cfed
expanding economic opportunity

Why Is Children's Savings So Important?

A college degree has become an essential stepping-stone to lifelong opportunity and self-sufficiency. Yet **far too many smart, hard-working students are not graduating from college**. In fact, more than 9 out of 10 students from low-income families are failing to earn a bachelor's degree by their mid-20s. This limits their potential, weakens our communities and hurts our country's economic performance. **It shouldn't and doesn't have to be this way.**

Many barriers stand in the way of college achievement. Children's Savings Account (CSA) programs directly address a critical one: a lack of financial assets. **We now know that assets – particularly savings dedicated to a child's future education – can have a powerful effect on kids' success later in life, in both direct and indirect ways.**

"If I had not saved up some money for college, I could not imagine how hard it would be to study and work in my first two years of college! … **The [college savings] program really changed my life. It taught me how to plan my life in advance**."

-Jennifer Z. Former CSA participant
Juma Ventures, San Francisco

How Savings Benefits Our Children

Savings has a positive impact on:

1 Expectations of college attendance

Children with college savings are **almost twice as likely to have higher college aspirations** as those without savings.

2 Academic achievement and preparation

Children with college savings are more likely to get **better grades** and complete **more years of education**, no matter their income level.

With as little as $3,000 in savings, they're also more likely to **graduate from high school**.

3 Chances of attending and completing college

A low- or moderate-income student with a dedicated savings account for college is three times more likely to attend college and **four times more likely to complete college,** even with **only $1-$499** in the account.

Children's Savings Accounts:

Expanding educational opportunity for the next generation

What are Children's Savings Accounts?

Children's Savings Accounts (CSAs) are long-term savings accounts set up for children as early as birth, to help families pay for the cost of post-secondary education.

Accounts are typically started with an initial deposit, and grow with family contributions. Financial incentives encourage a regular savings habit, and kids benefit from ongoing financial education from trusted leaders in their community.

How Do CSA Programs Work?

Here's how "Mary," a child in a typical CSA program, experiences the savings process:

<u>**Mary and her family…**</u>

1 Sign up for a CSA program

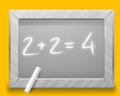
…typically with an initial deposit from the account sponsor, starting Mary on her way.

2 Make ongoing account deposits

…with financial incentives and matches encouraging regular contributions.

3 Receive robust financial education and other financial services

…building a foundation for a lifetime of smart financial decision-making.



4 Withdraw funds for education after high school

…creating an opportunity for Mary to get an education and take control of her future.

"I now recognize that no matter how little the amount of money I begin with, if I allow time to work for me, **I can accomplish a better way of life."**

- Jamar N., CSA participant, Boys & Girls Clubs of Delaware

Three Key Ingredients for a CSA Program

1. **A network that already serves significant numbers of youth.** These groups establish trust, communicate savings opportunities and provide financial education.

2. **A system of user-friendly custodial savings accounts.** They make deposits easy and ensure that savings are only used for their intended purpose.

3. **Financial savings incentives.** These typically include an initial deposit to "seed" the account and other incentives (such as savings matches) to encourage ongoing deposits.

More information on CFED's work on Children's Savings Accounts can be found at [www.cfed.org/programs/csa.](http://www.cfed.org/programs/csa)