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The *I Can Save* Program: School-Based Children's Saving Accounts for College

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Abstract

The *I Can Save* Program: School-Based Children's Saving Accounts for College

This paper examines an innovative college savings program for public elementary school children. The project is based on the proposition that children will gain financial knowledge and be more likely to view college as an attainable goal because they are accumulating savings to help pay for higher education. As the latest in a long history of school-based savings programs, this program pioneers the idea of matched savings in which children and family savings in the students' accounts are matched one to one up to a maximum of $3,500. Findings suggest that the principal, teachers, children, and their families are enthusiastic about the program. Saving patterns show that families can save, but low levels and patterns of saving suggest that structures that compel regular saving and boost saving rates would improve saving rates and regularity. The program successfully teaches financial education through an after-school club, but it has been more difficult to incorporate it into the classroom. Universal children's savings accounts may circumvent some of the limitations of this program, although more research is required to assess what program components are most effective.

The *I Can Save* Program: School-Based Children's Saving Accounts for College

> This is about creating, in a free enterprise system, access at an early age, for kids to understand what the power of compound interest is, what the power of savings is, what it will allow you to accomplish in your life, ultimately putting a down payment on a higher education opportunity for every child… – Senator Jon Corzine, July 22, 2004

These comments by then Senator Corzine at a press conference introduced a bipartisan proposal for a children's saving policy called the ASPIRE Act (America Saving for Personal Investment, Retirement, and Education Act, 2004). The ASPIRE Act would create "KIDS Accounts," or a savings account for every newborn, with an initial $500 deposit, along with opportunities for financial education[1]. Children living in households earning below the national median income would be eligible for both a supplemental contribution of up to $500 at birth and a savings incentive of $500 per year in matching funds for amounts saved in the account. Withdrawals would be allowed when the account holder turns 18. Tax-free withdrawals could be made to pay for post-secondary education, first-time home purchase, or retirement security.

With this proposal, children's savings accounts (CSAs) have been placed on the U.S. policy agenda, joining other countries, such as the United Kingdom, whose Children's Trust Fund is the model for the ASPIRE Act (Aspire Act, 2004). There are many options for how to implement CSAs. The most comprehensive and universal approach would be to open a savings account every time a child is born in the United States as proposed in the ASPIRE Act. Another model is to open an account for all children when they enter preschool or primary school. This

[1] At this writing, the ASPIRE Act remains on the Congressional agenda (http://www.assetbuilding.org/AssetBuilding/index.cfm?pg=docs&SecID=102&more=yes&DocID=1246).

paper begins with a review of the history of school-based savings, and follows with an examination of a contemporary school-based savings program for elementary school children. It presents evidence from the first two years of the program, on enrollment, reaction to the program, initial savings patterns, and program design. Evidence from this demonstration informs the larger policy discussion about CSAs.

Access to College

Research findings show that low income and low wealth children are less likely to matriculate and graduate from college,[2] despite high aspirations for education (ACSFA 2002) and recognition that post secondary education is important (Immerwahr & Foleno 2000; SCSFA 2001). Among minority youth 18 to 19 years old, only 30 percent of Hispanic and 40 percent of African-Americans, compared to 49 percent of whites, enroll in college (Census Bureau, 2004). ACSFA finds that low-income college-qualified high school graduates are 29 percent less likely to test for and apply to a four-year college than high-income college qualified high school graduates (2002). These statistics translate into disparities that reduce the likelihood of later economic success (Wilson, 1987), including lower income and earnings (King and Bannon, 2002), less stable employment (Topel, 1993), less stable family support (Axinn & Arland, 1992) and lower wealth (Oliver & Shapiro, 1997; Shapiro, 2004).

Although there are several factors that affect college entrance, the high cost of college is a key reason why many young people, especially poor and minority youth, "judge four-year colleges to be out of their reach" (ACSFA, 2002 p. 21). Families who lack access to financial resources are less likely to pursue higher education (Perna, 2000). The cost of higher education is daunting even to middle-income families: average annual costs of a public college or university

[2] We recognize that college is not the appropriate education and training route for all young people, but use this term as short hand for post-secondary education and training.

in 2004-05 was $5,132, for a private college or university was $20,082, and for a two-year college was $2,076 (College Board, 2004). These figures rise every year and do not include transportation and other associated expenses. To meet these financial demands, most families must look beyond income streams (Conley, 1999).

Many families turn to sources of accumulated wealth, such as paying for their children's college by refinancing the family home (Shapiro, 2004). But this is not possible for Americans who do not own a home. One quarter of Americans are considered "asset poor," which means that using their net worth (home, savings, and other assets), they could only live for three months at the poverty level (Haveman & Wolff, 2001). In 1999, the net worth of the poorest 10 percent of U.S. households was *negative* $1,800 (Caner & Wolff, 2004). In ethnic and racial minority households, the situation is particularly bleak. Net worth in Black and Latino households ($7,932 and $5,988 respectively) was only a fraction of median net worth in White non-Hispanic households ($88,651) in 2002 (Kochhar, 2004). Clearly, these figures suggest differential access to wealth which might be leveraged to help cover the expenses of a college education, and suggest that it may be productive to think about how to build college savings for disadvantaged children.

Background on School-Based Savings

Schools are an institution where it may make sense to organize college savings. Schools offer an accessible site for college savings programs. Furthermore, the history of school-based saving suggests that such programs can be successful.

School-based CSAs are not a new idea. According to Cruce (2002), the origins of school-based savings programs lie in early savings banks, postal banks, and stamp savings banks. Wadhwani (2002) and Cruce (2001) describe early children's savings programs, including school

based programs in Europe as early as 1810, and including the Penny Savings Bank and the Boston Five Cents Savings Bank (1854), Penny Provident Fund (1888), and other early savings programs for the poor. James Thiry, a Belgian immigrant, launched a large experiment in which teachers collected children's savings in New York City in 1885 that blossomed into 300 school-based savings programs with 28,000 depositors within seven years (Cruce, 2001, 10). By 1929, there were 15,000 school-based savings programs (Cruce, 2001, 12).

The language describing these programs suggests that central goals of school based savings programs were to instill moral rectitude and discipline and reduce pauperism and dependence on relief by poor households (Wadhwani, 2002). This is illustrated by educator Melvin Bowman's writing in 1922:

> [School based savings] forms habits of self denial, industry, thoughtfulness, frugality, prudence, economy and thrift. It tends to prevent pauperism, crime, prodigality, and various vices, and to make the children thrifty, orderly, economical, and discriminating in the use of money. It is a great factor in building character and in preparing children for their future duties as citizens and homemakers. Good habits and good accounts are desirable assets (cited in Cruce, 2001, 12).

Two other reformers of the time, Jane Addams and Walter Rauschenbusch, opposed these programs for their focus on individual responsibility for poverty, which they argued, society as a whole had responsibility for solving (Schwartz, 2000). In contrast, Wadhwani makes the case that savings institutions expanded basic economic rights of the poor through the provision of secure savings instruments: "Over the course of the nineteenth century, state governments made the protection of small savers a cornerstone of American financial policy" (2006, 140). School

savings programs continued to grow through the 1950s, thereafter declining largely because of the increasing costs to banks of posting small deposits (Cruce, 2002).

These early programs made saving for the "small saver" more accessible than it is today. Several factors contributed to accessibility, including some of the guidelines that Bowman outlined in his 1922 (cited in Cruce, 2002) "12 Principles for the Success of a School Savings Bank." He wrote that programs should: operate "like a real bank," deposit money immediately and draw interest, distribute passbooks that give students "standing at the bank" and cause them "to have a much greater interest" in their savings, make withdrawals difficult but not impossible, make children "feel at home" at the bank, be "coordinated with the regular school subjects in teaching thrift," and "provide protection for the funds" (Cruce, 2002, 18)

Today, many school based savings programs are influenced and guided by similar goals to change behavior and create "habits of thrift." For example, the Illinois State Treasury Office instituted a Bank at School program that serves over 200,000 students and whose goals include encouraging "students to develop the habit of saving for the future" (Topinka, 2006). Others are motivated more by the idea that disadvantaged children should have access to the same secure savings instruments and opportunities to accumulate assets as other sectors of the population (Sherraden, 1991).

Savings and Asset Effects

Sherraden (1991) posits a range of outcomes that may result from owning assets, including more confidence, future orientation, focus and specialization, and personal efficacy. If children, for example, grow up knowing they have a nest egg to help pay for college, they may be more likely to believe that effort in school will not only result in short term successes, but also greater ability to go to college. Thus, savings may have implications beyond paying for future

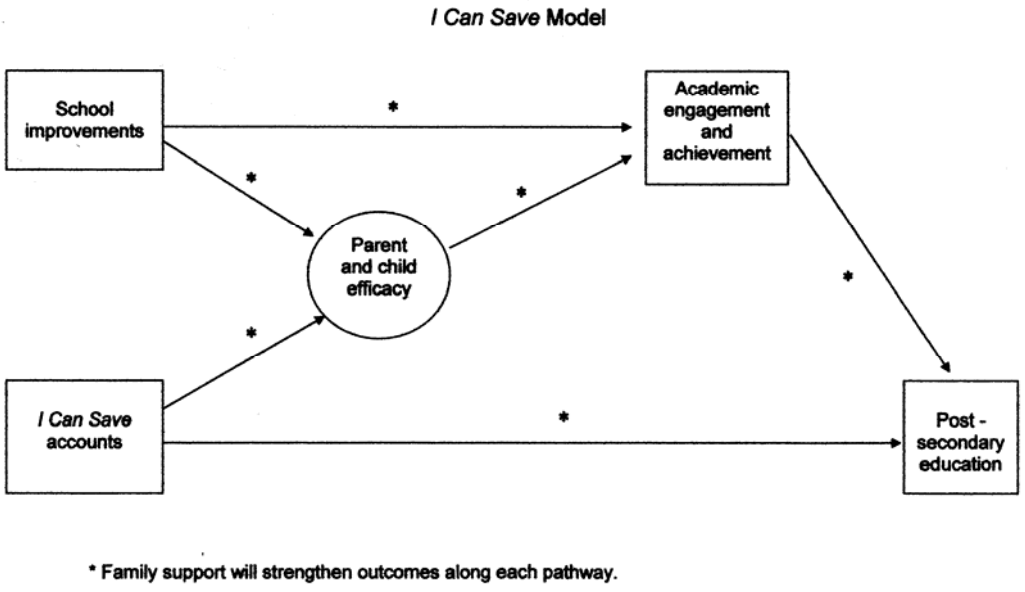
education. Moreover, if saving is associated with school, children may also be more likely to link saving with future education.

Although it is unknown if college savings will have positive effects on children's academic engagement, aspirations, and expectations, there is some empirical evidence that parental assets may contribute to positive educational outcomes, such as lower drop out rates (Green & White, 1997), higher standardized test scores (Essen, et al., 1977), greater educational attainment (Mayer, 1997), and more planning for children's education (Moore, et al, 2001; Sherraden, et al., 2004). Will similar positive effects hold if accounts are created for children? Sherman finds that even very young children understand that schooling is important for economic success (1997). It is possible that they can also understand a connection between doing well in school, college savings, and access to higher education.

In sum, theory and past experience with school-based savings suggest that college savings programs may be beneficial, but we have little empirical evidence. Will young children and their families save in school-based saving programs? Can low- and moderate-income families save sufficient sums? Will they respond to savings as suggested by asset theory? Will college savings contribute to children's academic engagement, achievement, aspirations, and expectations?

Figure 1 presents the conceptual framework for this study. This paper examines program development, account creation, saving patterns, financial education, and organizational response in a national demonstration of children's savings accounts (CSAs). The initiative, called *Saving for Education, Entrepreneurship, and Downpayment*, or SEED (CFED, 2005) aims to demonstrate the potential of a universal program in which all children receive an account with an initial lump sum at an early age. It actively engages children, parents and other interested adults

in saving for the children's future and links children and families to formal banking institutions. The demonstration, which runs from 2003 through 2007, promotes future education and other opportunities through long term saving (CFED, 2005). This paper examines one of the 13 pilot sites in SEED. The program, *I Can Save,* is based in a public elementary school system, and is the only pilot site employing multi-method longitudinal research.



The paper begins with the design features of the school savings program. Next, we examine patterns of deposits, saving, and withdrawals during the first two years of the program. Although too early to understand fully the factors that affect saving, we explore preliminary evidence. Finally, the paper examines program development and staffing and the role of teachers. The paper concludes by identifying key areas for future research in school-based saving for college initiatives.

Program Description

I Can Save is a four-year project that explores the impacts of a matched savings program on elementary school students and their families. *I Can Save* is an initiative of a university-

community partnership dedicated to increasing financial assets, academic engagement, and expectations for higher education among young children (U-CAP, 2001).[3]

A collaborative between a public school district and a non-profit organization, oversight of ICS is provided by a steering committee comprised of the program coordinator and supervisors, the principal of the school, and the research team. The role of each organization is different but each provides information and support for the other organizations' activities. The nonprofit runs the program, hires the coordinator, oversees day-to-day programming, and develops the program. The school facilitates program operations (e.g., provides an office and space for the after school club), the teachers provide support for the program in the classroom (e.g., helping to recruit participants and courage parent involvement and financial education). The research team provides information and data about operational issues and program outcomes.

I Can Save provides: (1) savings accounts with initial deposits of $500 for all students who entered kindergarten and first grade in one elementary school in 2003; (2) a dollar-for-dollar savings match for contributions into the children's accounts; (3) opportunities for children to earn money for saving through participation in an after school *I Can Save Club*; (4) financial education for children and parents; and (5) a minimum of $3,500 (assuming families draw total available match) that will be deposited into a Missouri MO$T account, the 529 college savings account plan, at the end of the four-year project. The 529 plan allows the participant to withdraw the funds for post-secondary education at any federally accredited institution. By high school graduation, this will be worth around $5,000, assuming a five percent annual rate of return, no

[3] Partner organizations involved in program start up include University City Public Schools, Beyond Housing/NHS, Commerce Bank, Washington University's Center for Social Development, the Schools of Social Work and Education and the Center for Economic Education at University of Missouri-St. Louis, and the Missouri State Treasurer's Office.

withdrawals, and no additional deposits. If children and their families deposit $50 a year until high school graduation, they should have close to $6,000 available for post-secondary education. To place this in perspective, assuming that educational expenses do not increase faster than the rate of inflation, the students should be able to pay for a two-year Associate's Degree at the local community college.[4]

Financial education activities for children include classroom-based curricula and a once a week after-school *I Can Save Club*. Children receive one lesson from *Financial Fitness for Life*® or *Wise Pockets World*® (CEEE, 2004) per week in class, reinforced through after-school club activities. After-school club activities include games, refreshments, and monthly field trips to deposit savings in the bank. Financial education goals for children are to: (a) increase knowledge of basic financial and economic principles; (b) learn how to earn, manage, and save money; and (c) value the opportunity of post-secondary education and training.

Financial education for parents includes workshops and other information that cover topics such as values and goals, budgeting and spending, debt and credit, advocacy, personal finance with an expert, the Earned Income Tax Credit and other strategies for reducing taxes, and background on the Missouri MO$T College 529 Plan. To date, eight workshops have been presented to parents. Financial education goals for parents are to: (a) increase knowledge of financial and economic principles; (b) learn how to save, invest, and manage money for the benefit of their children's future education; and (c) increase parental expectations for their children's college.

[4] This would not include the cost of transportation and other costs associated with taking two years to complete an Associate's degree.

ICS accounts are held in a bank as savings accounts in the child's name, but under the custodial care of and monitored by the implementing agency. Statements are sent to families on a monthly basis that show participant savings and the amount of match that will be available.

Research Methods

In fall 2003, all students in first grade (cohort 1) and kindergarten (cohort 2) were invited to join *I Can Save* (ICS). Out of the 75 children in kindergarten and first grades 74 enrolled in the program. Of these children and their families who enrolled in *ICS*, 61 completed the first parent survey interview. The research employs both qualitative and quantitative approaches. By triangulating methods we increase our confidence in the data collected and gain insights from one approach that can be used to ask questions in another (Rubin and Babbie, 2001). The research plan was reviewed and approved by the Human Subjects Committees of the University of Missouri at St. Louis and Washington University.

A 90-minute survey conducted in year one with 61 parents covered topics including demographics, child educational history, parent perceptions about child's academic abilities and future, household socioeconomic status, savings history, asset ownership, financial history, and initial impressions of the *ICS* program. At the end of each parent interview, $25 was deposited into their child's *ICS* account, and was matched by $25, for a total of $50 in the child's account. Quantitative survey data from parent interviews were coded, entered, and analyzed in SPSS.

Savings data are derived from monthly deposit and withdrawal information tracked with monitoring software (Management Information System for Individual Development Accounts, or MIS-IDA) (Johnson, Hinterlong, & Sherraden, 2001). Monthly reports by the program coordinator that describe program activities and informal observation of the field site and

conversations with the principal and teachers provide further insight into the successes and challenges of program start up and operation.

Semi-structured qualitative interviews with 28 experiment group second grade children, and 12 comparison group second grade children (cohort 1) were held in year two. The 30 minute interview explored children's perceptions of the *I Can Save* 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. Because young children cannot make abstract connections in the same way that adults can (for example, adults can answer *grand tour* questions such as, "What does it mean to you to be successful, to get ahead?" while children cannot), and are susceptible to socially desirable responses (Woolley, *et al.*, 2004), interviewers were trained in techniques to avoid leading the children.

A team of four researchers, including the authors of this paper, coded the digitally recorded and transcribed interviews using qualitative software, ATLAS.ti. Beginning with an initial code list based on study questions and propositions, we added to and altered the code list until all researchers assigned the same main concepts in each interview. Thereafter, two researchers coded each interview, ensuring agreement on conceptual categories. Unlike adult interviews, the children's comments often had to be interpreted in larger context, using broader concepts and larger segments than we do with adults. From the coded segments, we extracted themes and ideas about the ways that children were thinking about the key issues.

A focus group, moderated by two researchers, was held with six teachers who taught the children in both cohorts in year two of the program. The group covered the following topics: Understanding and perceptions about ICS and its goals, their observations about parent and child

understanding and involvement in the program, their perceptions about program effects, and finally, their suggestions for improvements. Two researchers coded the digitally recorded and transcribed focus group using qualitative software, ATLAS.ti. Beginning with an initial code list based on study questions, propositions, and notes from the focus group, we added codes to cover issues addressed by teachers. From the coded segments, we extracted the key themes and ideas discussed in this paper.

Enrollment, Saving, and Design Elements in *I Can Save*

Although predominately African American, and single parent households, the children in I Can Save come from diverse family backgrounds. Twenty-three percent of the parents who completed the survey did not go beyond a high school education, while over half (54%) have a post secondary degree. At the same time, more than a third (37%) report earning less than poverty level wages, while almost that many earn more than two times the poverty level (the range is $0 to over $100,000 annual income). Only one parent is a student, despite proximity to several major universities.

Prior to the start of the program, organizers met with several parents to discuss the possible *ICS* program. Parents expressed enthusiasm. As one parent said, "I think this is absolutely necessary! I want to save money for my child, but I just don't know how I can. I mean, we only make so much and I am a student myself. This program can help us both!" Teachers also endorsed the idea of the savings program and agreed to incorporate financial education into their classroom curriculum. As a kindergarten teacher commented: "This will be great for my kids! They need to know that there is a future. Their parents need to be able to invest in that future."

How did this early enthusiasm stack up against reality?

Table 1: Descriptive Statistics (N = 73)		
	Number	Percent
Race		
African-American	58	79.4
White	6	8.2
Hispanic	1	1.4
Other	8	11.0
Marital Status		
Single	33	45.2
Married	27	36.9
Divorced/Separated	13	17.8
Parent Education		
High school - no diploma	4	5.5
GED or high school diploma	13	17.8
Some college	16	21.9
Two-year degree	11	15.1
Four-year degree	15	20.5
Graduate school	14	19.2
Income level (% of poverty)		
Up to 100	27	37.0
101 – 150	9	12.3
151 – 175	7	9.6
176 - 200	4	5.5
Over 200	26	35.6

Recruitment and enrollment

The program attempted to recruit the "universe" of children in the first two grade levels of the school (kindergarten and first grade). The *ICS* coordinator met with parents individually and in groups to enroll children and open the children's *ICS* accounts. At that time they were also invited, but not required, to participate in the research study.

Families signed up in three groups. The first group signed up immediately on hearing that an initial deposit of $250 would be made and that all deposits (up to a maximum amount) would be matched 100 percent. Another group signed up over the next few months as they heard more

about the program. Seven months into the program, 55 parents had signed up and opened their child's college savings account.

Why were so many reluctant to enroll their child? Some parents misunderstood the aims of the program, thinking there must be a "catch." One parent believed she would be required to give the program money. Hesitation to enroll is not uncommon in adult IDA programs (Page-Adams, 2002; Sherraden et al, 2004), and underscores uncertainty, sometimes skepticism, and lack of familiarity about children's saving account programs (CSAs). Some families, especially low-income families, have little or negative experiences with financial institutions (e.g., 28 of the families lacked savings accounts in banks at start up) (MIS IDA, October 2005). Moreover, low-income families are frequently subject to financial scams and predatory lending, making them dubious about financial schemes (Caskey, 1996; Barr, 2004).

The program ultimately succeeded in recruiting almost every family. Several factors drew them to the program. The initial deposit into each child's account was a strong incentive to join. Parents generally have positive feelings toward the school. The school principal introduced the program coordinator to reluctant families as she reached out to enroll them in the program. Enrolling the universe of children in the two grades was also easier than trying to enroll targeted subgroups using means tests or other criteria. The program could be discussed openly and without any hint of stigma. The principal answered families' questions and actively encouraged reluctant families to join (e.g., she told them "take my word" that it is a good program) (Gonzalez-Rubio, 2005). Children participating in the program also were offered the option of joining the after-school *ICS* club, a program component viewed positively by children, parents, and teachers, and a design element that created some (although limited) peer pressure to sign up.

Finally, publicity events gave the program a relatively high profile at the school. The coordinator learned from this experience:

> Don't give up on any families. There is always the possibility that the family might enroll. For example, there was a family with whom I and [the principal] had spoken on several occasions. This family always said that there was "just too much going on" to enroll in *I Can Save*. After six to seven months, we contacted this family again, and they signed up and also enrolled their daughter in the after-school club!

A second enrollment issue is turnover. Although almost all children joined the program, every year about 10 of them have transferred out of the school and others have transferred in. Thus far, most of those who left the school remain in the program, although their children no longer participate in the after-school club. But for lack of funding, children who have transferred in have not been invited to join *I Can Save*. Teachers can teach financial education in the classroom, but they cannot incorporate the *ICS* savings accounts in class.

Savings patterns

In the first 24 months of ICS, participants saved $32,114 in their accounts, an amount that will draw $31,738 in savings match, for a total ICS accumulation of $63,853. Although these accumulations are relatively high overall, they must be interpreted cautiously. For one, the participants' portion includes the original $500 deposited in the child's account by the program.[5] They also include $25 deposits made into accounts each time that parents attend financial

[5] Generally CSAs and IDAs are comprised of two separate accounts. One account holds the participant's savings and the other is the match account, which holds the incentive (match) dollars. Participants only have access to withdraw money from their own account until the time when money is withdrawn for an approved purpose, in this case, for college savings. Participants receive monthly accounting of their own savings and the applicable match dollars.

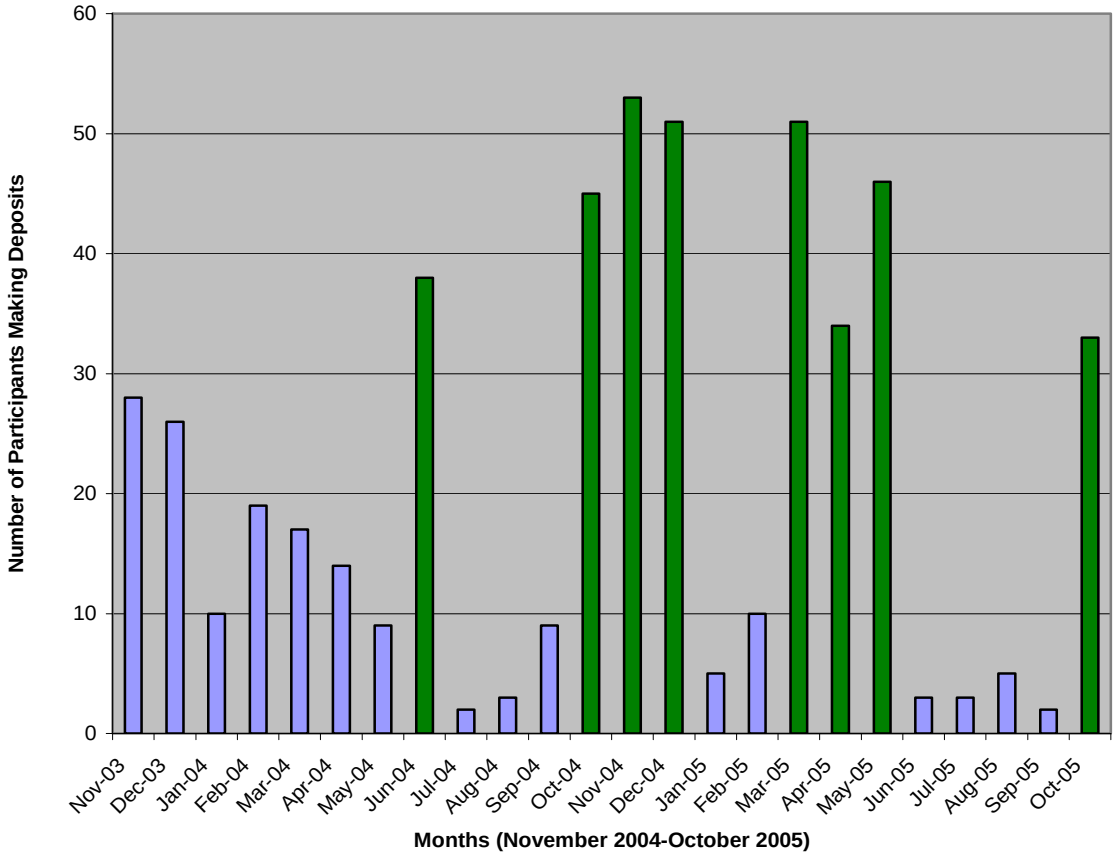
education workshops, each time they participate in a research interview, and it also includes the dollar that each child earns each time she or he attends the ICS after-school club.

Second, there is significant variation across the sample. Average monthly net deposits (AMND) (i.e., mean monthly deposit minus withdrawals) for all 74 children are $21.37. However, to reflect true participant deposits, we removed the initial $500 deposit provided by the program, and $25 deposits from research interviews. With these modifications, AMND decreases to a little over $8 AMND (range, $1.50 to $39). Amount of AMND generally reflects family income (i.e. AMND is higher for families with higher income).

A program coordinator noted: "Several parents, when picking up their children at the after-school club, mentioned to me that they had been meaning to save in the child's account but just hadn't been able to yet." What do we know about when families and children save? Examining savings patterns, we find that in the second year of the program, higher numbers of deposits occurred during months when children visited the bank with the after-school club, compared to months when bank visits were not made (see Figure 2).[6] Although it is possible that other factors account for this pattern (e.g., summer and winter holidays command financial resources and keep families busy), there are reports that the children look forward to making their deposits during the bank visits and that parents send extra money on these occasions.

[6] In these calculations, some deposits have been omitted to more accurately show participant effort. We excluded initial contributions made by the program to open the accounts in the amount of $250, and amounts of $25, which is the amount parents earn when they participate in research interviews.

Figure 2. Participants Making Deposits and Bank Visits
(Bank visits in green; June 04 was "bank at school day")



Conclusions about race and ethnic differences cannot be drawn because the numbers of Whites, Hispanics and others are so small. Savings patterns in other studies suggest the highest savings among Asian Americans, then Whites, Hispanics, Native Americans, and African Americans (Schreiner, et al., 2005). As Schreiner and colleagues point out, however, differential savings rates are not the result of race, but "rather a constellation of socially produced unobserved factors …that have come to be linked with both saving and race/ethnicity" (2005, p.202).

Savings levels in ICS are lower than those in the adult IDA programs in the American Dream Demonstration, where AMND was $16.60 (Schreiner and Sherraden, in press). Evidence

suggests that in adult savings programs, saving for children's education is less likely than for other uses, such as homeownership. It is possible that saving in a child's educational account is a lower priority than for other uses. Research will continue to track savings patterns in an effort to ascertain if this is true and why.

Financial education

The program encourages financial education for children in the classroom, in the after-school club and at home. Experience thus far suggests that financial education in the ICS after-school club has been the most successful.

In the first year of the program, 37 out of 74 children participated in the once a week, hour-long after-school club. Children attended an average of 14 sessions from the start of the program in October until the end of the school year in June. In the second year, 50 children participated and attended an average of 23.5 sessions. Now in its third year, 35 children participate regularly (20 of the original children have moved out of the school district).

Although not all children participate (including Dan who said he doesn't like it much), most of the children were enthusiastic in interviews about the after-school club. As Olivia said, "The best things about *I Can Save* is that you get to eat snacks and you get to play games." Antonio said, "We make piggybanks and color and talk about money." Adam said they learn words: "We're… learning about some of the words…. Like consumer, producer, entrepreneur." Christine said they discuss their future: "We like draw pictures of where we want to work and what we want to be when we get into college," and Tanisha said that the after-school teacher "asks questions about college and how much money do you have in your *I Can Save* account and how much you put in there." The children seem to take the club's lessons to heart, as Amy pointed out: "We talk about how to spend money and how to earn it and we do tests… tests so

they know that we know how – just to spend money and stuff. Cause… they told us not to spend too much money or you might end up owing a lot… like you may just have two pennies."

Several children mentioned the dollar they earn for attending the after-school program, including Cody: "You go every day and… every time you go, once a week, you get a dollar into your bank account." Some also said they enjoy the trips to the bank to deposit into their ICS savings account, including Dave, who said, "We get to go the bank every end of the month."

Teachers believe that incorporating financial education into the curricula is desirable, but observe that it is more easily accomplished in lower than in upper elementary school grades, where content is heavily influenced by subject matter in required statewide testing. In essence, teachers said 'no testing, no teaching'. If financial knowledge were a part of the standardized testing in third grade and beyond, teachers said they would be more likely to cover financial topics (VanFossen, 2005). In many states, such as Missouri, where this project takes place, standardized testing is required for math and communication arts but is voluntary for social studies, which is where economic and financial knowledge is typically covered (http://dese.mo.gov/divimprove/assess/content.html). Currently, no economics courses are required in elementary grades and only two states require integration of personal finance material into elementary school social studies curricula (NCEE, 2005). Beyond the issue of testing, teachers appreciate receiving materials and ideas for how to incorporate financial education into lesson plans, but they prefer to hone the material for use in their classroom.

The program also directs financial education to parents. Despite positive feedback by the parents who have attended workshops, financial education has been less successful than it has been for children. Ten classes for parents were held in the first 26 months, but attendance was generally low (average attendance was 5.5 families ranging from a low of zero to a high of 11).

Research on an adult IDA program suggests time, transportation, and other priorities hinder participation in financial education; participants said they gained appreciation for the value of financial education after taking the money management classes (Sherraden, et al., 2004). Efforts to increase access through the use of Internet financial education were relatively unsuccessful, especially for parents who are less computer-savvy or lack access to computers or the Internet.

Over time participation in parent financial education workshops has increased. Furthermore, discussions with teachers and the principal suggest that participants are not only the "usual" ones who come to school events. This may have occurred due to several strategies employed by staff. First, they increased communication about the program (e.g., newsletters, notes home with children, and principal and teacher encouragement) and focused on building stronger relationships with parents. Second, they added programs in which the children are 'stars'. For example, when the children presented their entrepreneurship plans developed in the *ICS* after-school club, 19 parents attended, an all time high. Third, because parents are so busy, workshops were held at varying times and days to accommodate parents' busy schedules. Finally, by varying the topics, different groups of parents attend.

As staff devise approaches to financial education that are more compelling, useful, and convenient for parents, they say they must continuously weigh their expectations for participation against the knowledge that parents are busy, some hold more than one job, and many are single parents. Furthermore, staff believe that active participation and involvement of the ICS coordinator is vital because teachers' time to engage parents is limited.

Program development and staffing

Over the first 20 months, the collaboration among ICS partners was challenged in several ways. It took some time to define the specific roles of each partner (school, nonprofit, research

team). At one point financial pressures at the nonprofit threatened program operations and caused a lapse in program oversight. By year two, partners recognized the importance of regular steering committee meetings, which facilitate ongoing communication and coordination.

Within a relatively short period, ICS had a succession of four different program coordinators, disrupting the program and resulting in less than optimal levels of communication with children, teachers, and parents. In large part this succession of coordinators resulted because the requirements for the position require an unusual combination of skills, including knowledge about saving and banking, skills in working with young children, computer skills for MIS IDA, and program planning skills and fundraising skills. One coordinator relished the challenge: "Every day is something new and, as I've expressed before, one of the greatest things about running a program like this is that it intersects direct practice, program management, policy, and research."

When this coordinator left the program, the nonprofit found that it worked better to assign responsibilities to different people. Currently, the program coordinator engages in the direct work with children, families, and teachers, but her supervisor works with her on program planning, account monitoring, and administration. Other personnel in the organization do fund raising and policy work. The challenge for a nonprofit is to manage and cover the costs of this range of responsibilities.

This program is part of a larger national learning demonstration (SEED). Although the emphasis is on learning, the program is unable to respond quickly to make needed changes in program design. Changes generally need to be approved by the national sponsoring organization that is not locally involved, and therefore may not fully understand program nuances, partnership arrangements, implications of design issues, and impacts of general demonstration design

decisions. For example, there was some discussion that intermediate educational goals might provide incentive for families to save more (e.g., summer camp, musical instrument). However, the national sponsoring organization was reluctant to change this aspect of program design.

Role of teachers

In a focus group at the end of the second year of operation, teachers continued to be enthusiastic about *ICS*. As one teacher observed, "It's an amazing program. It's matched—100 percent matched!" However, teachers also admit that they have limited knowledge about the program and want to be better informed about the goals and activities, and how they can support it. Some teachers have moved to teach in different grade levels, and students move to other classrooms each year, suggesting that continuous training is an important element to ensure program continuity.

Teachers recommend making the program as simple as possible, incorporating compelling savings incentives for children and parents, and helping to make saving "part of their routine." Teachers believe the *ICS* coordinator is important in building relationships with the families and helping them figure out how to set aside a small amount to save every month. They reported that it is too soon to know if *ICS* is having an impact on children's academic engagement or expectations for college.

Teachers endorse the idea of universal program that includes all children in their class. Because of high levels of family mobility, this would require mechanisms for including transfer students and ways to follow students who move to other school. If all of the students in their classes were in the program, teachers say they would be able to incorporate the savings program into various school activities (especially if the financial knowledge is part of standardized testing). For example, teachers could discuss the program during the school open house in the

fall and during parent-teacher conferences. They could set class goals for saving. As one teacher said, they could suggest to the children: "Let's save $400 for college between us all."

Discussion and Conclusion

Despite proposals for a national policy of CSAs, there is relatively scant empirical evidence about how CSAs might be implemented. This research provides understanding about initiation and recruitment into a school-based CSA program, initial savings patterns, and responses to financial education in a racially and economically diverse sample of children and families.

Regarding recruitment, the experience in *ICS* suggests that an "opt out" approach in which all children participate in *ICS* unless they choose not to, would work better than an "opt in" approach used in this project. This is consistent with what economists have learned about employee benefit decisions; for example, employees mostly stay with default options for a long time after joining a firm (Madrian & Shea, 2001). Lack of funding for savings matches would likely hamper larger programs, suggesting that future programs could assess whether initial deposits and match rates could be adjusted downward without losing their attractiveness as a saving incentive to parents and children.

In the first 20 months of the program, families saved for their children's college education, albeit not as much on average as savers in other (adult) IDA programs. Future research, especially interviews with parents, will explore possible reasons for this. For example, it is possible that because the children are still very young, college and other post-secondary training appear far in the future. Further, many families are stretched financially, making saving a lower priority than current consumption. Or, it is possible that parents are saving elsewhere;

they may be less willing to save in the restricted *ICS* account where they cannot easily withdraw their money.

The pattern of saving observed suggests that it is important to structure deposits (e.g., bank visits), and to provide some way for children to earn small amounts of money that is deposited so they can watch their savings grow (e.g., children earn money for attending after-school club). Structuring deposits provides reinforcement for depositing. Few people remember to make deposits if there are no regular reminders or expectation. For example, most long-term savings programs, such as 401(k)'s, rely on automatic deductions. A school-based version of this could be regular bank visits, or as in the past, setting up a "bank" in school. Another would be an information-age version of the old models of school-based thrift savings programs, in which parents and children make deposits and watch their accounts grow via the Internet.

Automatic deposit of children's earnings (for program participation or other notable behavior in and out of school) is another possible way to encourage saving. Interviews suggest that the children are excited about their *ICS* account. Several of them talked about the dollar that is deposited into their *ICS* account when they attend after-school club. There may be other ways that children can earn money for their accounts, including deposits for attendance and performance in school (Hutton & Holmes, 2005). From an ethical point of view, it is important for children to be able to accumulate money in their accounts. Peer pressure appears to contribute to the high number of savings deposits during bank visit months. If families have no money to deposit, however, this could be a negative experience for the child. As one teacher pointed out, "I have a lot of parents that are struggling financially." It is important, therefore, for children to be able to deposit some of their own earnings, and for others (relatives or philanthropists) to be able to make contributions.

The public school-nonprofit organization partnership works well. Public schools provide access to many children, especially children without savings accounts. They have relatively stable funding and operation. However, saving for college is not part of schools' mission and goals. Even though administrators and teachers may be sympathetic to the idea, their first priority is education. While this is being expanded to include financial education, widespread application of school-based college savings would require considerable discussion, and would likely require significant financial support.

Nonprofits, in contrast, are agile and able to implement changes relatively quickly to meet challenges. We observe this in the first two years of ICS, when the nonprofit had to modify its staffing for the program to better achieve the program's objectives. Moreover, some nonprofits regard asset building, including savings, as central to their mission. However, nonprofits are susceptible to shifting funding streams. They often encounter bad times in which their commitment to programs must be curtailed. This suggests that funding for school-based savings CSAs should be adequate and earmarked. Therefore, although public school-nonprofit partnership works well in a pilot program like *ICS*, it is unlikely to succeed in a universal college saving program model.

Financial education for children in *ICS* occurs mostly through the after-school club, and has been relatively successful, according to children and program staff. Future research will compare financial knowledge among *ICS* children compared to other children.[7] An after-school program, however, is a relatively expensive method to provide financial training. It may be more efficient for teachers to incorporate financial education in the classroom, but as teachers point out, curricular goals are largely determined by standardized testing. Without financial education becoming part of the tested "canon", it is unlikely that teachers will devote much time to

[7] Financial knowledge will be tested in fourth grade, using a nationally-normed test (NCEE, 2004).

teaching this material. Furthermore, the children appear to respond well to the non-academic approach (games and snacks) used in the after school program, something that is difficult, perhaps impossible, to duplicate in a classroom.

Financial education for parents has been less successful. Although there is widespread recognition that families lack adequate financial knowledge, there is little consensus about how to improve the situation. Despite the burden that it may place on low-income single parents in particular, some have suggested that financial education be required in order to be eligible for the savings match. Comparing CSA programs that do and do not require financial education should inform this debate. This project suggests that the answer is not simple. However, several factors appear to improve attendance, including regular communication with parents, positive relationships between parents and the school and program, practical financial education topics, incentives to attend (e.g., child performance), and convenient times. As well, it is possible that the savings account may play a significant role in motivating children and parents to seek financial education. In the end, it is likely that a combination of early education, continuing education, regulation, and practical application will be required. Research is required to know which are most important to achieving certain outcomes.

This study suggests that universal eligibility for CSAs has potential benefits. First, if universal, the large numbers of children who transfer in and out of a school can continue in the savings program. Otherwise, transfer students are not eligible for the program, and those leaving lose access to financial education and encouragement to save from program staff and teachers. Second, universal coverage would permit teachers to integrate ideas about savings and college into classroom curricula. If only some children are eligible, this would be more difficult. Nonetheless, this project highlights the importance of regular communication with teachers and

parents so that the benefits of universality might be realized. In future projects, children and their families might open a savings account when they enroll their child in school. They could opt out, if they prefer, but in doing so, they would forfeit an initial lump deposit. In this way, the vast majority of children in school would have a savings account for college.

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