with an account dedicated to saving for college is:

- More likely to get **better grades** and to **graduate from high school**
- **3X** more likely to attend and **4X** more likely to graduate from college, even with only \$1-\$499 in the account.

Sources: Zhan, M., & Sherraden, M. (2003). Assets, expectations, and children's educational achievement in female-headed households. *Social Service Review*, 77 (2), 191-211.  
*Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education* (2013). The University of Kansas School of Social Welfare, Assets & Education Initiative.



# The Asset Effect - What Research Tells Us

**Academic  
achievement  
and preparation**

- Kids with accounts are more likely to get **better grades** and complete **more years of education**, regardless of income level.
- They are **more likely to graduate from high school**, even with as little as \$3,000 in savings.

# Pioneering Models



**SEED Initiative:** First national test of CSAs. Served more than 1,400 children in 12 communities across the country and demonstrated critical “proof of concept.”



**Partnership for College Completion:** Linking accounts, scholarships, financial education and academic counseling with CFED, KIPP schools and UNCF in five regions, with accounts, financial support and extensive participation from Citi.



San Francisco's **Kindergarten to College:** First universal CSA program; every public-school kindergartener receives an account. Similar models being explored in many other cities.

# CSA Saving Outcomes – SEED Initiative

Total SEED accumulation =  
\$1.8 million  
(1,171 accountholders)

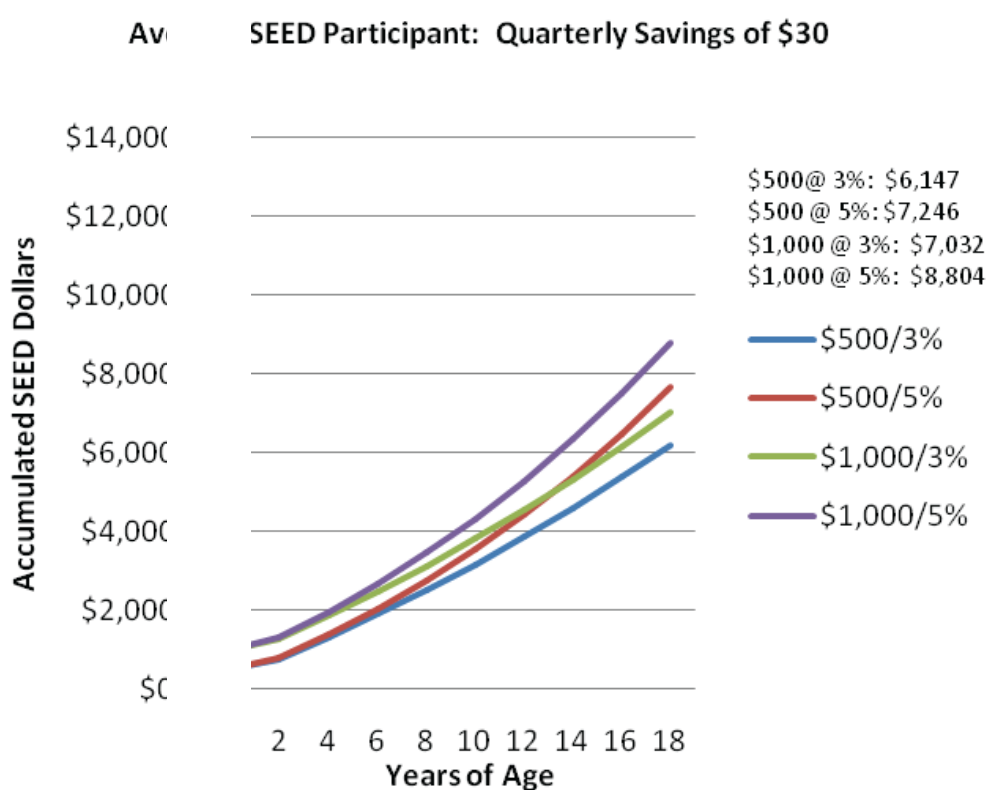


Total accumulation per  
participant = \$1,518 at mean  
(\$1,093 at median)

**Average savings of \$30/quarter  
in SEED**



# Modeling Savings in Children's Savings Accounts



# Maximizing Scholarship Dollars and Effectiveness Through CSAs

*Lessons from FUEL Education*

**Robert Hildreth**, FUEL Education, Founder & Executive Director



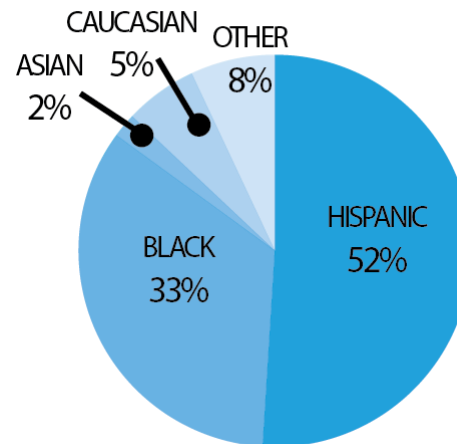


This is the **FUEL EDUCATION** story

# OUR PROGRAM

- We believe that parent engagement is crucial to students' academic achievement
- **Objective:** low-income parents become informed consumers of higher education so they can help their children achieve the dream of attending college

## FAFSA RESULTS



**67%**  
OF STUDENTS  
WILL BE THE  
FIRST IN FAMILY TO  
GO TO COLLEGE

# OUR MODEL

## **What we do:**

1. Savings matches and other incentives
2. College access curriculum for families
3. Advocacy

# OUR MILESTONES

- **5** years old with **7** partners in **3** cities
- Focus on families with high school aged children
- Worked with over **600** families with **700** students
- Families have saved **\$600,000** since 2009
- **76%** parents never saved for college until they joined FUEL Education
- **150+** students in college
- **92%** college persistence rate among FUEL alumni (as of Fall 2013)

# OUR EXPANSION

- Building from high school families as a base to include parents of younger children
- Offering sweepstakes and other savings incentives
- Providing college access curriculum through online platforms, including newsletters, social media, and 3-minute videos





**PROVIDE SAVINGS INCENTIVES** for college

# SKIN IN THE GAME

- ▶ **Savings incentives to promote behavior change:**
  - User-friendly savings product makes it easier for low-income families to set up an account and start saving
  - 1:1 matches motivate families to meet long term savings goals
  - \$50 bonuses encourage consistent savings
  - Regular savings reminders via phone and text blasts keep families motivated



**COLLEGE ACCESS CURRICULUM** for families



# COLLEGE ACCESS CURRICULUM

## ▶ College access curriculum for parents

- Monthly workshops create learning communities and engage parents in the college process
  - Newsletters, 3-minute videos, surveys, text alerts and social media keep parents engaged outside of the workshops
  - Emphasis on making smart financial decisions
- ▶ **Objective:** FUEL Education parents become informed consumers of higher education who can support their children through the college process

# MATCHES vs SCHOLARSHIPS

## ► Matches provide:

- **Early knowledge:** students typically learn about scholarships their senior year. FUEL Education begins to teach families about scholarships much earlier
- **Parent engagement:** a team of parents and students in researching and applying for scholarships
- **Meaningful context** on scholarships, grants and loans



# MATCH SAVINGS INITIATIVES

- ▶ **Citywide:** Kindergarten to College San Francisco
- ▶ **Statewide:** Maine Alfond College Challenge; Nevada College Kick Start; 15 states have also initiated a matched program in 529 accounts
- ▶ **Nationwide:** Canadian children's savings accounts



**ADVOCACY** to promote college savings

# COLLEGE COMPACTS

- ▶ **Scholarship access with local colleges and universities:**
  - Boston University
  - Bunker Hill Community College
  - Salem State University
  - UMass Boston
  - UMass Lowell
- ▶ **Objective:** FUEL Education families become more aware of college selection factors like cost of attendance and financial aid availability

# SCHOLARSHIP COMMISSION

- ▶ We initiated “The Special Commission of Educational Scholarships” in Massachusetts
- ▶ Goal is to promote the creation of a state-wide incentivized college savings program (CSA)
- ▶ To test this idea, the commission has recommended the creation of five pilot programs to be voted by the end of 2014

# Future Forward Savings Program

- Program Design:
  - 120 area 8<sup>th</sup> graders
  - \$500 initial deposit
  - Up to \$900 in additional contributions available
  - Additional contributions tied to college readiness
  - 3 Partners: De La Salle Middle School, Marian Middle School, Wyman

# Future Forward Benchmarks

Grade	Behavior (Students may achieve either behavior to earn annual deposit, but a max of \$100/annually)		Annual Contribution Deposit	Available Match for Contributions in Family Owned Account
9 <sup>th</sup>	Passing Algebra I	≥2.0 Cumulative GPA	\$100	\$500/lifetime limit
10 <sup>th</sup>	Postsecondary Campus Visit	≥2.0 Cumulative GPA	\$100	
11 <sup>th</sup>	AP/Dual Enrollment	ACT completion	\$100	
12 <sup>th</sup>	FAFSA completion	≥20 ACT score	\$100	