SEED RESEARCH REPORT

PRE-SCHOOL DEMONSTRATION AND IMPACT ASSESSMENT

Differences between SEED Account Openers and Non-Openers: Demographic and Economic Characteristics

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Saving for Education, Entrepreneurship, and Downpayment (SEED) is a national policy, practice, and research initiative to test the efficacy of progressive, universal children's savings accounts. National SEED partners are CFED, the Center for Social Development, the New America Foundation, the University of Kansas School of Social Welfare, and the Initiative on Financial Security of the Aspen Institute. The Center for Social Development and the University of Kansas plan and implement SEED research with guidance from a Research Advisory Council. Funding for SEED comes from the Ford Foundation, Charles and Helen Schwab Foundation, Jim Casey Youth Opportunity Initiative, Citigroup Foundation, Ewing Marion Kauffman Foundation, Charles Stewart Mott Foundation, Richard and Rhoda Goldman Fund, MetLife Foundation, Evelyn and Walter Haas, Jr. Fund, and the Edwin Gould Foundation for Children.

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Twelve community-based organizations in the United States and Puerto Rico operate children and youth savings programs as part of SEED. The SEED initiative rests in large part on the dedication and hard work of staff at:

Beyond Housing/NHS, *St. Louis*

Boys and Girls Clubs, *Delaware*

Cherokee Nation, *Oklahoma*

Foundation Communities, *Austin, TX*

Fundacion Chana Goldstein y Samuel Levis, *San Juan, Puerto Rico*

Southern Good Faith Fund, *Arkansas*

Harlem Children's Zone, *New York*

Juma Ventures, *San Francisco*

Mile High United Way, *Denver*

OLHSA, Inc., *Pontiac, MI*

People for People, Inc., *Philadelphia*

Sargent Shriver National Center on Poverty Law, *Chicago*

The SEED pre-school demonstration and impact assessment is a quasi-experiment involving families whose children attend Head Start centers administered by the Oakland Livingston Human Service Agency (OLHSA) in Pontiac, Michigan. Lead researchers for the impact assessment are Sondra Beverly at the University of Kansas (KU) and Trina Shanks at the University of Michigan. Deborah Adams is the principal investigator for SEED research at KU. RTI International conducted baseline telephone interviews with parents for the impact assessment. The SEED research team at RTI International is led by Ellen Marks, and includes Bryan Rhodes and Kevin Townsend.

SEED staff members at OLHSA have contributed in innumerable and invaluable ways to this study while simultaneously planning and implementing the pre-school demonstration. A large quasi-experimental study is a daunting undertaking for any community agency, and OLHSA staff members have maintained both steadfast enthusiasm and dogged determination in resolving the challenges inherent in applied research of this nature.

The SEED initiative is funded by the Ford Foundation, Charles and Helen Schwab Foundation, Jim Casey Youth Opportunity Initiative, Citigroup Foundation, Ewing Marion Kauffman Foundation, Charles Stewart Mott Foundation, Richard and Rhoda Goldman Fund, MetLife Foundation, Evelyn and Walter Haas, Jr. Fund, and the Edwin Gould Foundation for Children.

SEED Research at KU
April 2006

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This report is the first in a series of reports using baseline data from the SEED Pre-School Demonstration and Impact Assessment. It documents whether those who opened matched savings accounts for their pre-school children differ from those who did not open accounts on a variety of demographic and economic characteristics. Overall, few of the characteristics examined are reliably associated with account opening.

Background

Saving for Education, Entrepreneurship, and Downpayment (SEED)

SEED is a national policy, practice, and research initiative designed to test the efficacy of a national system of progressively funded asset-building accounts for children and youth. There are currently twelve community-based organizations operating children and youth savings account programs across the United States and in Puerto Rico as part of SEED. With the help of staff members at these organizations, members of the SEED research team are monitoring asset accumulation in SEED accounts, conducting surveys of parents who open SEED accounts, conducting in-depth interviews with parents and youth who open accounts, and conducting a survey of SEED staff members.

SEED Pre-School Demonstration and Impact Assessment

One of the research studies in SEED is a large pre-school demonstration and impact assessment. Oakland Livingston Human Service Agency (OLHSA), a Community Action Agency in Pontiac, Michigan, was selected as the site for this research initiative. The study involves families whose children attend Head Start centers administered by OLHSA. Primary research questions for the SEED impact assessment include:

- What are the patterns of participation in SEED at OLHSA?
- What is the impact of SEED on saving for children?
- What are the predictors of asset accumulation in SEED accounts?
- What is the impact of SEED on parents and families?
- What is the impact of SEED on children?

The research design is quasi-experimental. Fourteen Head Start centers administered by OLHSA were chosen to participate in the study. The research team created seven pairs of centers with members that were as similar as possible on organizational and demographic characteristics. One member of each pair was randomly assigned to become a treatment center; the other member of each pair was defined as a comparison center. One parent (or other primary caregiver) of each child enrolled in these 14 centers for fall 2004 was invited to participate in a research study. In fall and early winter 2004, RTI International conducted 45-minute telephone interviews (“baseline interviews”) with 732 caregivers. After these interviews ended, SEED staff at OLHSA began outreach for the SEED program at the seven treatment centers. (No outreach occurred at the seven comparison centers; families enrolled in these Head Start centers were not eligible to participate in SEED.)

At OLHSA, the SEED package consists of a college savings account (administered by TIAA-CREF), financial education, and support from SEED staff. When a parent enrolls in SEED at OLHSA, the SEED initiative provides $800 to establish the child’s account. Families who meet income guidelines also receive a $200 deposit from the state of Michigan. Other deposits into the account (from parents or other individuals) are matched dollar for dollar (up to a maximum match of $1,200).

Research Questions and Methods

SEED staff at OLHSA (like staff at most SEED sites) found recruitment to be much more difficult than expected; most families did not immediately open SEED accounts when OLHSA began actively promoting the program. Thus, it is important to ask whether families who opened SEED accounts are different from families who did not open accounts. For example, it is possible that more “advantaged” families were more likely to open accounts. If so, this knowledge might influence how stakeholders interpret findings about the take-up rate and impact of SEED at OLHSA. This knowledge might also be used to improve the design and outreach efforts of future children’s savings account initiatives. This short report examines whether several key demographic and economic characteristics are associated with account opening.[1] These characteristics are defined in Table 1.

The sample used in the analysis includes 323 families who meet two criteria. First, these are families who were invited to open SEED accounts (because children were enrolled at one of the seven Head Start centers where the SEED program was offered). Second, these are families who completed the baseline interview in fall 2004. We call families who meet both criteria the “treatment group.” The sample does *not* include families who enrolled in SEED but did not complete the baseline interview in fall 2004.[2] It also does not include families in the comparison centers because these families were not eligible to open SEED accounts.

Demographic and economic characteristics of the families in the sample are summarized in Table 2. Most of the primary caregivers are female, and most are White or African-American. Fourteen percent are Hispanic. Just under half of the caregivers have never been married; just over one-third are married. Most caregivers were born in the United States, and the primary language spoken in most homes is English. The median household income (for those who reported precise amounts) is about $15,000. About

[1] Future analyses will examine whether other variables, like family composition and caregiver mental health, are associated with account opening.
[2] About 50 of these families did complete a baseline survey in fall/winter 2005. If analysis indicates that these families are quite similar to the families who completed the survey in fall 2004, the “treatment group” may be expanded to include these families.

two-thirds of these families are poor by official income standards. Only about one-fourth are homeowners. In 70 percent of the families, either the caregiver or her spouse or partner has a checking or savings account. Just over 40 percent reported having some savings at the time of the baseline interview.

The account opening variable indicates whether or not a SEED account was opened for the child enrolled in Head Start. For simplicity, we assume that a family member opened the SEED account for a child. Thus, we refer to *families* as "account openers" or "non-openers."[3] Information on account opening comes from OLHSA records. Of the 323 families in the treatment group, 179 (55%) opened SEED accounts, and 144 (45%) did not.

A statistical test called chi-square (χ^2) is used to determine whether account openers and non-openers are significantly different on demographic and economic characteristics. Differences that are statistically significant are likely to be reliable, that is, they are unlikely to have occurred by chance (random sampling error). Because the analysis is bivariate, it does not control for the influence of any other related variables. For example, findings related to the relationship between caregiver education and account opening do not consider the fact that more educated caregivers might have higher earnings and/or might have greater expectations for their children's education than caregivers with less education—and that these characteristics (rather than caregiver education, per se) may have influenced account opening. For this reason and other reasons, we cannot conclude that the variables that are statistically significant *caused* account opening, only that they are correlated with account opening.

Findings

<u>Demographic Characteristics</u>

A number of demographic variables are *not* significantly related to account opening. Account opening does not vary significantly by gender, race, marital status, or health insurance coverage of the child's primary caregiver. It does not vary by gender or race of the child. And account opening does not vary by birth country of the caregiver or the primary language spoken in the home.

Four demographic variables are significantly related to account opening:

Caregiver Ethnicity

Children with caregivers who define themselves as Hispanic are less likely to have accounts. Only 35 percent of children with Hispanic caregivers have SEED accounts, compared to 59 percent of children with non-Hispanic caregivers ($\chi^2 = 7.78$, $p < .01$).

[3] In a very small number of cases, the person who opened a SEED account may not have been a family member. For example, a close family friend might have opened a SEED account. As long as the designated beneficiary of the account is a child who is eligible for a SEED account, the SEED initiative provides matching funds as described above.

Caregiver Education

Children with more educated caregivers are more likely to open accounts ($\chi^2 = 12.25$, $p < .01$). For example, only 45 percent of children whose caregivers have less than a high school education have SEED accounts, compared to 51 percent of children whose parents have just a high school education and 68 percent of children whose caregivers have more than a high school education.

Homeownership

Children with caregivers who own their own homes are more likely to have SEED accounts. About 67 percent of children of homeowners have accounts, compared to 51 percent of children whose caregivers rent or have other housing situations ($\chi^2 = 6.33$, $p = .01$).

Child Disability

Children with disabilities are *more* likely to have accounts than children without disabilities. Over 75 percent of children with disabilities have accounts, compared to 51 percent of those without special needs ($\chi^2 =11.95$, $p < .01$). This finding is surprising if one expects parents of children with disabilities to have lower expectations for their children's education.

<u>Economic Characteristics</u>

A number of economic characteristics are *not* related to account opening. Poverty status is not related to account opening. Nor are credit card ownership, baseline savings, and financial knowledge (as measured by a single question related to rate of return).

Two of the six economic characteristics are not significant by conventional standards but do *approach* significance. These observed differences are more likely due to chance than relationships that are significant by conventional standards.

Bank Account Ownership

A bank account ownership variable examines whether the caregiver or her spouse or partner had either a checking or savings account at baseline. About 58 percent of children whose caregivers reported having bank accounts have SEED accounts, compared to 49 percent of children whose caregivers had neither a checking nor a savings account ($\chi^2 =2.49$, $p = .11$). This pattern, if "real", may suggest that some families did not open SEED accounts because they are not comfortable with formal financial institutions.

Change in Financial Situation

About 65 percent of children whose caregivers said that their financial situations "got worse" in the past 12 months have accounts, compared to 52 percent of children whose caregivers said their financial situations “got better” and 52 percent of children whose caregivers reported no change in financial situation (χ^2 =4.65, p = .10). This pattern, if “real”, is somewhat difficult to interpret. It may suggest that the $800 initial deposit was especially appealing to families who had recently experienced financial difficulties. It does not seem consistent with the notion that families open accounts only when they expect to be able to make deposits.

Conclusions

One broad lesson to be taken from this research (and other SEED research) is that encouraging low-income families to open college savings accounts is difficult. One approach to increasing participation in a children’s savings account initiative is to make account opening automatic. Another component of the SEED initiative—the universal model—will examine participation and outcomes under this account design. Even with automatic enrollment, however, it is likely that substantial outreach will be needed to encourage families to make contributions and to actively incorporate the account in their planning for the future.

The demographic and economic characteristics that are significantly related to account opening may offer some insight about outreach for future children’s savings account initiatives (whether or not account opening is automatic). For example, Hispanic families, families with less-educated caregivers, and families who do not own formal financial accounts may need special outreach efforts. Overall, however, the demographic and economic characteristics examined here are not reliably associated with account ownership. Stakeholders who seek to understand what motivates and enables families to open and contribute to college savings accounts may want to consider other family and caregiver characteristics, characteristics of the organizations that recruit and provide support services to account openers, and characteristics of the savings accounts themselves. Future SEED research will examine some of these variables.

Table 1. Definitions of Demographic and Economic Characteristics

Variable	Definition
Demographic Characteristics	
Caregiver Gender	Whether caregiver is male or female.
Caregiver Race	Whether caregiver is White; Black or African-American; or “other.” “Other” includes multiple races.
Caregiver Marital Status	Whether caregiver is married; widowed, separated, or divorced; or never married.
Caregiver Health Insurance	Whether caregiver had health insurance at baseline interview.
Caregiver Birth Country	Whether caregiver was born in the United States.
Caregiver Ethnicity	Whether caregiver is Hispanic.
Caregiver Education	Whether caregiver has less than a high school education; a high school education (including GED); or more than a high school education (including vocational diploma).
Child Gender	Whether child is male or female.
Child Race	Whether child is White; Black or African-American; or “other.” “Other” includes multiple races.
Child Disability	Whether caregiver reports that child has any special needs or disabilities, including physical, emotional, language, hearing, or learning difficulty.
Home Language	Whether the primary language spoken in the home is English or “other.”
Homeownership	Whether caregiver and/or spouse/partner are homeowners.
Economic Characteristics	
Poverty	Whether household is poor, according to official poverty guidelines.
Credit Card Ownership	Whether caregiver has major credit card.
Baseline Savings	Whether caregiver or spouse/partner had any money saved at baseline interview.
Financial Knowledge	Whether caregiver correctly answered “stocks” to the following question: “Which of the following is most likely to make the most money over the next 18 years?” (a savings account, a checking account, a savings bond, stocks).
Bank Account Ownership	Whether caregiver or spouse/partner has either a checking or savings account at a bank or credit union.
Change in Financial Situation	Whether caregiver reports that household financial situation has “gotten better”, “gotten worse”, or “stayed the same” in the past 12 months.

Table 2. Characteristics of Full Treatment Group Sample

Variable	Definition
Demographic Characteristics	
Caregiver Gender	91% Female
Caregiver Race	55% White 34% Black or African-American 6% Multiple races 3% Arab or Arab-American 3% Other
Caregiver Marital Status	37% Married 18% Widowed, divorced, or separated 45% Never married
Caregiver Health Insurance	70% Insured
Caregiver Birth Country	87% Born in United States
Caregiver Ethnicity	14% Hispanic
Caregiver Education	31% Less than high school education 33% High school education 36% Vocational diploma or some college or more
Child Gender	50% Female
Child Race	45% White 36% Black or African-American 13% Multiple races 2% Arab or Arab-American 4% Other
Child Disability	19% Have disability
Home Language	86% English
Homeownership	26% Homeowners
Economic Characteristics	
Poverty	65% Poor
Credit Card Ownership	29% Have credit card
Baseline Savings	42% Have savings
Financial Knowledge	37% Understand expected rate of return of stocks vs. other vehicles
Bank Account Ownership	70% Have checking or savings account
Change in Financial Situation	26% “Got better” 26% “Got worse” 48% “Stayed the same”

Note: Due to missing data, the sample sizes range from 295 to 323.