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Child Development Accounts Reach Over 15 Million Children Globally

Li Zou and Michael Sherraden

Child Development Accounts (CDAs) are inclusive asset-building accounts for children's future development and security. CDAs purposefully include historically harmed and disadvantaged children. CDAs are funded by public investment and may have other funding flows as well, including those from family, community, philanthropy, nonprofit organizations, and corporations. CDAs are envisioned to be universal (include all children), progressive (offer greater public subsidies for the poor), and potentially lifelong (begin as early as birth).

First proposed in 1991,[1] inclusive asset building in the form of CDAs has now been tested and implemented in some U.S. states and in several other nations. All of this CDA policy development has been informed by research at the Center for Social Development (CSD) at Washington University in St. Louis, along with research by other academic and policy organizations.

Although this brief focuses on CDA policies in Singapore, the United Kingdom, Korea, Canada, Israel, and the United States, CDA policy innovations are also emerging in other countries. For example, both Taiwan and mainland China are implementing CDA projects and exploring wider policies.[2] Uganda and other African countries have tested CDAs in demonstration projects.[3]

In this policy brief, our purpose is to document the emergence of CDAs and estimate their global scope. Based on experimental research results from the United States, CSD has advised in the formation of each of these CDA policies. Altogether, this is applied social research leading to policy formation and impacts. These policies did not "just happen" by some sort of "social forces" or other vague explanation. From the outset, CSD's research on CDA design and impacts has informed sustainable policies. We have successfully translated knowledge into policies that respond to conditions in different societies.[4]

Estimates of numbers of CDAs presented here draw upon the most recent data available, though some data are not up to date, and some data sources may be more precise than others. Overall, when uncertain, we have made conservative choices. Thus, these estimates may understate the current number of CDAs in some countries and globally.

The Scope of CDAs in Various Countries

Singapore

Singapore has been the global leader in implementing social policies that enable every citizen and family to accumulate assets for development and security. These policies began in the mid-20th century but did not include asset building for children until the 21st century. The Singaporean government launched the Child Development Co-Savings Scheme (Baby Bonus Scheme) in 2001 to offset the financial burden of having children and encourage families to have more children.[5] This policy entitles every eligible newborn to receive government deposits into a CDA. The accounts are initiated with a government deposit of SGD 3,000 (USD 2,163), and the government matches family deposits up to SGD 18,000 (USD 12,977) per child. The amounts of the initial government deposit and matches for family saving rise with increasing birth order.[6] Parents can use assets in CDAs for designated purposes, including early childhood education, special-needs schooling, supplemental education, medical expenses, and technological devices. About 730,000 CDAs had been opened in Singapore as of 2020.[7]

In addition, when Singaporean children turn age 7, they automatically receive an Edusave account to cover the cost of educational enrichment programs. The accounts grow through governmental contributions made annually from the beginning of elementary school until the completion of high school. At this writing, elementary school children receive an annual contribution of SGD 230, and middle- and high-school children receive SGD 290.[8]

Unused balances in CDAs and Edusave Accounts automatically transfer to a Post-Secondary Education Account. Established

Child Development Accounts Around the Globe

TOTAL	Singapore	United Kingdom	Korea	Canada	Israel	United States
Over **15 Million** As of 2022	**730,000** As of 2020	**6,100,000** As of 2021	**80,800** As of 2019	**3,000,000** As of 2020	**3,990,000** As of 2022	**1,200,000** As of 2022
In total, over 15 million children have built assets in CDAs.	Approximately 730,000 children have received CDAs through Singapore's Baby Bonus Scheme.	Approximately 6.1 million children received CDAs through the U.K.'s Child Trust Fund.	Over 80,000 children received CDAs through Korea's Didim Seed Savings Account initiative.	Approximately 3 million children have received CDAs through Canada's Registered Education Savings Plan.	Nearly 4 million children have received CDAs through Israel's Saving for Every Child Program.	Approximately 1.2 million children have received CDAs through state and local initiatives.

in 2005, the accounts are designed to assist parents in saving for children's postsecondary education. They are opened automatically by the government and can be used to cover eligible expenses. When a Singaporean citizen reaches the age of 31, any remaining balance in the account is transferred to the individual's Central Provident Fund account, which builds assets for lifelong development and protections, including investments for homeownership, health care, insurances, investments, and retirement security.

United Kingdom

Following consultations with CSD between 2001 and 2005,[9] the Blair administration in the United Kingdom implemented the Child Trust Fund (CTF), a national CDA policy that automatically included all children born in the United Kingdom.[10] In 2005, initial deposits were made for children born in that year, as well as for those born between 2002 and 2004. The CTF entitled the parents of those children to open a long-term tax-free savings account on behalf of their newborn and receive two GBP 250 vouchers, one at the child's birth and the other when the child reached age 7. Children from low-income families received twice as much: two GBP 500 vouchers. If parents did not redeem their child's voucher by opening the CTF account, the government automatically opened the account for the child and deposited the voucher. Parents, relatives, and friends could make additional deposits up to GBP 9,000 per year into a child's account.[11] Children were eligible to manage their CTF account at age 16 but could not withdraw from it until age 18, when they are authorized to access the assets. The assets may be used for any purpose.

The CTF policy operated for 5 years, but priorities shifted with the election of a new government in 2010, and the CTF stopped covering new cohorts of children in 2011. In total, about 6.1 million children received CTF accounts, and those who received accounts retained them.[12] As of 2020, total assets in the CTF amounted to USD 12 billion.[13]

In September 2020, the first cohort of youth reached the age at which they are permitted to withdraw from their CTF accounts. Each month, an estimated 55,000 youth will become eligible to withdraw funds from CTF accounts until 2029.[14] As of September 2021, approximately 700,000 youth had made a withdrawal from their accounts. Some youth have reached age 18 and not withdrawn assets. They may be leaving the funds in place for future use. With the discontinuation of the CTF, it is also possible that some young people are unaware of the funds.[15]

Korea

Following several conferences and policy consultations, the Korean Ministry of Health and Welfare launched a CDA policy in 2007 to invest in human capital and boost birth rates. The policy would deliver financial education to disadvantaged children through the accounts (named "Didim Seed Savings Accounts" in 2009),[16] which would facilitate the accumulation of assets for their future. The policy generated a Korean national CDA program that started out by covering individuals aged 17 or younger in the child welfare system. The CDA policy was later expanded with the intention to include all children from low-income families (roughly half of the Korean newborns). A child's sponsors and/or parents can make deposits into the Didim account, and the Korean government matches their deposits at a 1-to-1 rate up to KRW 50,000 (USD 41) per month.[17] For administrative purposes, every child's Didim participation consists of two accounts: A savings account receives deposits from parents and sponsors, and another account receives the matching funds from the Korean government. Once children turn 18, they are authorized to withdraw funds from both accounts for education, entrepreneurship, health care, and major life events. Given the target population and the opt-in (nonautomatic) opening feature, Didim accounts are not widely available for all Korean children. As of December 2019, about 80,800 children owned such accounts.[18]

Canada

Aiming for a long-term investment in Canada's future workforce, the Canadian government established the

Registered Education Savings Plan (RESP) to allow parents to save for their children's postsecondary education from the time when the child is born. Anyone in a child's social circle can contribute to that beneficiary's RESP account, but the government offers parents two incentives to make deposits into it.

First, the Canada Education Savings Grant, available to all children, offers a 20% match for the first CAD 2,500 in deposits made by parents and family every year. Through the grant, each child is eligible for up to CAD 7,200 in matching funds.[19] Children from low- and middle-income households can receive an additional 10% or 20% of the CAD 500 of deposits made to an RESP account every year until they reach age 17.

Second, the Canada Learning Bond provides CAD 500 deposits into the RESP accounts of children from low-income households. These deposits are made when the account is opened and are not contingent on contribution from parents. In addition, the children receive a CAD 100 deposit annually until they are 15 years old. These deposits are capped at CAD 2,000.

As of 2020, 3 million children had owned an RESP account and received funds through the Canada Education Savings Grant.[20]

Israel

Following more than 15 years of CDA policy discussion, the Israeli government officially launched the Saving for Every Child Program (SECP) in January 2017. Designed to build assets for investments in future opportunities, the CDA program covers all Israeli citizens under age 18—children who are citizens of Israel plus Palestinian children in East Jerusalem. The National Insurance Institute of Israel provides NIS 52 (USD 16) to each child's SECP account each month until the child turns 18. Parents can invest their child's SECP savings by choosing from a wide range of investment options with different risks and returns.[21] If they do not choose an investment plan, the assets in their child's CDA are invested through a default option preselected by the government. Parents in Israel also receive a monthly child allowance and can deposit an additional NIS 52 from each month's allowance into the SECP CDA. When a child turns 18, he or she receives a bonus of NIS 522 (USD 165) and can start withdrawing from the account. If no withdrawal is made before the account beneficiary turns 21, the program provides a second bonus of NIS 522.[22] As of March 2022, about 3.99 million children had SECP accounts.[23]

Beginning in the 1990s, CSD advised during the long CDA policy process in Israel. We endorsed inclusion of all citizen children, especially those in the most marginalized groups, as well as Palestinian children in East Jerusalem. Politics in this region are complex, but we would like to understand the CDA in Israel as a small bridge across religious and ethnic differences in a fraught region. Although it remains a long reach, we can imagine a Middle Eastern CDA that would someday cross national borders.

United States

The United States has no federal CDA policy, but universal CDA policies have been enacted in California, Connecticut, Illinois, Maine, Nebraska, Nevada, Pennsylvania, and Rhode Island. All of these policies have been informed by evidence from the policy model demonstrated in the SEED for Oklahoma Kids experiment.[24] Specifically, the CDA policies in those states use a centralized structure: the 529 college savings plan. Under federal law, 529 plans provide a framework for the accumulation of assets designated for postsecondary education expenses. CDAs add value by transforming the 529 policy structure to serve all children and offering countervailing subsidies for children from disadvantaged households.

In addition, state-level CDA policies create opportunities for states to learn from each other, and the National Association of State Treasurers aims toward a federal CDA policy framework. At present, an estimated 1.2 million U.S. children have a CDA, with 89% of these (well over 1 million) enacted via state policy.[25] The remainder are in municipal or county-level CDA programs in San Francisco, St. Louis, New York, Los Angeles, and elsewhere.

We note that all of the statewide CDA policies, and some of the municipal CDA programs, use the *transformed 529 policy* demonstrated by CSD in SEED OK. This transformed policy has proven to be fully inclusive, efficient, trusted, and sustainable for building assets, very often with bipartisan political support.

The Potential of CDAs

Through the CDA policies presented above, over 15 million children in the world have built assets for investments toward their future development. These estimates represent a large portion of CDAs currently in the world but certainly not all. Moreover, as noted above, some countries (and some U.S. states) provide CDAs for each new birth cohort, and in these cases, the number of CDAs is on "autopilot" to continue growing.

Thus, more than a trivial number of children in the world now have a CDA. This is a promising start, but from a global perspective, a modest beginning. Most children in the world do not have access to a CDA policy. Many good people have worked hard to define and advance CDAs this far—via systematic research and taking evidence to policy—but we still have a long way to go.

We envision that someday every child on the planet might begin life with a CDA for her or his future development. In practical terms, in addition to a birth registration, health checkup, and immunizations, each child at birth would get an account with an initial deposit. Over time, other funding, including international development aid, might flow directly into CDAs.

To be sure, this is an expansive vision, one that faces many social, economic, and political barriers. Yet the basic vision is potentially within reach. The information age makes it possible to extend effective and secure financial services to everyone—even in the poorest villages in the poorest countries. Today, CDAs can potentially be securely "delivered" via cell phone to every household with children. International aid might be transformed in this process—avoiding the "leaky bucket" of bureaucratic inefficiency and local corruption by sending resources directly to individuals and families. Philanthropy and other private support could join in contributing. Imagine, if a global CDA system were in place, a wealthy foundation, a local Rotary club, a national corporation, church and school projects, or individual citizens, could send funds directly to children's accounts *of their own choosing*, from the accounts for individual children and families to those for whole villages and whole nations.

In some respects, this could become the world's first global social policy, an efficient and effective global project for developing the next generation. In the process, we would like to believe, the nations and peoples of world might weave themselves a little closer together. We see little to lose, and much to gain, in taking well-planned steps in this direction.[26]

Notes

[1] Sherraden (1991).

[2] For an early review of themes in emerging CDA policy, see Loke and Sherraden (2009). For an assessment of CDA policy, see Huang, Zou, and Sherraden (2020). On developments in mainland China, see Deng (2020). For those in Taiwan, see Cheng (2020).

[3] Nabunya et al. (2020).

[4] Sherraden, Lough, Sherraden, Williams Shanks, and Huang (2019).

[5] National Library Board of Singapore (2015).

[6] Ministry of Social and Family Development, Singapore (2021).

[7] Children without Child Development Accounts (2021); Department of Statistics Singapore (n.d.).

[8] Ministry of Education, Singapore (n.d.).

[9] Sherraden (2001).

[10] HM Treasury (2006).

[11] GOV.UK (n.d.).

[12] GOV.UK (2021).

[13] HM Revenue and Customs, HM Treasury, and Glen (2021); Robinson (2020).

[14] Morris and Parker (2021).

[15] Morris and Parker (2021).

[16] Sherraden (2009).

[17] National Center for the Rights of the Child (n.d.).

[18] Korea Social Welfare Council (n.d.).

[19] Government of Canada (2021a).

[20] Government of Canada (2021b).

[21] National Insurance Institute of Israel (n.d.-b).

[22] National Insurance Institute of Israel (n.d.-a).

[23] Staff of the National Insurance Institute of Israel (personal communication, March 7, 2022).

[24] Clancy, Orszag, and Sherraden (2004).

[25] Prosperity Now conducts a periodic survey of "Child Savings Accounts" (another name for CDAs), and the data here are from that survey. The precision of these data are unknown, but based on our own knowledge of statewide CDA totals, the total number for CDAs in the United States seems like a reasonable estimate (Prosperity Now, 2022).

[26] Huang, Sherraden, and Sherraden (2021).

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Authors

Li Zou is International Director at the Center for Social Development.

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

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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

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