



Financially Vulnerable Families Reap Multiple Benefits from Child Development Accounts

By Jin Huang, Sondra G. Beverly, Youngmi Kim, Margaret M. Clancy, and Michael Sherraden

Financially vulnerable families face numerous challenges that can adversely affect their children’s development. Statewide Child Development Accounts (CDAs) are a financial capability intervention that provide assets and encourage saving for postsecondary education through deposits into investment accounts. CDAs aim to improve development outcomes—and ultimately increase educational attainment—especially in financially vulnerable families.

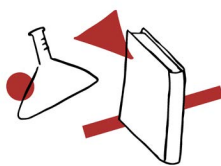
The most rigorous policy test of CDAs, [SEED for Oklahoma Kids \(SEED OK\)](#) is a large-scale randomized statewide policy experiment that automatically opened and deposited \$1,000 into state-owned Oklahoma 529 College Savings Plan (OK 529) accounts for 1,358 treatment children. **Using OK 529 account data and interviews with SEED OK mothers,¹ we examined the CDA’s effects on a subsample of families participating in Temporary Assistance for Needy Families (TANF) or Head Start.** Results show that the SEED OK CDA has positive, statistically significant impacts on financial and nonfinancial outcomes for financially vulnerable families.

From the SEED OK sample of more than 2,700 families, we defined 426 who received cash assistance from TANF or whose children attended Head Start as financially vulnerable. Children in the treatment group (201) received CDAs; children in the control group (225) did not. We examined (1) financial outcomes related to ownership of OK 529 accounts and college savings, and (2) several nonfinancial outcomes: parents’ educational expectations for their children, positive and punitive parenting practices, maternal depressive symptoms, and children’s social-emotional development.

Consistent with previous SEED OK research using broader samples of Oklahoma families,² this study finds positive CDA impacts for financially vulnerable families. For example:

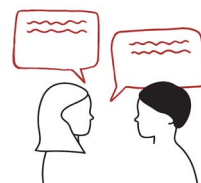
- For TANF and Head Start families, the educational expectations and positive parenting scores of treatment mothers were higher than those of control mothers.
- Punitive parenting practices were less frequent among treatment mothers, and maternal depressive symptoms were less intense.
- For maternal depressive symptoms and positive parenting practices, the effects of the CDA were greater for families that participated in TANF or Head Start than for families that did not.
- Treatment children had better social-emotional development scores than control children.

More positive parenting scores



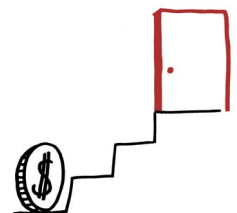
Higher educational expectations

Fewer maternal depressive symptoms



Better social-emotional development of children

Far more OK 529 assets



- Because of automatic CDA features, treatment children were much more likely than control children to have an OK 529 account, and the value of their OK 529 assets was much larger.
- Treatment children were also 13 times more likely than control children to have an individual OK 529 account opened by their mother. Families open individual OK 529 accounts to make personal deposits for their children’s future education; they may also withdraw these savings for other purposes, if necessary. Still, just 10% of the financially vulnerable treatment children in our subsample had such accounts.

In sum, this study provides empirical evidence that the SEED OK CDA has positive impacts on financial and nonfinancial outcomes for families participating in TANF and Head Start. The findings suggest that combining CDAs with social services may greatly benefit financially vulnerable families.

How was this accomplished? SEED OK’s state-run 529 financial platform and policy design create opportunities for large-scale integration with other federal, state, city, and nonprofit-funded services for financially vulnerable families.³ Automatic enrollment is a critical design feature to ensure that all children, regardless of their socioeconomic status, are included.

Endnotes

1. Interviews were conducted in 2007 and 2011. In 2020, a [third wave](#) of SEED OK interviews will allow researchers to examine longer-term impacts for families when the children are about 12 years old. Wave 3 also includes a new progressive financial intervention. In early 2019, SEED OK deposited funds into the state-owned Oklahoma 529 plan account for half of the treatment children (678). All of these children received \$200, and disadvantaged children received an additional \$400.
2. See “Child Development Accounts and Parental Expectations for Young Children: Early Evidence from a Statewide Social Experiment” in *Social Service Review*; “Effects of Child Development Accounts on Early Social-Emotional Development: An Experimental Test” in *JAMA Pediatrics*; and “Impacts of Child Development Accounts on Maternal Depressive Symptoms: Evidence from a Randomized Statewide Policy Experiment” in *Social Science & Medicine*.
3. More detailed information on the policy implications of the research can be found in the companion brief [Statewide Child Development Accounts and Local Partnerships: A Scalable Model that Can Include All Children](#) (CSD Policy Brief No. 19-45). In the last 18 months, statewide, automatic CDA legislation has passed in [California](#), [Illinois](#), [Nebraska](#), and [Pennsylvania](#). [Such CDAs](#) also operate in [Maine](#), Nevada, and [Rhode Island](#).

This brief is based on the article: Huang, J., Beverly, S. G., Kim, Y., Clancy, M. M., & Sherraden, M. (2019). Exploring a model for integrating Child Development Accounts with social services for vulnerable families. *Journal of Consumer Affairs*, 53(3), 770–795



Acknowledgments

Support for this publication comes from the Charles Stewart Mott Foundation. We thank John Gabbert for editorial assistance and Taylor L. Harvey for the images.

Suggested Citation

Huang, J., Beverly, S. G., Kim, Y., Clancy, M. M., & Sherraden, M. (2019). *Financially vulnerable families reap multiple benefits from Child Development Accounts* (CSD Research Brief No. 19-40). St. Louis, MO: Washington University, Center for Social Development.

Contact Us

Center for Social Development
Brown School of Social Work
Washington University in St. Louis
<http://csd.wustl.edu>



Center for Social
Development

BROWN SCHOOL AT WASHINGTON UNIVERSITY