



Policy Design for Child Development Accounts: Parents' Perceptions

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

In this brief, we present views on [Child Development Account \(CDA\)](#) policy features from participants in the [SEED for Oklahoma Kids \(SEED OK\)](#) experiment. We begin by examining how parents (primarily mothers) perceive five policy features related to automatic savings in CDAs.¹ Parents were asked the importance of these features for increasing the number of children who earn a college degree or trade school certificate. Researchers have identified most of these features as [optimal CDA policy design elements](#).² Asking study participants their views on policy design is not common, but SEED OK was designed to comprehensively demonstrate and assess policy, not simply to measure individual outcomes.

In addition, we explore perceptions of four policy features designed to encourage *parents* to save for their children's postsecondary education. In the CDA in SEED OK, all assets are held in the Oklahoma 529 College Savings Plan (OK 529) and administered by the Office of the State Treasurer. Parents are encouraged to save for college or trade school. For those who do, there are [benefits to saving](#) in the OK 529.³

Data come from the SEED OK Wave 3 survey, conducted in 2020, when children were about 13 years old. Results are for 1,666 parents (both treatment and control—those who received the CDA in SEED OK and those who did not) and for subgroups defined by household income, mother's race, and mother's education. The SEED OK sample is representative of the full population of Oklahoma families with newborns in 2007.⁴

Automatic Savings Features for Educational Attainment

The most important goals of CDAs are to increase educational attainment and advance other life goals through inclusive and automatic asset-building features. Which CDA policy features do parents think are important?

Regardless of income, race, or education, parents value CDAs' automatic savings features for increasing postsecondary educational attainment



More than 80% of all parents consider an at-birth \$1,000 initial deposit to be important or very important.



93% indicate that the initial deposit should be \$500 or \$1,000 to gain attention of other parents.



Almost 90% endorse additional deposits throughout childhood.



84% of parents value inclusive deposits—for "every newborn."



More than 80% endorse targeted deposits—"larger deposits for lower income children."



94% say it is important or very important that CDA deposits not reduce financial aid.



Table 1. Parents Perceiving Automatic Saving Is Important/Very Important for Postsecondary Educational Attainment (N = 1,666)

Automatic CDA Savings Features	All Parents	Lower Income	Higher Income	Non-White	White	Less Educated	More Educated
Deposits for every newborn in every family	84%	84%	84%	86%	83%	87%*	82%
\$1,000 initial deposit made when children are born	81%	82%	80%	84% [†]	80%	81%	81%
Additional deposits throughout childhood	89%	88%*	92%	90%	90%	87% [†]	91%
Larger deposits for lower income children	82%	87%**	74%	87%**	80%	86%**	78%
Deposits do not reduce child’s student financial aid	94%	95%*	92%	94%	94%	95%	93%

Note. Demographic characteristics come from birth records and the baseline survey conducted with parents when children were less than one year old. Lower income = household income-to-poverty ratio below 2; higher income = household income-to-poverty ratio at or greater than 2. Less educated = no more than a high school diploma (or equivalent); more educated = at least some college. Non-Whites include African Americans, American Indians, Asians, and Hispanics. Data are weighted to make the sample representative of the full population of Oklahoma families with newborns in 2007, using parent and child characteristics available in birth records. A small *p*-value (e.g., less than .10) indicates that the difference between two demographic groups is very unlikely due to chance.

[†]*p* < .10. **p* < .05. ***p* < .01.

Table 1 summarizes parent perceptions of five features related to automatic savings in CDAs. The table shows percentages of parents who indicated that each feature is important or very important for increasing the number of children who earn a college degree or trade school certificate. The overall finding is that strong majorities perceive each of these automatic savings features to be important, regardless of income, race, or education. Across the groups, the percentage of parents endorsing the features is almost always above 80%. This is a surprisingly strong endorsement of the CDA policy design being tested, and variance across demographic groups is limited.

The results suggest that parents recognize the value of automatic deposits made early in life and on an ongoing basis for *all children*—not just for their own. Regardless of income, race, or education, large majorities said that inclusive deposits (“deposits for every newborn in every family”); automatic deposits at birth; ongoing deposits (“additional

deposits throughout the years”); and automatic targeted deposits (“larger deposits for lower income children”) are important or very important for increasing postsecondary educational attainment.⁵

Parents also feel that deposit size matters. Given four response options (\$50, \$100, \$500, and \$1,000), more than 93% said that the initial deposit would have to be \$500 or \$1,000 to gain the attention of parents.

Moreover, parents are thinking ahead about the potential impact of these deposits on *other* financial support for children’s postsecondary education. More than 90% of parents said that, to increase postsecondary attainment, it is important or very important to make sure that CDA assets not reduce college financial aid. Assets accumulated in CDAs owned by states or other entities **do not typically affect need-based aid** because students and parents do not own the savings.⁶ Yet, perceptions matter, and federal policy

should exclude *all* CDA funds from federal financial aid calculations.⁷

We find a few noteworthy but unsurprising differences across demographic groups. Overall, for six of the eight statistically significant differences in Table 1, disadvantaged groups (lower income, non-White, and less educated parents) are more likely than advantaged ones to describe the policy feature as important or very important for increasing postsecondary attainment. In general and as expected, even greater majorities of disadvantaged populations indicate that automatic, **targeted CDA deposits** (larger deposits for lower income children) are important or very important for educational attainment. The difference by income is comparatively large (87% vs. 74%).

The respective results for targeted deposits and inclusive deposits may suggest some policy priorities: Lower income parents seem to regard targeted deposits as more important for postsecondary education than deposits for all children. The opposite seems to be true for higher income parents. Lower income parents are also slightly more likely than higher income parents to be concerned about the impact of automatic deposits on future college financial aid.

Policy Features to Increase Saving by Parents

Although encouraging *individuals* to save is not the primary goal of CDAs, we are interested in whether parents are able to add savings for their children’s future and in identifying policy features that might promote parent saving. Research shows that the automatic CDA in SEED OK greatly increases the likelihood that disadvantaged children have assets for their future education. The CDA in SEED OK also increases saving *by parents* for children’s postsecondary education, including *new parent savers*, who, as a group, are more racially and socioeconomically diverse than the parents who would have saved in the OK 529 without the CDA.⁸

Table 2 summarizes perceptions concerning four features designed to encourage parents to save for their children’s education or training after high school. The table shows the percentages of parents who indicated that these features are important or very important for encouraging such parental saving. Regardless of income, race, or education, large majorities—over 80% in most groups—say that these four policy features are important or very important for parent saving.

Table 2. Parents Perceiving Features as Important/Very Important for Encouraging Saving for Education (N = 1,666)

Features to Encourage Parent Saving	All Parents	Lower Income	Higher Income	Non-White	White	Less Educated	More Educated
Keep accounts inexpensive by charging very low fees	92%	90%*	95%	91%	93%	90%	94%
Provide income tax breaks for parent deposits	91%	89%†	93%	90%	91%	89%	92%
Use small penalties to discourage withdrawals unrelated to education	87%	86%	88%	86%	87%	85%	88%
Have an outside party match parent deposits	81%	83%†	78%	87%**	78%	83%	79%

Note. Demographic characteristics come from birth records and the baseline survey conducted with parents when children were less than one year old. Lower income = household income-to-poverty ratio below 2; higher income = household income-to-poverty ratio at or greater than 2. Less educated = no more than a high school diploma (or equivalent); more educated = at least some college. Non-Whites include African Americans, American Indians, Asians, and Hispanics. Data are weighted to make the sample representative of the full population of Oklahoma families with newborns in 2007, using parent and child characteristics available in birth records. A small *p*-value (e.g., less than .10) indicates that the difference between two demographic groups is very unlikely due to chance.

†*p* < .10. **p* < .05. ***p* < .01.

“The results suggest that parents recognize the value of automatic deposits made early in life and on an ongoing basis for all children—not just for their own.”

We now turn to a specific policy feature examined in Table 2. It is easy to imagine parents being ambivalent about any withdrawal penalties. Therefore, it is noteworthy that at least 85% of parents—both advantaged and disadvantaged—regard small penalties for withdrawals unrelated to education as important for encouraging parent saving. (Small differences across income, race, and education are not statistically significant.) Because saving for children’s education is a long-term goal, parents may benefit from withdrawal restrictions such as the penalties for nonqualified withdrawals from 529 plans.⁹ Overall, all families require access to a variety of savings vehicles—some restricted, some unrestricted—in order to save for long-term and short-term purposes and meet diverse financial needs across the life course.

Conclusions and a Path Toward a Nationwide CDA Policy

What are the takeaways from these findings? Foremost, parents across a fully representative population consider the automatic savings features [modeled in SEED OK](#) to be important for postsecondary educational attainment. These features include automatic deposits for all, beginning at birth and continuing throughout childhood and adolescence, with larger deposits for lower income children.¹⁰

Given these positive perceptions of CDA policy design—and evidence that CDAs have positive impacts on families—it is not surprising that a growing number of [U.S. states are implementing many elements](#) of the policy design for all newborns. From the outset, the SEED OK demonstration has been not just a test of individual outcomes, but also a [test of a scalable, effective, and sustainable policy](#).

These automatic and inclusive features will also be desirable in a [nationwide CDA policy](#).¹¹ How should such a policy be implemented to provide CDAs with these features? SEED OK has shown that *a state’s 529 plan can be transformed to serve all children—100%—at birth*. This is very different from current 529 policy, which serves only a small percentage of children, mostly in well-off families.¹²

A revised federal 529 policy can guide and support transformation of 529 plans into fully inclusive CDAs serving all children. The policy platform is available, effective, and sustainable. With minor policy changes and meaningful federal funding, a nationwide CDA policy could serve all children, with larger deposits for the least advantaged. *All children could grow up building assets for their development.*

Notes

¹ SEED OK surveyed the primary caregivers (mostly mothers) of children. For simplicity, we refer to all survey respondents as “parents.”

² Clancy and Beverly (2017b); Clancy, Sherraden, and Beverly (2019a); Sherraden, Clancy, and Beverly (2018).

³ Clancy, Beverly, Schreiner, Huang, and Sherraden (2021).

⁴ SEED OK is a large, randomized, longitudinal policy test of CDAs. With data from birth records, infants were randomly sampled from the statewide population of Oklahoma and then randomly assigned to treatment and control groups after parents completed the baseline survey. Children of color were intentionally oversampled. For analysis, we weight data to make the sample representative of the full population of Oklahoma families with newborns in 2007, using parent and child characteristics available in birth records. Children in the treatment group received an automatically opened OK 529 account with an initial \$1,000 deposit. In addition to the baseline survey in 2007 and the Wave 3 survey in 2020, SEED OK conducted a survey of parents in 2011, when children were about four years old. For more about research methods and the impact of the SEED OK CDA on children and parents, see Beverly, Clancy, and Sherraden (2016); Center for Social Development (2021); Clancy et al. (2021); Clancy, Sherraden, and Beverly (2019b); Huang, Beverly, Clancy, and Sherraden (2020); Huang, Sherraden, Kim, and Clancy (2014); Huang, Sherraden, and Purnell (2014); and Kim, Sherraden, Huang, and Clancy (2015).

⁵ In examining the percentage of parents who said “larger deposits for lower income children” are *very important* for increasing postsecondary educational attainment, we find that the differences between groups are greater. Lower income, non-White, and less educated parents give stronger support to these targeted deposits than their more advantaged counterparts.

⁶ There is one exception. In a practice called *scholarship displacement*, some schools reduce previously committed institutional aid for students who receive a private scholarship (National Scholarship Providers Association, 2013), and state- and entity-owned CDAs are typically treated as scholarships (Clancy & Sherraden, 2014). (This practice does not affect federal financial aid.) At least one state has passed legislation banning scholarship displacement by public colleges (Prudente, 2017), but federal legislation is needed to prevent displacement of aid for low income students nationwide (Burd, 2016; Weinstein, 2014).

⁷ Under current law, parent savings and assets—especially deposits held in 529 plan accounts—do not impact federal need-based student aid for most low- and moderate-income students (Clancy & Beverly, 2017a). But the rules are complex, and it is difficult for low- and moderate-income parents to understand that deposits are very unlikely to reduce financial aid.

⁸ In addition to inducing *higher saving* by treatment parents who would have saved anyway, the CDA in SEED OK adds *new parent savers*, who contribute to the OK 529 (Center for Social Development, 2021; Clancy et al., 2021).

⁹ By federal law, any withdrawals of *untaxed earnings* from 529 accounts for purposes other than education expenses are subject to federal and state taxes and a 10% federal penalty.

¹⁰ SEED OK modeled targeted deposits for disadvantaged children. Pennsylvania, the first state to model an automatic targeted deposit for all financially vulnerable children, delivers those deposits within the statewide Keystone Scholars CDA program (DeCecco, Peachey, & Clancy, 2021).

¹¹ Sherraden and Clancy (2021).

¹² Government Accountability Office (2012).

References

Beverly, S. G., Clancy, M. M., & Sherraden, M. (2016, March). *Universal accounts at birth: Results from SEED for Oklahoma Kids* (CSD Research Summary No. 16-07). Washington University, Center for Social Development. <https://doi.org/10.7936/K7QC030S>

Burd, S. (2016, May 18). Congress should take lead in battle over financial aid “displacement” [Blog post]. New America. <https://www.newamerica.org/education-policy/edcentral/aid-displacement/>

Center for Social Development. (2021, December). *Financial facts from the SEED for Oklahoma Kids Child Development Account experiment* (CSD Fact Sheet No. 21-42). Washington University, Center for Social Development. <https://doi.org/10.7936/b5y6-jg13>

Clancy, M., & Beverly, S. G. (2017a, February). *Do savings and assets reduce need-based aid for dependent students?* (CSD Policy Brief No. 17-10). Washington University, Center for Social Development. <https://doi.org/10.7936/K7KW5FJX>

Clancy, M. M., & Beverly, S. G. (2017b). *Statewide Child Development Account policies: Key design elements* (CSD Policy Report No. 17-30). Washington University, Center for Social Development. <https://doi.org/10.7936/K7G44PS2>

Clancy, M. M., Beverly, S. G., Schreiner, M., Huang, J., & Sherraden, M. (2021). *Financial outcomes in a Child Development Account experiment: Full inclusion, success regardless of race or income, investment growth for all* (CSD

Research Summary No. 21-06). Washington University, Center for Social Development. <https://doi.org/10.7936/fnjg-n539>

Clancy, M. M., & Sherraden, M. (2014). *Automatic deposits for all at birth: Maine’s Harold Alfond College Challenge* (CSD Policy Report No. 14-05). Washington University, Center for Social Development. <https://doi.org/10.7936/K7X63MGJ>

Clancy, M. M., Sherraden, M., & Beverly, S. G. (2019a, December). *Essential policy design elements for statewide Child Development Accounts* (CSD Fact Sheet No. 19-47). Washington University, Center for Social Development. <https://doi.org/10.7936/1rvq-dy43>

Clancy, M. M., Sherraden, M., & Beverly, S. G. (2019b, March). *SEED for Oklahoma Kids Wave 3: Extending rigorous research and a successful policy model* (CSD Research Brief No. 19-06). Washington University, Center for Social Development. <https://doi.org/10.7936/zx2j-0543>

DeCecco, A., Peachey, J., & Clancy, M. M. (2021, November). *Targeted deposits in Pennsylvania’s Keystone Scholars Child Development Account program* (CSD Policy Brief No. 21-36). Washington University, Center for Social Development. <https://doi.org/10.7936/5qg9-4191>

Government Accountability Office. (2012). *Higher education: A small percentage of families save in 529 Plans* (Report No. GAO-13-64). U.S. Government Printing Office. <http://www.gao.gov/products/GAO-13-64>

Huang, J., Beverly, S. G., Clancy, M. M., & Sherraden, M. (2020, August). *Child Development Accounts improve parenting practices, particularly for financially vulnerable families* (CSD Research Brief No. 20-15). Washington University, Center for Social Development. <https://doi.org/10.7936/8h4t-sc04>

Huang, J., Sherraden, M., Kim, Y., & Clancy, M. M. (2014). Effects of Child Development Accounts on early social-emotional development: An experimental test. *JAMA Pediatrics*, 168(3), 265–271. <https://doi.org/10.1001/jamapediatrics.2013.4643>

Huang, J., Sherraden, M., & Purnell, J. Q. (2014). Impacts of Child Development Accounts on maternal depressive symptoms: Evidence from a randomized statewide policy experiment. *Social Science & Medicine*, 112, 30–38. <http://doi.org/10.1016/j.socscimed.2014.04.023>

Kim, Y., Sherraden, M., Huang, J., & Clancy, M. M. (2015). Child Development Accounts and parental educational expectations for young children: Early evidence from a statewide social experiment. *Social Service Review*, 89(1), 99-137. <http://doi.org/10.1086/680014>

National Scholarship Providers Association. (2013). *Impact of award displacement on students and their families: Recommendations for colleges, universities, policymakers and scholarship providers* [White paper]. Retrieved from https://cdn.ymaws.com/www.scholarshipproviders.org/resource/collection/8B809940-0A03-48DE-8B59-0EC1585C1941/AwardDisplacement_WhitePaper.pdf

Prudente, T. (2017, July 4). Maryland becomes first state to outlaw scholarship displacement by public colleges. *Baltimore Sun*. <https://www.baltimoresun.com/education/bs-md-scholarship-displacement-20170704-story.html>

Sherraden, M., & Clancy, M. M. (2021). Transforming 529 college savings plans: Grow assets for everyone, grow the country. In R. Boshara & I. Rademacher (Eds.), *The future of building wealth: Brief essays on the best ideas to build wealth—for everyone* (pp. 251–257). Federal Reserve Bank of St. Louis & Aspen Institute. <https://futureofwealth.org/wp-content/uploads/2021/09/Sec-5.pdf>

Sherraden, M., Clancy, M. M., & Beverly, S. G. (2018, February). *Taking Child Development Accounts to scale: Ten key policy design elements* (CSD Policy Brief No. 18-08). Washington University, Center for Social Development. <https://doi.org/10.7936/K71C1WF9>

Weinstein, A. (2014). Award displacement reduces the benefits of private scholarships. *Student Aid Perspectives*. Washington, DC: National Association of Student Financial Aid Administrators.

Acknowledgments

Support for this publication comes from the Charles Stewart Mott Foundation and an anonymous donor. The authors thank Chris Leiker for editorial and design assistance.

Authors

Sondra G. Beverly is a Senior Scholar with the Center for Social Development.

Jin Huang is a Research Associate Professor with the Center for Social Development and Professor of Social Work at Saint Louis University.

Margaret M. Clancy is the Policy Director in the Center for Social Development, Director of the College Savings Initiative, and Director of the SEED for Oklahoma Kids experiment.

Michael Sherraden is founding Director of the Center for Social Development and the George Warren Brown Distinguished University Professor at Washington University in St. Louis.

Suggested Citation

Beverly, S. G., Huang, J., Clancy, M. M., & Sherraden, M. (2022, January). *Policy design for Child Development Accounts: Parents' perceptions* (CSD Research Brief No. 22-03). Washington University, Center for Social Development. <https://doi.org/10.7936/nbdq-xa08>



Center for Social Development

BROWN SCHOOL AT WASHINGTON UNIVERSITY

Center for Social Development

Washington University
MSC 1196-251-46
One Brookings Drive
St. Louis, MO 63130

csd.wustl.edu

Follow us @CSDWUSTL