



## Center for Social Development

GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

| JUNE 2016 | CSD FACT SHEET 16-23 |

# Financial Outcomes in SEED for Oklahoma Kids

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The SEED for Oklahoma Kids (SEED OK) experiment is a large-scale policy test of universal, automatic, and progressive Child Development Accounts (CDAs). The CDA in SEED OK consists of a state-owned Oklahoma 529 College Savings Plan (OK 529) account automatically opened with an initial deposit of \$1,000. It also includes an optional individual-owned OK 529 account with a \$100 account-opening incentive, a savings match for low- and moderate-income children, and educational materials.

This fact sheet highlights selected SEED OK financial outcomes from 2007 to 2014. For more SEED OK details and an extensive summary of all research findings, including nonfinancial impacts such as improving educational expectations and child development, see [Universal Accounts at Birth: Results from SEED for Oklahoma Kids](#) (CSD Research Summary No. 16-07).

SEED OK is an unusually rigorous test of social policy. Newborns were randomly selected from state birth records. Children in the treatment group (1,358) received the CDA in SEED OK; children in the control group (1,346) did not. Financial outcomes are measured as of December 31, 2014, when SEED OK children were 7 years old.

## All OK 529 Accounts

The most important financial outcomes in SEED OK relate to having an OK 529 account and OK 529 savings, regardless of the source. Savings include deposits minus withdrawals, investment earnings, and, for treatment children, SEED OK initial deposits and incentives. About 7 years after SEED OK began, key findings include the following:

- 99.9% of treatment children have OK 529 college accounts and savings, compared to 3.2% of control children.
- Thus, treatment children are 30 times more likely than control children to have OK 529 accounts and savings.
- On average, treatment children have \$1,851 in total OK 529 savings, almost six times that of control children (\$323).
- Despite the Great Recession, the \$1,000 initial OK 529 deposit increased by more than 40% over 7 years.
- The average earnings across all treatment children are \$569. The median earnings, even for those who received no other deposit than the \$1,000 seed, are \$426.
- Across all treatment children, savings accumulated in OK 529 accounts total \$2,556,873, over six times that of control children.

## Mother-opened OK 529 Accounts

Individual savings is not the primary objective of CDAs, although SEED OK offered treatment mothers incentives to open and save in the optional OK 529 accounts for their young children. Here, individual savings includes deposits minus withdrawals, plus investment earnings *in mother-opened accounts*. It does *not include any* SEED OK deposits. About 7 years after SEED OK began, key findings include the following:

- 17% of treatment children have an OK 529 account opened by their mother, and 8% have individual savings in this account type.
- Treatment children are 15 times more likely than control children to have a mother-opened OK 529 account.
- They are almost 8 times more likely to have individual savings in this OK 529 account type.

- The average amount of individual savings *across all treatment children* (regardless of whether their mother opened an account) is \$261, and the median is \$0.
- The average amount of individual savings *among treatment children with such savings* is \$3,112, and the median is \$939.
- The total amount of individual savings for treatment children is \$365,578, more than 6 times that of control children.
- Less than 1.5% of mothers who opened accounts have withdrawn the \$100 incentive deposited by SEED OK.

Extended interviews with treatment mothers reveal several challenges to opening and saving in an OK 529 account:

- Some mothers say they have no money left after paying bills and buying groceries, gasoline, and diapers. Debt payments prevent some from saving.
- Some mothers say they did not receive or did not read the SEED OK materials sent by mail.
- Some mothers mistakenly believed that they needed to deposit \$100 (the required minimum to open an OK 529 account) or needed to make regular deposits.
- A language barrier exists for some mothers who are not native English speakers.

## Financial Outcomes for Advantaged and Disadvantaged Children

Because the CDA in SEED OK explicitly aims to be inclusive and progressive, researchers have examined the effects of the CDA for advantaged and disadvantaged children:

- Because of SEED OK's automatic account opening and initial deposits, the CDA has especially large impacts on OK 529 savings among disadvantaged children.
- Advantaged children are more likely than disadvantaged children to have *individual* savings in OK 529 accounts, and average individual savings are higher for advantaged children.
- But, the CDA increases the likelihood that disadvantaged children have OK 529 accounts opened by their mothers and have individual savings in these accounts.

## Conclusions

College savings policies that rely primarily on individual saving inevitably will favor advantaged children. A lack of surplus income is a substantial barrier preventing some families from opening accounts and saving.

Through automatic account opening and deposits, it is possible to provide college accounts and savings to *all* children. A centralized investment platform, such as a 529 plan, greatly facilitates inclusive features and savings growth over time.

Demonstrating full inclusion paves the way for widespread participation in asset-based social policy, and more equitable distribution of public resources (cash or tax subsidies).

Ensuring that *all children* have savings is important because early research finds that having modest college savings has positive nonfinancial impacts such as improving educational expectations and early child development.

### Full Report

To read the full Center for Social Development report, please see [Universal Accounts at Birth: Results from SEED for Oklahoma Kids](#) (CSD Research Summary No. 16-07).

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