AEDI and the Center for Social Development at Washington University co-hosted a Children’s Savings Account Symposium in Lawrence on November 9-11, 2016. The event, generously funded by the Kauffman Foundation, Lumina Foundation, 1:1 Fund, and Citi Community Development, convened more than 100 leading CSA researchers and practitioners, as well as policymakers, advocates, and experts in the fields of economic mobility, student debt, financial inclusion, and racial inequality. As participants gathered and began to discuss the implications of the Presidential election for our work and for the nation, Dr. Michael Sherraden opened the Symposium Wednesday evening with a keynote that underscored the need for policy to provide universal accounts. Thursday’s full agenda included panels analyzing the current landscape of education financing; revealing disparate returns on degree for students with different starting points; and discussing opportunities to use CSAs to bring millions of American households into the financial mainstream. Architects of the CSA movement, including Dr. Sherraden, Ray Boshara of the St. Louis Federal Reserve, Andrea Levere of CFED, and AEDI’s Dr. Elliott shared reflections on the way forward for CSAs at this moment. Over dinner Thursday, participants heard about new developments at the intersection of Promise programs and CSAs. Friday included the latest research from CSA programs such as San Francisco’s K2C, Promise Indiana, and SEED for Oklahoma Kids, as well as insights into the process of CSA research and the best interim measures of progress. Videos and presentations from the symposium are available at: http://aedi.ku.edu/upcoming-event.

Your ongoing questions and feedback are welcome. AEDI is grateful to those who spent two days grappling with how to best leverage CSAs’ potential to catalyze superior outcomes for all American children. We are committed to building on this momentum in the months to come.

A special event will be held on Friday, February 24th, 2017 from 8:00am to 5:00pm at the Kauffman Foundation Conference Center, to unveil the map and discuss emerging evidence for important strategies that can improve financial health at the household, community, and national policy levels. Local practitioners, community organizers, advocates, and leaders are invited to attend the event. In addition to being a free event, attendees will be provided with breakfast and lunch, and will have the opportunity to receive continuing education units (CEUs).

Mapping Financial Inclusion

The Mapping Financial Opportunity project, led by Drs. Terri Friedline (Director of Financial Inclusion at AEDI) and Mathieu Despard (University of Michigan), is moving forward with research that maps financial services across the United States. The map is being developed in partnership with New America and will be used to visualize the locations of financial services such as banks, credit unions, and alternative financial service (AFS) providers. Each county on the map is color-coded, using a spectrum of red to blue to highlight the ratio of AFS providers to banks: Red counties have the highest ratio of AFS providers to banks, blue counties have the lowest. This colorful snapshot gives clarity to patterns across the nation and illustrates the importance of state regulation. The map reveals worse distributions in the south, and large swaths of red in the southwest region. It also captures the stark contrasts between many neighboring communities with disparate access to financial services.
In November, AEDI released a report exploring effects of CSA account holding and saving (at all, and by amount) on school absences and on standardized achievement scores in math and English/reading. Examining effects for all students and then just for students eligible for the Free/Reduced Lunch program offers insights into the particular effects on low-income children. While these findings cannot be generalized beyond Promise Indiana and should be considered preliminary, there is some evidence that warrants further study and some findings that align with patterns seen in secondary research and outcomes that rigorous research in SEED OK has also revealed.

Among the highlights:

(1) There is no evidence in this study that CSAs are related to children’s absences.

(2) Findings around CSAs’ effects on children’s academic achievement appear stronger among children receiving free/reduced lunch, suggesting that CSAs may be particularly well-suited to addressed gaps in academic achievement and underscoring the importance of full inclusion in order to ensure that those most disadvantaged benefit.

(3) Initial findings appear strongest in the case of reading (as compared to math), demonstrated in scores on standardized assessment of English/language arts skills. However, as other research has found relationships between children’s assets and math achievement, more study is needed.

In the coming months, AEDI will produce studies examining CSAs’ effects on academic achievement in other programs, including New Mexico’s Prosperity Kids, San Francisco’s K2C, and Maine’s Harold Alfond College Challenge. We hope and expect that these analyses will continue to build the knowledge base around CSA outcomes, informing program design, clarifying metrics, and pointing to promising policy.

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**Federal Reserve Board of Governors Turn Attention to Student Borrowing**

On November 28, 2016, AEDI Director Willie Elliott was in Washington, DC to speak on a panel for the Federal Reserve Board of Governors, “Addressing the Risks of Pursuing Postsecondary Education.” Recording of the event, which addressed the risk of negative returns to educational investment for particular populations, can be found [here](#).

Dr. Elliott discussed the influence of student debt on return on degree and the potential of positive returns from a pivot to asset-based college financing.

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**New Findings on CSAs and Early Elementary Education outcomes**

“When Does My Future Begin?”

**Student Debt and Path to Upward Mobility**

New research by AEDI’s Dr. Willie Elliott and Dr. Emily Rauscher, Faculty Director for Wealth Transfer, reveals the long-term cost of student borrowing, particularly in the arena of compromised return on degree. Adding to the growing evidence that where a student starts—in terms of race, family income, and initial wealth—matters a great deal for determining how much one can benefit from college credentials, this new analysis finds that acquiring $10,000 in student loans is associated with an 18% decrease in the rate of achieving median net worth, seen as a measure of having ‘made it’ in the U.S. economy. This finding, which has attracted the attention of Politico’s education reporters and MarketWatch, helps to broaden the metrics used to evaluate student loans, to look beyond just paying for college to instead consider lifelong effects on financial well-being and economic inequality. AEDI worked with a designer to produce an infographic that includes this and other findings related to student debt’s economic mobility effects and the potential of assets to improve outcomes and chart a more equitable path (see next page). Dr. Elliott has also spoken on these topics in venues around the country, including last month at the Federal Reserve Board of Governors in Washington, DC. As the country considers the way forward, questions about higher education’s presumed role as an equalizer and policy reforms that would restore this function have never been more urgent. We will continue to advance this message in popular and scholarly outlets and in conversations with those hungry for a meaningful chance at the American Dream.
BREAKING THE PATTERN OF WEALTH INEQUALITY IN HIGHER EDUCATION:
THE NEGATIVE ROLE OF STUDENT DEBT AND THE POTENTIAL OF CHILDREN’S SAVINGS ACCOUNTS (CSAs)

A pattern of wealth inequality
Children from lower-wealth families are less likely to attend and complete college.
- Bachelor’s degree holders from low-income families start their careers earning about 1/3 less than those from higher-income families.2
- Household income and net worth are higher for adults who received parental financial support for college.7

Parents with a CSA have higher expectations for their children’s education and their expectations are more likely to remain constant or increase over time than peers without CSAs.4

Infants that receive a CSA demonstrate significantly higher social-emotional skills at age four. CSAs mitigate about 50% of the negative association between material hardship and social-emotional development.4

Higher social and emotional learning is predictive of a 11-percentile-point gain in academic achievement.21

College Readiness
The prospect of debt is prohibitive of pursuit of college and a college degree.

Children with savings designated for college are 31% more likely to expect to attend college than children without savings designated for college.7

College Access & Wilt
Wilt occurs when a young person expects to attend college but does not do so shortly after graduating high school. Student loans exacerbate will. For every one unit increase in debt aversion, young adults are 23% less likely to enroll in college even after controlling for expectations and academic achievement.9

A student with a College Saver Identity (CSI) expects to go to college and has identified savings as a strategy to pay for it. Students with CSIs are more likely to attend and graduate from college than those who expect to go to college but do not have a strategy to pay for it.9

Only 12% of the highest-achieving children from high income families fail to make the transition out of high school and into college.10

31% of the highest-achieving children from low-income families fail to make the transition out of high school and into college.11

How we can break this pattern

Short-Term Solution
Eliminating student debt among those making $50,000 or below would reduce the Black-White wealth gap by about 37%, for those making $25,000 or below it would reduce it by over 50%.13

Long-Term Solution
CSAs combined with a Wealth Transfer. Children’s College Savings Accounts could reduce the racial wealth gap in America by 29% to 80% depending on wealth transfer size.14

For each $1K in loans required, the probability of a low-income student graduating drops 1.6%.16

Low and moderate-income children with savings designated for college are 4x more likely to graduate than without savings.15

College Completion

Wealth Accumulation & Upward Mobility
Households with 4-year college grads with outstanding student debt have $70,000 less in home equity than similarly-situated households without student debt.17

4-year college grads with median debt of $23,300 have $115,096 less in retirement savings by age 73 than those without student loans.19

Student debt burden for a dual-earner household with bachelors’ degrees from four-year universities leads to a lifetime wealth loss of nearly $208,000.18

Acquiring $10,000 in student loans is associated with a 16% decrease in the rate of achieving median net worth.15

2x more likely to have a savings account10

2x more likely to have a credit card13

4x more likely to own stocks20

71% of children born to high-saving, low-income parents move up from the bottom income quartile over a generation, compared to only 50% of children of low-saving, low-income parents.23

For references please visit: https://kauo.edu/information/Infographic
Produced by PhenomDesign.com for the University of Kansas, Center on Assets, Education, and Inclusion (ACEI)
New York City Announces Children’s Saving Account Program!

Starting in Fall 2016, thousands of New York City kindergartners will receive Children’s Savings Accounts, seeded with $100 and eligible for another $200 over four years, if families meet benchmarks, including savings goals. The CSA program originated in the office of Mayor Bill de Blasio and is funded with a $10 million donation from real estate investor and philanthropist Jon Gray and his wife. NYC’s CSA will enroll about 3,500 children each year over the three-year pilot, inspired by San Francisco’s Kindergarten-to-College CSA design. Unlike K2C, however, children’s accounts in the NYC Kids Rise program will be held in the state 529 college savings plan and overseen by a newly-created nonprofit organization.

L.A. Exploring Use of Taxpayer Money to Start Savings Accounts for Kindergartners

The Los Angeles City Council is exploring using tax payer money to fund a CSA program for the ~72,000 kindergartners who enroll in the L.A. USD schools each year. The next step will be a full report, to include CSAs’ potential to narrow gaps in educational attainment and increase financial security, to be delivered in January. Media coverage of the proposal, which would be financed with public funds, referred to AEDI findings regarding effects of educational assets on children’s outcomes.

Grand Challenges for Social Work Initiative Emphasizes Wealth Building and Financial Inclusion

AEDI’s Faculty Director of Financial Inclusion, Dr. Terri Friedline, and AEDI Faculty Associates Mat Depard and David Rothwell, are active participants in the Grand Challenges for Social Work initiative, working in the arena of financial capability. The Grand Challenges initiative, which features children’s assets in several content areas, seeks to champion social progress powered by science and to rally the profession to tackle society’s greatest problems. Look for concrete policy recommendations and growing attention to these issues in the coming year.

Recent media coverage highlighting AEDI’s work

• Marketwatch, “the study adds to the growing body of evidence that the way we finance higher education can put college graduates who begin school with few assets even further behind their wealthier peers.” Also see Politico.

• Work by AEDI Director of Wealth Transfers, Dr. Emily Rauscher, has gained attention in conversations about return on degree and growing inequity in college outcomes. Rauscher (2016) found that household income and net worth are higher for adults who received parental financial support for education as children than those who did not. Implications for CSAs.

• Coverage in the New York Times on the New York City CSA featured AEDI Founding Director Willie Elliott, who explained the potential for substantial effects on children’s well-being, academic progress, and long-term financial health, even with the relatively small balances that many families’ accounts may hold.

• “Borrowed Time: To Fix Our Student Loan System, We have to Look Beyond Income-Driven Repayment” ran in New America Weekly: Issue 146.