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Investments at Birth: Children's Savings Accounts

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Children and Asset Poverty

- Asset poverty is having insufficient net worth to subsist at the federal poverty level for three months
- Almost twice as many households are asset poor than are income poor
- One in three households with children is asset poor
 - 38.2% of female-headed households
 - 44% of minority-headed households

Source: Bureau of the Census; calculations by Jon Haveman.



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Why do Assets Matter?

- Wealth and assets are ways to cushion against income interruption
- Assets help families secure the next generation and move their children up the economic ladder
- Assets give children a leg up when setting out on their own
- Savings and investment income promotes educational attainment among children
- Savings have psychosocial benefits for adults, which likely enhance the well-being of children



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What are CSAs?

- What difference would it make if every child started with an account at birth?
- Vision:
 - \$1,000 at birth for every child
 - Accounts can be used to pay for college, start a small business, buy a home or fund retirement
 - Universal system
 - Progressive matches
 - Appropriate financial education delivered at scale



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Outcomes from CSAs

Saving for Education Entrepreneurship and Downpayment (SEED) Initiative evaluation:

- SEED participants (1,253):
 - Have family incomes below 200% of poverty; 47% below 100% of the family-size-adjusted poverty line
 - Saved \$41 per quarter (per household)
 - Had accumulated \$1,540 over 2 ½ years (on average)
 - Accounts “tap into” high parental and familial aspirations for children



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Funding CSAs

- 5 proposals before Congress to create CSAs or some type of at-birth account
- 3 states have proposed universal CSAs
- 11 states have matching 529 programs
- Caguas, PR is first US city to implement universal CSAs
- Several international models, including UK Child Trust Fund



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