Lessons from Research: What’s the Impact of Child Accounts?

Federal Reserve Bank of St. Louis
“529S AND CHILD SAVINGS ACCOUNTS: NEW STRATEGIES TO PROMOTE SAVINGS AND DEVELOPMENT FOR AMERICA’S CHILDREN”

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Figure 1: General Overarching Framework

Implications of CDAs for child outcomes

• CDAs are a potential way to equalize opportunity and help encourage early planning and conversation about college and other long-term goals for a wider range of households.

• When done well, CDAs might accomplish multiple goals:
  – *Increase educational expectations and eventually attainment; increase financial awareness and eventually capability; increase hope and other socio-emotional outcomes, provide a tangible benefit of citizenship or membership.*

• CDAs are a long-term policy instrument. As programs are started, it may be beneficial to consider age-appropriate supports and incentives across time.
Implications for CDA programs

• Targeted outreach may be necessary for more disadvantaged groups.

• People become distracted. Find ways to frequently remind families about accounts (via mailings and social media; at graduations and parent teacher conferences, identity-based motivation activities)

• Link accounts to trusted people and institutions.

• Consider promoting both saving and non-savings goals.

• Find ways to complement existing local scholarships and educational opportunities.