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# Contributions of Qualitative Research to Understanding Saving Theory for Children and Youth

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# Contributions of Qualitative Research to Understanding Saving Theory for Children and Youth

*This paper explores contributions of qualitative research to saving theory for children, youth, and parents in Children's Development Account (CDA) programs. It brings together findings from three studies: (1) elementary school age children saving for college, (2) youth transitioning from foster care saving for education and other purposes, and (3) mothers of toddlers saving for college. Findings suggest that children, youth, and parents find CDAs helpful in accumulating savings. CDAs interact with developmental stages to motivate and facilitate saving. Accumulating savings has positive meaning for participants in CDAs for economic and psychological reasons. However, although CDAs overcome some obstacles in saving, others remain, especially income flows, debt, and emergencies.*

**Key words:** *Saving, education, college, children development accounts, foster youth, qualitative methods*

## Introduction

Asset-based social policy is gaining increasing attention in the US and around the world. Asset-based programs aim to promote financial security throughout the life course and provide positive effects in addition to those of income (Sherraden, 1991). Although life-long asset development has been proposed as a strategy for social development (Sherraden, 1991), current policies focus primarily on financial security and savings in adulthood and older age. Few policies target asset accumulation in childhood and knowledge is limited about the effects of savings for children and youth.

There are several reasons why it may be important to encourage asset accumulation for children. First, it makes sense to begin saving in childhood because the longer the time saving and investing, the greater the financial returns. Saving even small amounts over long periods of time can yield significant sums. As the costs of tertiary education rise—and more of the costs shift to students and their parents (Berger & Kostal, 2002; Johnstone, 2004)—savings may play an increasingly important role in college affordability. Second, the process of asset accumulation beginning in early childhood may have cumulative effects on child development. There is evidence that assets owned by children are positively related to future well-being. The evidence is strongest in studies on educational achievement and educational attainment (Elliott, Choi, Destin, & Kim, 2010; Elliott, Nam, & Johnson, 2011; Oyserman & Destin, 2010). Third, experiences in saving and owning financial products may aid children in accruing financial knowledge, shaping financial behavior, and acquiring financial skills (Sherraden, forthcoming). As the world is becoming financially more complex, children need to be prepared to make wise financial decisions in a future society fraught with financial uncertainty.

## Theories of children's savings

Several theories shed light on the process and effects of saving on children. On a rough continuum from individual to structural approaches, these include human development theory, socialization, behavioral economics, and institutional theory.

According to human development theory, children gain the ability to manage money and save as they transition to adult roles and responsibilities. Children grasp increasingly complex economic and financial concepts as they progress through successive biological, psychological, and cognitive stages (Berti & Bombi, 1988; Strauss, 1952). Even young children are capable of understanding basic financial concepts and know it is desirable to save (Holden et al., 2009; Sosin, Dick, & Reiser, 1997). As children mature, they are capable of more abstract economic reasoning and understand concepts such as interest, and by early adolescence, they develop understanding of saving for long-term goals (Otto, this issue; Sonuga-Barke & Webley, 1993; Webley, Burgoyne, Lea, & Young, 2001).

Maturation underlies children's cognitive abilities, but socialization shapes exposure and encouragement to learn about the financial world. Financial socialization is a process in which children acquire and develop "values, attitudes, standards, norms, knowledge, and behaviors that contribute to [their] financial viability and well-being" (Schuchardt, et al., 2009, p. 86). Typically, families are the earliest socialization agents (Kourilsky, 1977; Moschis, 1985; Rettig & Mortenson, 1986). Research suggests that parents may influence their children's understanding of money (Marshall & Magruder, 1960) through allowances, parental modeling, and teaching self-control (Webley & Nyhus, this issue). Social and cultural influences such as peers, teachers, media, and culture, also influence children's financial socialization (Beutler & Dickson, 2008; Furnham, 1999; McNeal, 1987).

Behavioral economists suggest that careful design of savings products and services—or "choice architecture"—can make good financial choices more likely regardless of individual characteristics (Thaler & Sunstein, 2008). In other words, savings products and services can take into account the very human ways that people behave to encourage participation and saving. For example, researchers find that automatic enrollment, incentives, targets, and reminders can build on the ways that people actually make financial decisions (e.g., mental accounting, rules of thumb) to help them save (Shefrin & Thaler, 1992; Thaler, 1985; Tversky & Kahneman, 1981).

Psychological and economic models assume an individual decision maker, but saving is embedded in larger social and economic contexts. Institutional theory suggests that financial behavior is shaped and given meaning by institutions (Hall & Taylor, 1996). Institutions shape savings accumulations through several constructs, including access, information, incentives, facilitation, expectations, restrictions, and security (Beverly, Sherraden, Cramer, et al., 2008; Sherraden, 1991; Sherraden & Barr, 2005). In thinking about children, we might ask, for example, if they have legal access to savings opportunities, whether there are benefits for parents and children to set aside savings, and whether savings are safeguarded for the children's development.

Given this body of research, children's savings are likely the result of both individual and institutional factors. In the studies that follow, we examine evidence that sheds light on these theories. We examine the evidence to understand how children's age and economic socialization

affects their saving, as well as how product and service design, and inclusion in savings institutions affects their savings.

Regarding the effects of savings on children, asset theory suggests that savings and assets have positive outcomes for children beyond those predicted by income (Sherraden, 1991). Of particular relevance to children and youth, assets are proposed to generate orientation toward the future, stimulate development of other assets, enable focus and specialization, provide a foundation for (positive) risk taking, and increase personal efficacy (Sherraden, 1991).

Some researchers find an association between perceived availability of savings and a “college-bound identity” (Elliott, Choi, Destin, & Kim, 2010; Elliott, Nam, & Johnson, 2011; Oyserman & Destin, 2010). Several studies find that children’s savings may affect educational achievement and attainment. Savings and expectations appear to matter in educational persistence (Elliott & Beverly 2011a; Elliott & Beverly 2011b; Elliott, Constance-Huggins & Song, 2011). For example, there is modest cross-sectional evidence for the role of children’s savings in early academic achievement (Elliott, 2012a). Brighter prospects for college affordability appear to have a positive effect on reducing negative risk taking in adolescence (Cowen, 2011), a relationship which may also hold for having college savings. Children and youth with savings are more likely to be “on course” and to persist in college enrollment and completion (Elliott & Beverly, 2011a, 2011b). Furthermore, the effects of savings appear to be highest for low- and moderate-income children (Elliott & Beverly, 2011a; Elliott, Constance-Huggins, & Song, 2011). Savings appear to have larger effects than do loans, which have little effect on persistence in college completion (Bresciani & Carson, 2002; Perna, 1998).

This article aims to contribute to saving theory for children and youth by using qualitative evidence collected in studies of three Child Development Accounts (CDA) programs. CDA programs (sometimes called Children’s Savings Accounts, or CSAs, or Individual Development Accounts, IDAs) provide children and parents an opportunity to accumulate savings in an account opened for the benefit of the child (Cramer, 2010; Sherraden, 1991). CDA programs typically include access to an account and information and support for saving, although there are many variations in program design. Savings in such accounts are expected to support the child’s future development, such as access to educational or entrepreneurship opportunities (Sherraden, 1991). This study examines two central research questions: (1) if and how children save in CDAs and (2) what are the effects of savings on children.

In the following sections, we present each of the three studies, including the focus, target population, and how analysis was conducted. The next section identifies key themes identified in the studies, including findings that appear in only one or two of the three studies. We conclude with a discussion of limitations of this research, and implications for practice, policy, and future research.

### **Three Children’s Development Account Studies**

The first study, *I Can Save*, is a college savings program in one school with 95 elementary age children. The second study examines the *Opportunity Passport*<sup>TM</sup> program, which provides incentivized savings accounts to youths transitioning out of the foster care system. The third study, *SEED for*

*Oklahoma Kids*, is a randomized experiment of incentivized college savings plan accounts for children at birth.<sup>1</sup>

### **Study 1: *I Can Save* - Matched college savings program for young children**

The *I Can Save* (ICS) study explores the effects of a matched savings program for elementary school students in a four-year collaborative (2003-2007) between a public school district and a non-profit organization. The school where the research took place is a racially and economically diverse school in an inner ring suburb of a large Midwest city. ICS provided children with: (a) a matched savings account, including a \$500 “seed” deposit, (b) an opportunity for children to participate in an ICS after-school club where they learned about financial issues and “earned” small amounts to deposit in their ICS account, and (c) an opportunity for their parents to participate in financial education workshops. ICS accounts were held in bank savings accounts in the child’s name, but under custodial care of the implementing agency. Deposits into the ICS account were matched dollar-for-dollar up to a total of \$1,500 (\$3,000 including match) over four years. Statements were sent to families on a monthly basis that show participant savings and the amount of match that will be available. At the end of the four-year project, savings were deposited into a Missouri MOST account, the state’s 529 College Savings Plan. The program encouraged ongoing deposits into the MOST account through middle and high school, although the students were no longer part of a matched savings or research program. The 529 plan allows participants to withdraw funds for postsecondary education at any federally accredited institution (Clancy, Orszag, & Sherraden, 2004). Every time a parent attended education workshops or a research interview, \$25 was deposited into the ICS account (and matched). During the school day, students had lessons from the Financial Fitness for Life® curriculum (National Council of Economic Education, 2004). In the ICS after-school club, students learned about money, entrepreneurship, and college through games and exercises. They also walked to the bank to deposit their savings once a month.

The study uses a quasi-experimental design with a treatment group (TG) of 72 students (all but two students in kindergarten and first grade in the 2003-04 school year) and a comparison group (CG) drawn from the second and third grades at the same school in the same year (n=23).<sup>2</sup> Students in the comparison group did not have an ICS savings account or participate in the ICS after-school club. The majority of ICS children are African American (79%); average parent educational attainment level was 11<sup>th</sup> grade; and 35 percent of families reported income at or below \$25,000.

Although the study uses both qualitative and quantitative data collection methods, most of the findings reported in this study are from depth interviews conducted in second and fourth grade with

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<sup>1</sup> Both *I Can Save* and SEED for Oklahoma Kids are initiatives part of the larger Saving for Education, Entrepreneurship, and Downpayment (SEED) policy, practice, and research initiative. For more information, see Sherraden, M., & Stevens, J. (Eds.) (2010). *Lessons from SEED: A national demonstration of Child Development Accounts*. St. Louis, MO: Washington University, Center for Social Development.

<sup>2</sup> Baseline information on treatment and comparison groups reveals that the two groups are similar in children’s age and parents’ characteristics, such as age, race, and education and income. They differ, however, on marital status, race, and gender. The treatment group has more female and African American students; parents of comparison children are more likely to be single mothers. As the program developed, there were no additional observed differences between the two groups.

TG and CG students. Interviews were held with children in second grade (28 TG and 12 CG) and in fourth grade (31 TG and 18 CG). The 30 to 40 minute interview explored children's perceptions of the ICS program, experiences earning and saving money, attitudes and aspirations and expectations regarding career and college, perceptions about the cost and access to college for themselves and others, and attitudes towards school (Woolley, Bowen, Bowen, 2004). Some data are also extracted from annual focus groups with participating teachers, as well as quantitative data from savings monitoring (all years) and parent surveys conducted (years 1 and 4).

## **Study 2: Opportunity Passport™: Matched savings for foster youth transitioning into adulthood**

The *Opportunity Passport™* (OP) program was developed by the Jim Casey Youth Opportunities Initiative (JCYOI) as a component of the broad set of reforms put in place in the Initiative's demonstration sites across the country (Jim Casey Youth Opportunities Initiative, 2009). In each site, the Initiative works with a local private or public agency partner to implement the reforms and recruit current and former foster youths to participate. While the program has evolved somewhat over time and varied somewhat by site, during the period of the study, program participants were required to be between the ages of 14 and 24 and have spent time in foster care after they turned 14 years old. Each participant received training in financial literacy and, upon completion of the training, was provided two accounts, a checking account and an Individual Development Account (IDA), with an initial balance of \$100. Local agencies worked with a designated financial institution, which agreed to provide the agency with information on account activity.

Money deposited in the IDA that was used to purchase an identified asset was matched dollar-for-dollar, up to \$1,000 each year. Unlike other programs featured in this paper, OP's scope was broader and included education expenses, as well as housing, vehicles, microenterprise, and health care costs. Participants also could attend periodic financial literacy trainings, as well as take advantage of "door openers," people or community organizations that provided special opportunities for youth, such as discounted rent or auto sales. Across the JCYOI sites, door openers were available but their participation varied considerably. Participants received modest compensation for participating in trainings, as well as for completing bi-annual questionnaires.

By definition, foster youths have tenuous or troublesome ties to their families of origin. Nevertheless, upon leaving care, research indicates that they often rely on biological family connections for some support (Courtney, 2009; Courtney et al., 2011). These youths tend to have limited financial resources and face challenges successfully transitioning to adulthood and achieving financial independence. They are less likely than their peers to have a high school diploma, be enrolled in a postsecondary education program, or earn a living wage. They are more likely to have experienced economic hardships, been involved in the criminal justice system, and had a child without being married (Dworsky & Courtney, 2010a; Naccarato, Brophy, & Courtney, 2010). Continued support of foster youths into adulthood has been demonstrated to show some improvement in educational outcomes (Dworsky & Courtney, 2010b; Peters, Dworsky, Courtney, & Pollack, 2009).

Of the eleven JCYOI sites in operation, researchers and Initiative personnel identified four sites in three states that presented mature programs and involved a mix of youths ranging in urbanicity and

ethnicity. In each site, researchers interviewed a few key staff and participants who were randomly selected from active participants in the Opportunity Passport™ program. In specifying the pool of interviewees, special efforts were made to capture some of the participants who were not among the most engaged in the program. Researchers also analyzed program data for interviewees drawn from the biannual surveys completed by participants.

In all, researchers interviewed eight staff members and 38 youth participants across the four sites. Youths range in age from 18 to 23 years old (average of 21.3) and are mostly female (79%). Forty-seven percent of the respondents are African American, and 37% percent are white, with the rest identifying as multiracial. Eleven of the respondents (29%) are married or living with a partner.

### **Study 3: SEED for Oklahoma Kids: Savings for newborns in a population**

The *SEED for Oklahoma Kids* (SEED OK) experiment is a longitudinal large-scale study of universal Child Development Accounts with randomly-selected babies born in Oklahoma in 2007. This policy and research collaboration (2007-2014) involves multiple partners, including the Center for Social Development (CSD) at Washington University in St. Louis; the State of Oklahoma's Treasurer's Office, Department of Health, and the Oklahoma College Savings Plan; and RTI International. The SEED OK research tests the concept of providing a 529 college savings plan account to every child at birth. This test examines whether the 529 accounts have an impact on family attitudes and behaviors regarding higher education, saving for children, and children's developmental outcomes.

The SEED OK treatment involves the possibility of two types of Oklahoma College Savings Plan accounts: a state-owned account (SEED OK 529), and a participant-owned 529 account (OK 529). All treatment participants received a SEED OK 529 opened automatically by the state with a \$1,000 deposit for each child. Low- and moderate-income treatment participants were eligible for savings match incentives, where minimum deposits of \$25 into their own OK 529 are matched with SEED OK funds up to \$250 per year for four years. SEED OK made the required \$100 initial minimum contribution for treatment participants, if they opened an OK 529 account for their child. Control participants were not given an account or any additional information about 529s.

Infants were randomly selected from records of every child born in Oklahoma during certain periods of 2007. African Americans, American Indians, and children of Hispanic origin were oversampled to ensure sufficient statistical power for analyses with each group. Approximately 2,704 mothers of newborns participated in the SEED OK baseline survey. From this group, a subsample of 300 cases, including 200 treatment and 100 controls, was randomly selected and stratified by child's race. All depth interview respondents (n=60) are the mothers of the child enrolled in the SEED OK study.<sup>3</sup> The depth interview respondents include 25 White (17 treatment, 8 control), 12 African American (8 treatment, 4 control), 12 American Indian (8 treatment, 4 control), and 11 Hispanic/Latino (7 treatment, 4 control) participants. The majority of respondents are married (50% of treatment; 75% of controls). With regard to educational attainment, treatment respondents reported a lower rate of high school dropout (15% compared to 30% among controls) and higher rates of college completion (23% compared to 15% among controls). A majority of households (58%) reported income less than \$30,000.

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<sup>3</sup> Less than 1% of members in the SEED OK baseline survey sample (n=2,704) were another relation (grandparent or father) to the enrolled child. In some cases, however, an additional family member was present during the interview.

Quantitative and qualitative data included baseline telephone surveys (year 1) conducted with the SEED OK participants (N = 2,704) and depth interviews (year 2) conducted with a smaller subsample that included 40 treatment and 20 control respondents of different racial and ethnic backgrounds. Most of the data discussed here draws from the 60 depth interviews conducted in approximately month 18 of the study, when the focal child was between two and three years of age.

The 50 to 70 minute interview explored respondents' knowledge and attitudes about savings and money, use of financial services, aspirations and expectations for their child's education, savings for their children, mothers' perception of and plans to pay for college costs, and respondent's overall perception and experience in the SEED OK program.

### **Data analysis**

Across the studies, researchers used standard qualitative analysis techniques. Each study was analyzed separately, although one author served on all three study teams, providing continuity in the general analytic approach. Interviews were digitally recorded and transcribed, then coded and analyzed using qualitative software (SEED OK and OP used NVivo 8®, and ICS used ATLAS.ti). Each interview was coded by at least two researchers using an initial code list based on prior research and specific study questions. Analysts added to code lists during two waves of analysis in each study until coders were in agreement. In SEED OK, the research team was larger and used reliability checks in NVivo 8® (with an acceptance level set at 85%). (There was one small difference in analysis across the three studies: because it is difficult to interpret very young children's responses when they are taken out of context, we used larger interview segments in ICS.) Each study team extracted concepts and themes and wrote research reports (Gray et al., forthcoming; Peters, Sherraden & Kuchinski, forthcoming; Sherraden et al., 2007).

This paper is based on analysis across the three studies; we identified common themes and differences, paying particular attention to what we could learn about savings for different age children. The three studies provided insights about how people of different age groups save and think about savings, including mothers of very young children in SEED OK, elementary age children in ICS, and older youth in OP. The chief challenge in interpretation concerns the different policy and program contexts of the three programs. While we cannot control for type of policy and program, the nature of qualitative data allows us to interpret findings and extract themes about the importance of age and stage of development, with the caveat that they are not necessarily generalizable and must be tested in larger controlled studies.

### **Cross-cutting and Contradictory Themes**

This section identifies themes across the three studies and discusses implications for theory, policy, and practice. Overall, evidence from the three studies suggests that young children, older youth, and mothers of toddlers participating in CDAs desire to save and believe that accumulating savings has positive effects. However, across age groups they face significant obstacles in their efforts to save that should be addressed by policy and programs.

## The process of saving

Participants described individual characteristics and circumstances that affected their ability to save. They also identified institutional factors that affected their savings. Each is discussed below.

### *Individual level factors that affect saving*

*Stage of development shapes saving behavior.* In ICS, very young children have little understanding of the amount of money in their savings account or the dollar cost of college (although they do know it costs “a lot” or “gazillions” of money). However, they are at a stage in which they are excited to learn about money and saving. ICS also demonstrates that children’s ability to understand amounts of savings, program features, and college costs increased significantly by fourth grade (Sherraden et al., 2010). In OP, youth have a better understanding of money than young children, even though foster youth in this study may experience some delays in cognitive development (Courtney & Heuring, 2005). Foster youth with children are an exception. Despite limited incomes, they seem to engage in a higher level of saving participation, which they attribute in part to an enhanced future orientation that accompanies parenthood (Peters et al., 2012). Mothers of young children in SEED OK expressed a desire to have savings for their children’s future education, but some said that it is difficult to set money aside for college.

*Financial socialization is low.* Respondents generally report a norm for saving. Most young children in ICS talk with pride about what they are learning and saving. Although a few said their parents do not discuss financial matters with them, most reported that their parents advise them to save and not spend all their money (Sherraden et al., 2007). Many parents provide an allowance (with or without expectations to do chores) and often also a piggy bank, although only a few mentioned a bank savings account or a parent-initiated savings incentive system.

In contrast, looking back to their childhoods, older youth in OP and mothers of toddlers in SEED OK reported they had not learned how to save when they were growing up. In OP, unstable families provided foster youth little guidance in developing financial skills, including how to save. Only a few foster families provided lessons in financial management and saving, and most youth reported no experience managing money or saving prior to transitioning from foster care. In SEED OK, most participants reported little guidance about financial management or saving from their family of origin. A few recalled learning basic financial management in school. Only a few SEED OK mothers reported having savings accounts as children. Currently, some families do not have savings (other than the SEED OK 529) and have limited interactions with financial institutions. Lack of understanding makes many uncomfortable. When asked if she understands how savings and checking accounts function, one mother replied, “Not really. I don’t really know how they work to the fullest extent” (Gray et al., forthcoming).

*Young adults and parents learn the most from experience.* In OP, carefree spending tempts many adolescents. Miscalculations sometimes resulted in debt and poor credit, lost housing, or interruptions in education (Peters et al., forthcoming). One participant explained how he learned from his experience with a financial error, “[I]hat big mess up that I did [going over credit card limit]—it actually opened my eyes a little bit, so I’m going to manage it a lot more better.” In SEED OK, mothers of young children remembered watching their own parents struggle with saving. Among those who did save it was usually for small purchases or emergencies but rarely for long-

term purposes such as college or retirement. Many SEED OK mothers admit finding themselves in the same situation of covering immediate needs, and while they may put aside money for an emergency fund, they have little money for long term savings. ICS children also talk about learning from experience, especially the temptation of spending when they have money at hand. To some extent, these experiences probably involved encouragement and teaching by parents, caregivers, friends, mentors, agency staff, and teachers, but participants across the programs interpret what they have learned to their own personal experiences.

*It is easier to save financial windfalls.* One of the many things that participants have learned from experience is that it is easier to think about saving lump sums of windfall money (e.g., tax refunds, insurance settlements, birthday money, loans paid, and job bonuses). This is especially true of those with low, irregular, and informal incomes that do not lend themselves to some form of automatic deposit into savings. Children in ICS and youth in OP were most likely to talk about windfall savings. Young children in ICS use windfalls such as birthday money from grandparents for saving, but these savings rarely reached their ICS savings account before being spent. In OP, the brightest opportunities for taking advantage of modest windfalls also came in the form of income tax refunds. However, across the programs, these funds were unlikely to reach savings accounts. There is less evidence in SEED OK, probably because participant deposits are not allowed in the state-owned SEED OK 529 account and few treatment participants opened their own OK 529 account.

*Participants identify obstacles to saving.* Despite a desire and intermittent efforts to save for longer term purposes, participants said it is difficult to save because of resource constraints, lack of self-control, and lack of support. In ICS, children say they lack income, are tempted to spend, and in some cases, lack support by parents (including parents who “borrowed” their children’s savings and did not pay them back). The difficulties of saving suggest to a few children that it will not be easy to save enough to go to college. As one child pointed out, saving enough will be hard, “Cause whenever I get money, it’s hard not to spend it.” In OP, obstacles include low and intermittent income, high expenses, thin and occasionally exploitative social networks, and temptation to spend. In SEED OK, key obstacles include lack of surplus income, inability to meet basic living expenses, and various types of debt. When asked what made saving difficult, one SEED OK mother said, “The fact that we get so little and we need so much.”

#### *Institutional factors that affect saving*

Reflecting on their experiences in the three CDA programs, participants identified features that influenced savings. Those that are important in all three programs include savings incentives, restricted access to withdrawals, and savings statements/deposit slips. Other program features are also important to participants, but not across all three programs. These include automatic features, security, and financial education and staff support. Differences in perceptions likely reflect variations in perceptions and tasks by age as well as variations in program design.

*Saving incentives make saving attractive and help increase accumulations.* Across the three programs, savings incentives, including initial deposits and savings matches, trigger enthusiasm for the program. In SEED OK, the \$1,000 “seed” deposit was viewed positively by mothers, many of whom were quite sure they would not have been able to save this money themselves. Referring to the SEED OK 529, one mother said, “I was glad ’cause with something like that, as bad off as we are right now, it

couldn't have happened. I couldn't have done it by myself." OP youth in particular reported past bad experiences with financial services, including fees and steep penalties. Moreover, in OP, the savings match was a motivation to save. In ICS, the savings match made less impression on the children, and did not appear to motivate saving, perhaps because developmentally they were less able to understand amounts of money. But they were proud of having savings in the bank.

Across all three programs, incentives helped participants accumulate savings faster. For example, in SEED OK, the \$1,000 "seed deposit" represented a level of savings that many families had never experienced before. "Especially, being so strapped financially, you know, {the SEED OK 529} gives me a sense of security—a little bit of relief that something has begun, you know, and hopefully very soon I'll be able to add to that." In ICS, the incentive that was the most attractive to children was the money they "earned" for ICS club attendance that they deposited and was matched by the program (totaling \$8 per month). In OP, youth received incentives for engaging in program activities, such as attending group meetings, which often provided the only source of savings deposits.

*Restricted access reinforces savings goals and discourages early withdrawals.* Savings goals encouraged participants to think about and frame savings for a particular purpose, such as future education or a security deposit on an apartment (Tversky & Kahneman, 1981; Zelizer, 1989). Young children and parents readily accepted the restrictive nature of the savings accounts. Children in ICS, for example, did not question the use of ICS savings for future college. They said it is difficult to resist spending savings at home, even in a piggy bank, on candy and toys. They never mentioned being tempted to withdraw their ICS savings, because it is for "college." In fact, as one student explained, "We learn how to save, and not get tempted – like if you have some place that you know where your money is—not to take it out." Similarly, SEED OK mothers view the accounts as long-term savings that is untouchable for any purpose other than for their child's postsecondary education. One mother said, ". . . the good thing is she can't touch it right now . . . You can't touch it until you go to college; It's for college. So, that's the good thing. That's the main thing it changes." None of the mothers interviewed expressed a desire to access the SEED OK 529 account early for either the child's needs or family needs. It is quite possible that if mothers had deposited their own money in the account some would want to use the funds in other ways; nonetheless, they clearly attach these savings to future education.

Among the three groups, foster youth in OP were least likely to be saving for a particular goal, and were most likely to chafe against restrictions on withdrawals, illustrating an interesting interaction between developmental issues and saving. While becoming financially more independent, they are focused also on achieving more personal autonomy. This means they do not necessarily accept—and may even resent and actively resist—program guidelines and restrictions. While they admit that restrictions prevent them from emptying their accounts for short-term purposes, they do not like the restrictions. In some cases, participants withheld making savings deposits until they could make lump sum deposits for an approved purpose.

*Automatic features play an important role in two programs.* In ICS, children automatically received one dollar a week for attending the ICS after-school club which provided money to deposit. They deposited this money and received a match when the club walked to the bank once a month. This automatically gave all children who attended the club \$8 a month, even if they or their families could

not contribute. This also guaranteed small but regular growth in their savings accounts (Sherraden, et al., 2007). The SEED OK 529 was opened automatically, and this “opt out” feature led to high account ownership (only one individual declined the account for religious reasons). By contrast, OP youth did not benefit from automatic features set up by the CDA program. A few participants arranged to have job income deposited directly into their OP account, but most did not have jobs with a direct deposit option. State foster program stipends also do not offer an option for automatic contributions to OP accounts.

*Account security is a concern for some.* Security was a significant issue for older youth and mothers and less important for young children. OP youth expressed concern about security based on past experiences with losing small savings through bank fees and penalties, although many indicated higher trust in the CDA account (even when savings are held in an institution they otherwise mistrust). In SEED OK, a few mothers expressed concern that the 2008 economic recession had reduced the value of the account. On the contrary, others said that the account made them “a little more secure—that her college is a little more secure.” In contrast, with little prior experiences, positive or negative, children in ICS did not express concern about the security of their bank savings. They assumed their savings were safe in the bank.

*Financial education and staff support, where offered, is well-received by participants.* Staff support and financial education vary in content and intensity—and reception by participants—across the three programs, reflecting program goals and target age groups. They are central features in ICS, occasional features in OP, and minimal features in SEED OK. ICS is a test of school-based savings, where instruction and guidance were central activities. In fact, second grade children believed that ICS was synonymous with after-school ICS club activities (Sherraden et al., 2007). Children viewed going to the bank as part of the ICS club and the coordinator of the ICS program as their “teacher.” As they grew older, they became relatively less interested in participating in the club (as other activities began to compete for after school time), and more interested in financial education and saving (Sherraden et al., 2007). OP is a test of the role of a CDA in helping vulnerable youth transition to adulthood. Financial education was provided at the beginning of the program, but staff support is built in throughout the duration of account ownership. Financial education is largely a distant memory to most youth (some youth recommended ongoing financial education), but ongoing support and reminders by staff are present and important. Despite efforts to increase the autonomy of youth, staff understand that they must make up for lack of financial socialization, and at times the lack of family support and guidance, for many of youth.

SEED OK is a test of a universal policy, and to keep total costs as low as possible and reach a highly dispersed population, the program minimizes financial education and staff interaction. A number of mothers remembered receiving the program booklets in the mail, and a few mentioned calling the toll free numbers for assistance. However, SEED OK was complex, and there was confusion. A few SEED OK participants reported that they did not receive information. Others stated that they did not read the materials, and some simply did not understand. “They send booklets sometimes on you know explaining all that but I really don’t understand all that.”

*Despite the structures in place to help participants save, some report difficulty saving.* Across all three programs, some respondents voiced concern about their inability to save. In ICS, for example, by fourth grade several children were worried that they would not have “enough” savings for college (Elliott et al.,

2010). As one young child said, “My parents—they don’t put in money. It’s probably because they don’t have enough money.” In OP, youth were vocal in saying they lacked the means to save the expected amount each month (\$10). One young mother in the program remarked, “Because the kids and the bills and diapers and I smoke cigarettes. So it’s just a little difficult to save money, if every time you get some money, you gotta do all this stuff with it. By the time I get the money and spend it, you know, they don’t be nothing left for me to put nothing in my account.” In SEED OK, also, some mothers were concerned about their ability to save. As one treatment participant said, “I kind of feel bad about not even putting no money in the account. You know I just can’t afford it, but I’m working on it...”

### **Effects of saving**

Participants in all three programs discussed perceived effects of savings on their lives.

*CDAs have appeal.* Overall, we observe that although participants in all three programs responded favorably, there are key differences in perception of CDAs by age group. Among young children in ICS, there was almost universal appeal in saving (Sherraden et al., 2007). In OP, participants view the program positively, but report that the appeal of saving is tempered by their need and desire to spend. In sum, developmental stages influence the motivation and outlook of each group. In SEED OK, the CDA appears to enhance parent interest in a savings account and future educational opportunities. However, responses are nuanced. On one hand, imagining their children’s educational future, parents appear to be more open to receiving information about college costs, savings options, and savings strategies. On the other hand, saving for postsecondary education for infants seems early to some participants, as reflected in this mother’s current saving priorities. “I have to worry about my gas tank and I have to worry about her diapers, her wipes. That’s my first priority.”

*Enhanced understanding of savings products and services.* To a greater or lesser extent depending on the program, participants gained better understanding of savings products and services. Young children in ICS reported learning about saving, interest, and banking, and articulated growing interest in saving in the bank, especially by fourth grade (Sherraden et al., 2007). In OP, the program was an introduction to checking and savings accounts for most participants. For some, however, the enhanced understanding was accompanied by distrust due to fees or penalties. One participant expressed a common sentiment regarding banks in stating “They take money out of your account when they’re not supposed to.” In SEED OK, many treatment participants were introduced to investments through the automatically–opened SEED OK 529 account. A few mothers, especially those who did not use bank services regularly, gained some familiarity with savings as a result of the program and noted that having the SEED OK 529 account had “opened their eyes” to savings.

*Having savings confers a sense of security and positive vision of the future.* Across all three programs, participants said that having savings makes them feel more secure and gives them hope for expanded options, including greater access to postsecondary education. In ICS, by fourth grade young children were increasingly more likely to articulate an orientation toward future education (and in comparison to children who did not participate in the program) (Elliott et al., 2010). One child who said ICS helps kids go to college explained this is “Because you’re saving up money and it helps you...us get more intelligent about money.” In OP, youth said the savings account gave them reason to have confidence in facing future challenges. For instance, a young woman remarked on

the impending end of her program participation: “And so I realize, it was nice while it lasted. . . . So I gotta remember that I’m the one that’s gonna have to compete for the rest, which is totally fine. . . . they’ve helped build that [confidence]. I mean, I wouldn’t of ever been that way. Like, oh, no.” For many, the savings provided by the program allowed them to enroll or continue in postsecondary education programs. In SEED OK, mothers expressed appreciation for the opportunity to save for their child’s education. The SEED OK 529 account also encouraged them think more about and plan for their child’s future education. Several mothers stated that they believe the account will make it more possible for their child to attend college. Moreover, some think the account will motivate their child to work hard and go to college.

*Improved financial knowledge and skills.* Participants in two of the three programs believed they gained financial knowledge and understanding. In ICS, young children demonstrated greater financial knowledge by fourth grade compared to a comparison group, and teachers observed higher levels of knowledge about money, saving, and other financial concepts (Sherraden et al., 2010). In OP, youth received financial literacy training upon entering the program, but the training was a distant memory for many by the time they earned enough income to save. Ongoing training was generally thin, although this varied by site. However, many youth credited the program with providing a higher degree of financial sophistication, although it is difficult to disentangle program effects from maturation. SEED OK mothers, in contrast, were far less likely to report financial knowledge gains, probably because financial education consisted primarily of written program brochures and communications and a hotline where participants could call with questions.

*Participants report improved understanding of the connection between saving and future education.* This suggests that designated savings for education may influence educational expectations and persistence. In SEED OK, mothers expressed hope that if their child knows that savings have been set aside for their education by not only their parents, but also the state of Oklahoma, they will be motivated to do well in school and go to college. For this reason, mothers plan to tell their child about the account when they are young. “I think it’s very important for her future. Cause I think that if she continues to see these papers {SEED OK 529 statements} come in then, that people beside me and her dad, you know and family—but people out there that she has no idea about—want to give her money to go to school, then it must be darn important to go to school . . . I’ll be like this is your mail, you know, and this is cause you got this money when you were born and I think that it will be just an encouraging story.” In ICS, by fourth grade all children knew their ICS savings were for future education, and there is evidence that it made them have greater expectations for postsecondary schooling (Elliott et al., 2010). In OP, many of the most successful savers used their IDA accounts to help them pay for educational expenses. Educational programs often required concrete and attainable assets (e.g., laptop computers, expensive educational software) that seemed to encourage saving in the short term. Among those engaged in ongoing postsecondary education programs, several viewed the OP program as essential to providing the means to pay for schooling, and in this way maintained their participation both in school and OP.

## Discussion

Although this paper compares three very different types of CDAs, it provides initial findings about the process and effects of saving across three age groups.

First, the three studies offer theoretical insights into the interaction between features of savings programs and participants' stage of development. In other words, some program features (or variations within features) appear to have greater salience depending on the participant age group and stage of development.

For example, young children in ICS, with their enthusiasm for learning, limited abstract thinking, and few pre-conceived ideas about a savings account, experience a CDA "in the moment." They relish the activities (games, snacks, outings to the bank). Even young children appear to think that their savings will be safer in the bank than at home, even in a piggy bank. With little prior experience with financial services, even low-income children trust the bank will keep their savings safe. By fourth grade they begin to articulate the importance of the savings amount and what savings may signify for their future. By then, some children also begin to question whether the CDA and their ability to make deposits will be enough to help them with future education. These experiences with banking early in life could have a lasting impact on their future use of financial services.

Among the older foster youth, perceptions of the CDA are framed by the developmental task of transitioning into adulthood. As they seek greater autonomy, they also want guidance and reassurance (JCYOI, 2011; Osgood, Foster, & Courtney, 2010). Moreover, foster youth face challenges that other youth are less likely to encounter: greater poverty, more prior negative banking experiences, tenuous relationships with family and the foster care system, as well as less financial socialization. Foster youth appreciate the financial boost provided by OP, and many enjoy the program activities, but they want a greater hand in managing their financial affairs, including when and how to save. At the same time, they understand that restrictions on savings withdrawals help them resist spending and help them to save more. CDAs for youth have to balance the developmental tasks of adolescents with the importance of accumulating some savings.

Mothers of young children come to a CDA with a different developmental task; that is, they are focused on the well-being of their young children. They perceive of the CDA with the seed deposit as a benefit, providing a sense of relief and security that their child has funds set aside for the future. Given the economic crisis, some expressed concern about the decline of the savings amount, although they did not question that there would be savings there for future education. Some mothers expressed a desire to save but are not able to now because they had more immediate needs or wanted to save for their older children.

Second, the three CDA programs fall short in helping children, youth, and parents of young children reach their savings goals. The studies suggest that more can be done to prepare children, youth, and mothers of young children for saving. (In the case of SEED OK, there was no requirement to save, but they were offered an opportunity to open a deposit account and few did so.) One challenge is to help those with low incomes save sufficient amounts to cover a substantial part of postsecondary education and training. Some participants are concerned they will not be able to accumulate enough (even with the possibility of scholarships and loans). The programs offer limited help. ICS gave children the opportunity to save "earnings" from attending the ICS club, but when children no longer attended the club, they had no regular source to deposit in the accounts. Moreover, amounts are low relative to the costs of college. OP youth said that state stipends make it easier to save, but many states do not support foster youth beyond age 18, and few are financially stable at that young age. Young children, youth, and parents of young children need more ways to generate money to

deposit in CDAs. Providing matching funds and benchmark deposits could encourage children and youth to engage in school work, or to volunteer and “earn” savings deposits to increase the amount in their accounts. There is a precedent for the latter option in the \$5,000 stipends that AmeriCorps members are awarded after one year of service. Finally, most mothers in SEED OK find the state-owned 529 account and “seed” deposit to be meaningful, but some lack income to open and contribute now to the separate matched savings postsecondary 529 plan account.

Another challenge is how to effectively and efficiently tap income flows and windfalls for saving. For example, the OP program could help youth to save part of their EITC tax refund, which has been successful in other contexts (Beverly, Schneider & Tufano, 2006). But in other cases, it is not as easy. It will only work if individuals do not have to “do” much, and it is not expensive to channel the money into savings. For example, it is worth thinking about how programs like ICS can facilitate moving some of children’s home-based savings into an ICS account, or in the case of OP, how to direct some of the youths’ government-provided stipends directly into savings. Automatic savings features that transfer small surpluses directly into savings accounts will likely be necessary if children and others with low incomes are to accumulate significant sums for postsecondary education. The United States has been a laggard internationally in moving to electronic and cell-phone-based financial services, but as these options become more readily available, these innovations may be easier.

Findings from the three studies also suggest that savings programs for children and youth should pay greater attention to participants’ stage of development. Information, education, and saving activities can be designed that appeal to particular age groups. For example, young children may be able to learn early to incorporate saving into their lives, like learning another language. If it is something that happens automatically, from infancy or a very young age, they may never question the idea that they should be and are saving for their future education. Older youth, who tend to seek out risk and excitement, may respond to lotteries and other prize-based approaches to encouraging savings (Tufano & Schneider, 2009). Children and youth are rarely involved in program design discussions. It would likely be helpful to give them “voice” in this process. Finally, programs might capitalize on parents’ concern for their young children’s future well-being by providing information about college and savings opportunities that encourage them to start saving.

Finally, OP youth and mothers of toddlers in SEED OK expressed frustration and disappointment about the need to choose between meeting immediate needs (e.g., basic living expenses and emergencies) and saving for the future. For OP youth, this led to irregular and last-minute saving when they needed to make an allowable purchase under the program rules. Mothers in SEED OK indicate that they frequently use available money to meet immediate needs or to set aside small emergency savings, thus postponing saving for their children’s future education. As one mother notes, “I was wanting to put money in an account for them and add to it, and it’s just every time I was going to there was something else I had to spend it on so I could keep electricity on and water and gas and clothes and food.” Programs should build in provision for emergencies, perhaps by allowing a saving “holiday” or setting up dual savings accounts including one for immediate use and another for long-term use (Elliott, 2012b).

## Limitations and future research

The limitations of this study moderate what we are able to conclude about CDAs and saving for children and youth. Given the very different types of CDA programs, target populations, and study contexts, the findings described in this paper are exploratory. The first study, ICS, is a quasi-experimental study which covered all children in two grade cohorts and included a comparison group, but it took place in only one elementary school and there was considerable attrition over the course of the four years. Studying outcomes of school-based savings in entire school districts and in several states would help address some of the limitations of this study. The second study, OP, focused on a particularly vulnerable group of young people transitioning from foster care. Samples from each state are small, and selection bias limits findings. Experimental study design would help sort out maturation from program effects. The third study, SEED OK, uses the most rigorous design. Participants were selected randomly from a random assignment study of a state population of newborns with an over sampling of children of African American, American Indian, and Hispanic origin (Gray et al., forthcoming; Nam et al., forthcoming). The key limitation of this study is that participants only come from one state and therefore, results cannot be generalized to other states. It would be helpful to expand this study and research to other states.

In addition, as qualitative studies, the findings cited in this paper are not generalizable. Future research should test the ideas emerging from this study with controlled and longitudinal studies with larger and more representative samples, using both quantitative and qualitative methods. Ideally, these studies could also test key variations in approaches to building savings for children and youth.

## Conclusion

This paper illuminates and informs the field about cross-cutting themes from three studies of children's savings accounts with three different age groups. It offers a glimpse into the savings experiences of mothers saving for their young children, experiences of young children saving in a school-based program, and older youth transitioning from foster care who are saving for educational and other development activities. Overall, we find that low savings does not reflect a lack of desire to save. Moreover, we find that program features interact with age and stage of development to affect saving. Mothers of young children, as well as young children and youth, enter savings programs with varying but mostly low levels of financial understanding. Most want to save and believe saving is beneficial and has positive implications for their future education and other developmental opportunities. Even young children understand the importance of saving over the long term. In one fourth-grade student's understanding, a goal of the savings program is "so I can be a successful person when I grow up." In sum, the offer of a CDA helps participants save, although findings suggest that savings programs fall short of reaching their potential. It is important to develop a clearer understanding of program design in light of developmental stage, as well as to test and refine program features so they address the realities of saving on low and volatile incomes at various stages of development.

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