

INVESTING IN DREAMS

A Blueprint for Designing Children's Savings Account Programs

By Shira Markoff & Dominique Derbigny
With a foreword by Andrea Levere

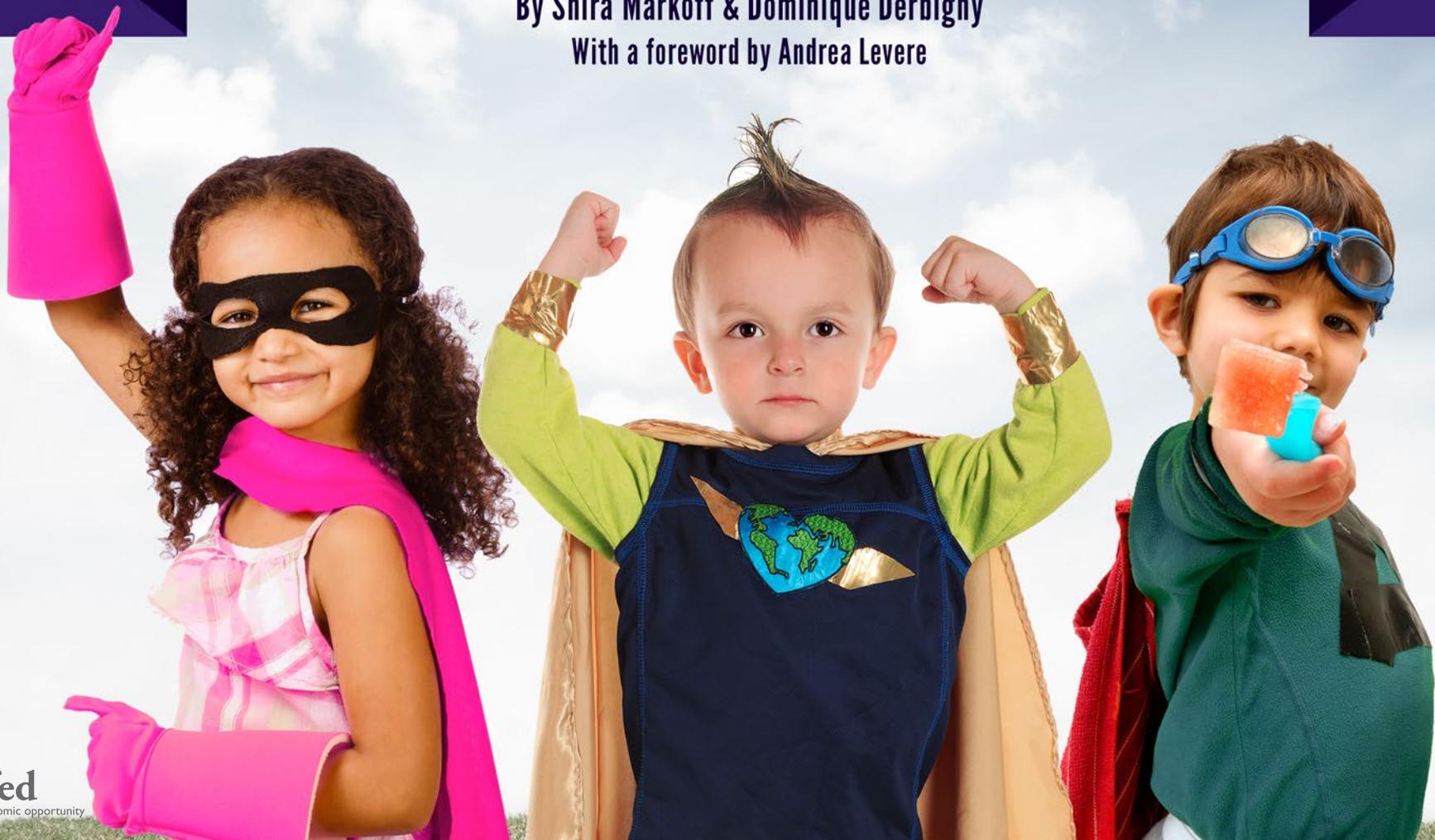


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Foreword



Andrea Levere
President, CFED

At CFED, we believe that the ZIP code into which you are born shouldn't limit your dreams or opportunities. Every child in this country deserves a shot at a secure future, and higher education is key to attaining financial security. Yet too often, low- and moderate-income young adults miss out on the educational opportunities that can raise their financial prospects. To reduce this opportunity

gap, CFED envisions a world where every child gets a boost towards college with a Children's Savings Account (CSA)—a long-term, incentivized savings account established for children early on and allowed to grow until they reach adulthood.

Whether the account starts at birth, kindergarten or middle school, we know that CSAs raise children's aspirations and encourage them to see themselves as someone who *will* go to college.¹ And the impact goes further than just building aspirations—research shows that low- and moderate-income children with college savings are significantly more likely to go to college and even more likely to graduate.² Moreover, the benefits of CSAs are not limited to children alone. These accounts demonstrate the potential for parents and caregivers, together with children, to build their financial capability by making saving and postsecondary education regular topics at dinner table conversations. Furthermore, with the right structure, CSA programs can provide pathways for families to access valuable services such as safe and affordable financial products.

For more than a decade, CFED has provided a range of products and services designed to advance CSAs, including technical assistance services for program design, peer exchange and learning through conferences, policy development at every level of government and support to advocates working to promote children's savings in their communities. Over this period, we have been thrilled to see CSAs grow from a niche idea into a powerful movement, with programs springing up across the country.

Capitalizing on this momentum, we created the **Campaign for Every Kids' Future**—a collaboration between practitioners, elected officials, funders, financial institutions, researchers and other CSA supporters to reach the goal of 1.4 million accounts for children by 2020. To achieve this vision, we need more large CSA programs serving all children in a city, county or an entire state. *Investing in Dreams* is an integral part of this larger strategy, as it provides support and technical expertise to a new crop of CSA initiatives that collectively will get us to our goal of 1.4 million children with CSAs. Harnessing what CFED and more than a dozen CSA practitioners have learned over the past decade, *Investing in Dreams* provides a blueprint for emerging programs to translate their ideas into concrete, effective program designs.

We can't achieve this vision without you, and we deeply appreciate all you do to make every child's dreams come true! We hope that this design guide provides valuable guidance to your initiatives.

¹ Sondra G. Beverly, William Elliott and Michael Sherraden, *Child Development Accounts and College Success: Accounts, Assets, Expectations and Achievements* (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2013), <http://csd.wustl.edu/Publications/Documents/PI3-27.pdf>.

² Emily Rauscher and William Elliott, *Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education* (Lawrence, KS: Center on Assets, Education and Inclusion, University of Kansas, 2013), <http://aedi.ku.edu/publication/report/building-expectations-delivering-results-asset-based-financial-aid-and-future>.



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Introduction: About Children's Savings Accounts

Over the past several years, many states, cities and nonprofit organizations have started [Children's Savings Account \(CSA\)](#) programs. Ranging from small programs serving children at one school to statewide programs serving all newborns, these programs all share a common goal—promoting savings and [asset-building](#) opportunities for children, especially those from low- and moderate-income families. In particular, most of the programs focus on helping children access postsecondary education by building both their savings and their educational aspirations.

Children's Savings Accounts³ (also known as Child Development Accounts or CDAs) are long-term savings or investment accounts established for children and youth (ages 0-18) and allowed to grow until children reach adulthood. Many CSA programs provide an initial “seed” deposit to start accounts, and savings are built by contributions from family, friends and the children themselves. While CSA programs serve a wide range of children, CFED's emphasis is on ensuring that CSA programs reach low- and moderate-income children and families for whom it may be more difficult to access other savings opportunities, such as [529 college savings plans](#).

CSA program models differ, but the essential characteristics of CSA programs are that they:

- ◆ Are intended for a long-term asset-building purpose, most often postsecondary education (other possible uses include entrepreneurship, homeownership and retirement).

- ◆ Provide direct, monetary [incentives](#) (e.g., [initial deposits](#), [savings matches](#), [benchmark incentives](#), [prize-linked incentives](#) or [refundable tax credits](#)⁴).
- ◆ Restrict withdrawals from savings for non-qualified purposes (i.e., the funds must be used for a designated asset, which is usually higher education).

In addition to these characteristics, many programs also provide [financial education](#), college preparation or academic supports, and other opportunities for children (and sometimes their parents) to build their [financial capability](#) and academic skills. Many programs also offer progressive savings incentives, which help low- and moderate-income participants build their account balances more quickly.

A Brief History of CSAs

The concept of asset building for low-income individuals first gained prominence in the early 1990s after the publication of the groundbreaking book, *Assets and the Poor: A New American Welfare Policy*, in 1991 by Michael Sherraden, George Warren Brown Distinguished University Professor and Director of the Center for Social Development (CSD) at Washington University in St. Louis. Sherraden's key insights were that assets matter in ways that income alone does not, and that institutional arrangements—provided through employers, government policies, incentives, education, etc.—matter in determining who accumulates assets and who does not. He proposed the idea

³ While this Guide focuses exclusively on CSAs, CFED supports the wide range of efforts happening across the country to encourage children to save and build their financial capability, such as bank-at-school programs and short-term savings programs.

⁴ Does not include programs that offer tax deductions only, which may not be accessible for low-income families who do not have a tax liability.



of universal **Individual Development Accounts** (IDAs)—in which individuals' savings are matched by government or private sources—to facilitate asset accumulation, especially for low-income families. Since the 1990s, the asset-building field has grown tremendously, with IDA programs and other asset-building initiatives all over the country.

While many of the initial asset-building initiatives focused on adults, in the early 2000s, the field began to increasingly recognize the importance of targeting asset building toward children as well. In 2003, CFED, along with partners from CSD, the Aspen Institute's Initiative on Financial Security, New America Foundation, Research Triangle Institute and the University of Kansas School of Social Welfare, launched a multi-year national policy, practice and research initiative known as SEED (Saving for Education, Entrepreneurship and Downpayment). SEED was designed to develop, test, inform and promote matched savings for children and youth. The SEED initiative succeeded in showing the promise of CSAs, not only to promote financial security for low- and moderate-income children, but also to raise the hopes and aspirations for the future of both children and their families.⁵ SEED research continued after the initial phase with the SEED for Oklahoma Kids experiment, which launched in 2007. This ongoing research study uses a randomized control trial to test the impact of automatic, progressive CSAs.⁶

In the years following SEED, dozens of new programs sprang up, including large-scale programs such as the Kindergarten to College program, which serves all public school kindergarteners

in San Francisco, and the Harold Alfond College Challenge, which serves all babies born as Maine residents. (Figure A shows major programmatic and policy developments in the field from 2003-2015.) In addition, other major developments in the field include:

- ◆ In 2013, the Nevada Treasurer's Office created the **College Kick Start** program which, after an initial pilot period, expanded statewide to provide an initial deposit of \$50 into a 529 account for every public school kindergartner in the state.
- ◆ In 2014, Connecticut launched the **Baby Scholars program**, which deposits \$100 into a Connecticut Higher Education Trust (CHET) 529 account for all Connecticut children whose parents open an account within the child's first year.
- ◆ In 2014, Rhode Island's **CollegeBoundbaby** program replaced a cumbersome enrollment process with one in which parents need only check a box on their child's birth certificate form to receive an automatic \$100 initial deposit into a 529 college savings account.
- ◆ In 2015, the St. Louis Treasurer's Office created **St. Louis College Kids** to provide accounts at a local credit union for all public school kindergartners in the city.

For more information on current CSA programs, visit CFED's **Children's Savings Directory**.

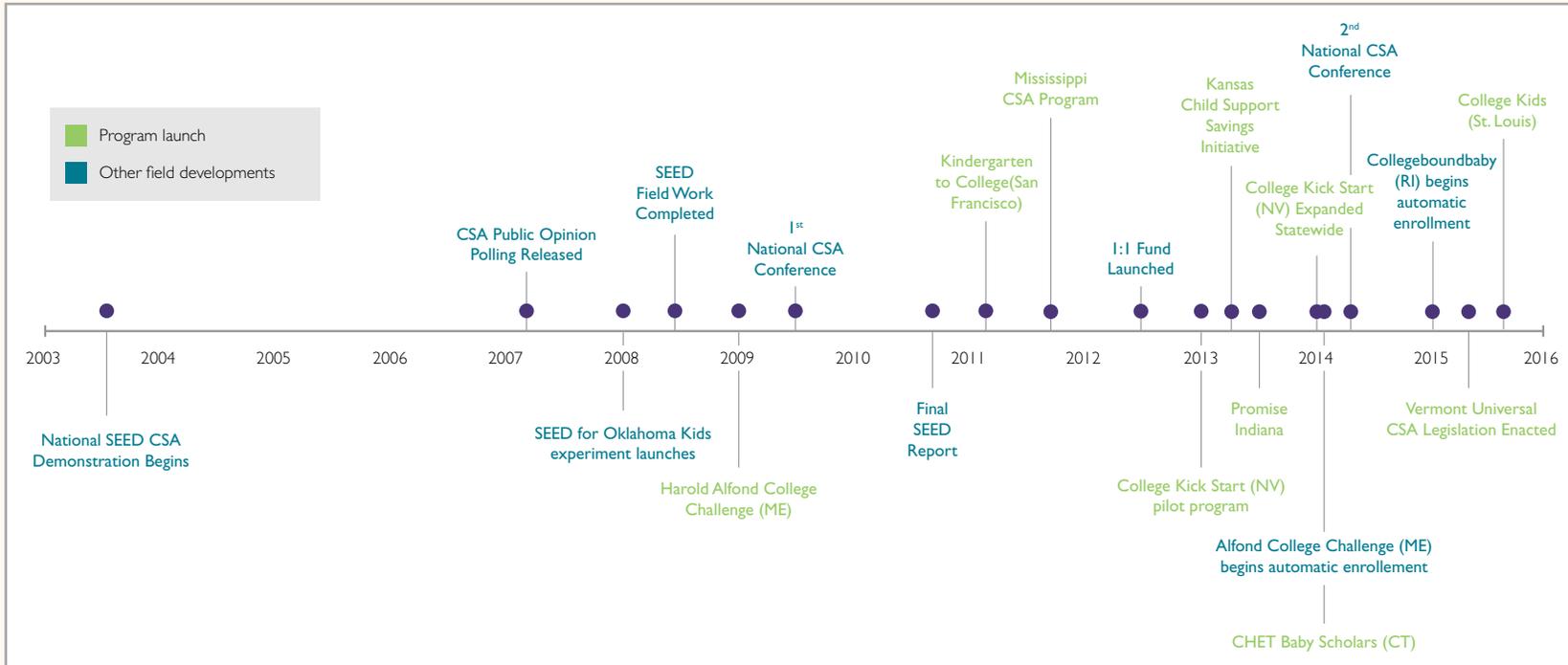
⁵ For more information on SEED, see Deborah Adams, et al., *Lessons from SEED: A National Demonstration of Child Development Accounts* (Washington, DC: CFED, 2010), <http://cfed.org/assets/pdfs/SEEDSynthesis.pdf>.

⁶ Early results from SEED for Oklahoma Kids are available in Sondra Beverly, Margaret Clancy and Michael Sherraden, *Testing Universal College Savings Accounts at Birth: Early Research from SEED for Oklahoma Kids* (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2014), <http://csd.wustl.edu/Publications/Documents/RS14-08.pdf>.





Figure A: Major Developments in the CSA Field



CSAs have fully transformed from a niche interest to a prominent asset-building tool for children, with a wide range of supporters including practitioners; local, state and federal policymakers from across the political spectrum; researchers and funders. The field is poised to become a national movement—one that we hope will ultimately lead to every child in the United States having an account that invests in his or her future. Capitalizing on this momentum, in 2015, CFED launched the **Campaign for Every Kids' Future**—a collaboration between practitioners, elected officials, funders, researchers and other CSA supporters to reach the goal of 1.4 million accounts for children by 2020.



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Benefits of Children's Savings

Growing interest in CSAs has been fueled by research indicating that savings have significant effects on children and youth, particularly in the realm of educational attainment. CSAs give participants a financial boost in paying for college, but more importantly, they help build the aspirations and expectations of children and their parents around higher education.

Over a decade of research and practice shows that building savings can accomplish a number of desirable outcomes, including:

- ◆ **Increasing college expectations.** Savings for postsecondary education foster a **college-bound identity** in children, in which they see themselves as someone who will go to college.⁷
- ◆ **Improving college attendance.** Savings are associated with youth staying on course to attend college. One study found that about 68% of teens whose parents had college savings for them were on track to attend college, versus 47% of teens whose parents did not have college savings. In addition, 75% of youth with their own college savings were on course for college, while only 45% of youth without college savings were on track.⁸
- ◆ **Increasing college completion.** One notable study reveals that low- and moderate-income children with dedicated college savings of between \$1-499 are three times more likely

to attend college and four times more likely to graduate from college than those without savings.⁹

- ◆ **Reducing student loan debt** by providing savings to supplement financial aid. One study found that, controlling for other factors such as income, college graduates whose parents had college savings for them had an average of \$3,209 less in student loan debt.¹⁰
- ◆ **Increasing families' financial capability** by giving accounts that are appropriate, accessible, affordable and secure.

CSAs may also have other positive impacts on children and their families. Rigorous research from the SEED for Oklahoma Kids (SEED OK) project shows that children provided a CSA at birth scored better on early childhood socio-emotional development indicators than their counterparts who did not receive a CSA. In addition, the research found that mothers whose children have CSAs experience less symptoms of maternal depression. These results largely hold true whether families contribute their own savings or not, suggesting that having a seeded CSA can have an impact on children and their families.¹¹

⁷ Beverly, Elliott and Sherraden, *Child Development Accounts and College Success*, 4.

⁸ William Elliott and Sondra Beverly, "Staying on Course: The Effects of Savings and Assets on the College Progress of Young Adults," *American Journal of Education* 117, no. 3 (2011): 343-374, <http://csd.wustl.edu/Publications/Documents/WPI0-12.pdf>.

⁹ Rauscher and Elliott, *Building Expectations, Delivering Results*, 67.

¹⁰ William Elliott, Melinda Lewis, Michal Grinstein-Weiss and IISung Nam, "Student Loan Debt: Can Parental College Savings Help?," *Federal Reserve Bank of St. Louis Review* 96, no. 4 (2014): 331-357, <http://research.stlouisfed.org/publications/review/2014/q4/elliott.pdf>.

¹¹ Jin Huang, Michael Sherraden, Youngmi Kim and Margaret Clancy, "Effects of Child Development Accounts on Early Social-Emotional Development: An Experimental Test," *JAMA Pediatrics* 168, no. 3 (2014): 265-271, <http://archpedi.jamanetwork.com/article.aspx?articleid=1815478>.



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About this Guide

The CSA field has grown and changed substantially over the past several years. When CFED published *From Piggy Banks to Prosperity: A Guide to Implementing Children's Development Accounts* in 2008, the field was small and most of the energy centered on the SEED initiative. In the ensuing years, we have seen the proliferation of new program models, research results and ideas across the country. In working with these programs, we have gained new insights about designing and implementing successful CSA programs. *Investing in Dreams* reflects the latest thinking on successful design and implementation of CSA programs from CFED and the many practitioners, researchers, funders and others who have helped shape this field.

A Brief Note on Scale

While CFED is pleased with the expansion of CSA programs big and small around the country, our ultimate goal is a universal progressive system serving all children in the United States. We believe that the most efficient and effective way to reach that goal is via federal policy. Towards that end, we are primarily focusing our efforts on creating more large-scale programs at the city, county and statewide levels, because these programs both significantly expand the number of children with CSAs and help build support for federal action. This Guide is written to help in designing programs of all sizes, but our primary interest is to encourage the development of those programs that have the potential to reach scale (i.e., programs serving thousands of savers).



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How to Use This Guide

Investing in Dreams is an interactive guide that helps organizations, cities, counties and states design successful Children's Savings Account (CSA) programs. It walks you through the process of creating and launching a customized CSA program for your community, with a combination of tools, information, resources and examples from the field. This guide is intended for anyone who is considering or is in the process of developing a CSA program. It may also be useful for funders, advocates, policymakers, community members, researchers and other supporters of children's savings who want to learn more about how CSA programs work.

Investing in Dreams contains three key sections that help you explore critical design considerations and prepare to launch your program.

Section A: Designing Your Program

Section A walks you step-by-step through key design decisions to help you craft a customized CSA program tailored to the priorities of your community. It covers:

- ◆ Building the design team
- ◆ Setting program goals
- ◆ Selecting and enrolling your target population
- ◆ Deciding on a program coordinator
- ◆ Choosing an account and financial partner
- ◆ Determining incentives to grow savings
- ◆ Fostering family and child engagement
- ◆ Building financial capability

Each chapter includes a Program Design Blueprint—to help you make decisions about your program model, as described on the next page.

Section B: Launching Your Program

Once you have made key design decisions about your program and created your customized Program Design Blueprint, Section B walks you through how to put your design into operation, including:

- ◆ Developing a program budget
- ◆ Fundraising to support the program
- ◆ Setting up your program operations and management systems
- ◆ Determining how you will define and measure the success of your program

Section C: Tools and Resources

Section C provides one-stop access to tools and resources identified throughout the guide, as well as additional resources to help you design and implement your CSA program, including:

- ◆ **Program Design Blueprint**—A downloadable, fillable version of all the Blueprints in the guide.
- ◆ **Resource Guide**—A list of all the tools and resources mentioned throughout the guide, as well as additional resources.
- ◆ **Frequently Asked Questions (FAQs)**—A compilation of all the FAQs located throughout the guide, as well as additional FAQs that may help address your design questions.
- ◆ **Glossary**—Definitions for all key terms used in the guide. Throughout the guide, key terms appear as **bold underlined blue text** and, when clicked, transfer you directly to the glossary.



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PROGRAM DESIGN BLUEPRINTS

Each chapter in Section A has an accompanying Program Design Blueprint that helps you make key decisions about the design of your CSA program. The Blueprints shown at the end of each chapter in the text are for reference only. You can download the complete set of blank, fillable copies of all the Program Design Blueprints from **Section C**. We encourage you to save the Blueprints on your computer or device and share them among members of your program design team and other stakeholders.

Since the chapters of **Section A** build on one another, we recommend reading through all of Section A first, and then going through each of the chapter Blueprints with your program design team and relevant stakeholders. (You can find more information on building your program design team in **Chapter I**.) Though the Blueprints are laid out in the order of the chapters, designing a CSA program is generally an iterative process. As your design team works through the different design elements and gains more information about the local context, you may want to revisit your earlier decisions. For example, you may initially decide that a pooled savings account is the best account type for your program, but if you are unable to find a local bank or credit union that is willing and able to partner, you will need to rethink your account type selection.



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Section A:

DESIGNING YOUR PROGRAM

CSA programs use a diverse set of program models; each program is customized to meet identified local priorities and to work within available resources. To help you create a tailored program model, Section A: Designing Your Program, walks you step-by-step through each key design decision, including:

- ◆ **Building the Design Team**
- ◆ **Setting Program Goals**
- ◆ **Selecting and Enrolling Your Target Population**
- ◆ **Deciding on a Program Coordinator**
- ◆ **Choosing an Account and Financial Partner**
- ◆ **Determining Incentives to Grow Savings**
- ◆ **Fostering Family and Child Engagement**
- ◆ **Building Financial Capability**

Each chapter in this section includes a Program Design Blueprint to help you work through the various considerations for each of these design elements and make decisions about your program model. By the end of Section A, you will have a customized design blueprint for your CSA program.



Program Success Factors

Section A provides you with a wide range of options and models for designing your CSA program so that you can create a program customized to the circumstances in your area. Nonetheless, after over a decade of practice, we can identify several factors that generally lead to successful programs, including:

- ◆ **Automatic enrollment** (discussed in Chapter 3). Automatically enrolling children in the program ensures that all children have access to the program and saves valuable resources that would have been expended in recruitment.
- ◆ **Universality** (discussed in Chapter 3). Making the program open to all children in a particular area can make the program more politically feasible (since all families, regardless of income, become participants) and decreases the administrative burden of verifying eligibility.
- ◆ **Public sector support** (discussed in Chapter 10). Support from the public sector, which may include funding or operational support, is particularly important for large programs or for scaling up smaller programs. The public sector can provide resources and infrastructure to support implementation and program operations to ensure long-term program sustainability; can help facilitate automatic enrollment by giving programs access to participant data through government systems, such as birth or school records; and can leverage its assets and relationships to incent participation among private-sector actors, such as financial institutions, in CSA programs.
- ◆ **Multiple funding sources** (discussed in Chapter 10). Raising funds from diverse sources to support the program, particularly to be able to offer additional savings incentives beyond the initial deposit, lessens the cost to government agencies and creates a more sustainable funding model.
- ◆ **Matched savings opportunities** (discussed in Chapter 6). As demonstrated by both CSA and IDA programs, savings

matches encourage families to make deposits and build savings balances more quickly.

- ◆ **Progressive incentive structures** (discussed in Chapter 6). Providing additional or higher savings incentives to low- and moderate-income participants helps children whose families have limited financial resources build their account balances faster.
- ◆ **Multiple deposit options** (discussed in Chapter 5). Having multiple deposit options, such as depositing in-person, online or by mail, makes savings participation easier and encourages more families, especially low- and moderate-income families, to make contributions.
- ◆ **Family and child engagement strategies** (discussed in Chapter 7). Engaging children and their families in the CSA program is crucial for encouraging account contributions and helping the accounts and their stated purpose (e.g., saving for higher education) gain meaning for children.

As you explore the different program design options throughout Section A, bear these program success factors in mind. If you are creating a large-scale program (or a smaller program that you ultimately plan to scale up), the first three factors—automatic enrollment, universality and public sector support—are particularly important. For a program designed to enroll a large number of children, such as all kindergartners in a city or state, requiring parents to sign forms or otherwise opt into the program requires extensive outreach resources, and even then, a significant portion of children will likely still not be enrolled. Likewise, verifying eligibility for thousands of children is very resource-intensive, so universal programs are more scalable. Finally, starting up a large program, such as one serving thousands of children, requires a significant outlay for both program operations and initial deposits. The public sector is more likely to be able to provide this type of support, both monetarily and through in-kind operations support, than philanthropic or private donors can.



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Chapter 1: Building the Design Team

IN THIS CHAPTER YOU WILL:

- ◆ Identify the key stakeholders you need to participate in designing your CSA program.
- ◆ Determine what role each stakeholder will have in the design process.

Community input and buy-in from diverse stakeholders is critical for designing an effective, sustainable CSA program. Thus, the first step to designing your CSA program is to make sure that you have all the right people at the table. This chapter will help you determine the key stakeholders that need to be part of your program design process.

The first step in building your team is identifying internal stakeholders who should be involved in the process, including:

- ◆ **Leaders**, such as the executive director and board members for a nonprofit organization, the agency and department heads for a government agency, or the legislative, policy or administrative directors in an elected official's office. These leaders' buy-in and support are critical for success.
- ◆ **Program managers or directors** with experience running similar types of programs or working with the target population who can offer insights into program design.

If your organization plans to administer the program (see **Chapter 4** on selecting a program coordinator), you may also want to bring the **staff that will be responsible for implementing the program** into the process early to ensure their buy-in.

Next, you will need to consider the external stakeholders who should be involved in the design process. The composition of this group will vary by community, but the general categories of stakeholders include:

- ◆ **Community organizations.** Organizations in your community that serve and are trusted by your target population, such as community-based social service agencies, faith-based organizations, and providers of financial education and other financial capability services, will be critical in helping you conduct outreach to the families of participants and increasing child and family engagement with the program. They may also have insights about how to tailor the program to meet families' needs, as well as having relationships with financial institutions or other potential partners that can be leveraged. In addition, these organizations can be helpful upfront in supporting advocacy efforts to secure public funding for the program. Getting their buy-in also helps to ensure that they feel that CSAs are a good use of public money, rather than a diversion from other community needs.
- ◆ **Financial institutions.** Since participant accounts are vital to operating a CSA program, bringing financial institutions and financial service providers, such as banks, credit unions and 529 account providers, into the design process helps you understand what the range of account options are in your community so you can design your program to work within those confines.
- ◆ **Funders.** Involving potential funders in the design process will build their buy-in and willingness to provide funding for the program. **Chapter 10** provides more information on the types of funders that may be interested in supporting CSA programs.



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- ◆ **Parents of potential participants.** Involving parents of potential participants in the design process will help you create a program that works for families and build buy-in and engagement.
- ◆ **Public officials.** As outlined in the introduction to Section A, public support is particularly critical for a large-scale CSA program. Building support from key officials in your city or state early on—such as from mayors, human services agency directors, governors or treasurers—will help lay the foundation for receiving funding or operational support from the local or state government down the road. Bear in mind that it is important to cultivate support from a range of public officials, rather than relying on one champion. This will help ensure the program’s longevity beyond the tenure of any one particular public official.
- ◆ **Schools.** Schools can be excellent partners for encouraging child and family engagement (as discussed in **Chapter 7**) because they have ready access to kids and parents. As a result, you will want to get key school officials, such as superintendents, school board members and principals involved in the design process to build buy-in. In addition, if your program plans to enroll children based on school records (such as enrolling all children entering kindergarten), you will need information from the schools about the feasibility of obtaining those records and what data-sharing protocols need to be in place.

If you plan to conduct a formal evaluation of your program, you should also engage evaluators in design conversations to ensure that you are setting up a program that is conducive to evaluation. See **Chapter 12** for more information on measuring outcomes.

Stakeholder Roles

Once you have identified all your stakeholders, your next step is to consider how you will involve each in the design process. While it is important to have a wide range of people engaged in the program design process, they do not all need to be involved in every aspect. For example, while school officials may be critical to have at the table when discussing child and family engagement strategies, they probably do not need to be involved in exploring account options.

To help determine how to utilize each stakeholder in the process, consider these possible roles:

- ◆ **Program design team:** The core team that is responsible for coordinating all aspects of the design process and bringing in other stakeholders as appropriate.
- ◆ **“Consultants”:** Individuals or organizations whose input or feedback is critical for certain aspects of the program design. For example, before deciding on your account product, you may want to speak with parents about the features that are important to them in an account.
- ◆ **Decision-makers:** Individuals, such as organization leadership or board members, who are not involved in the day-to-day design process but who need to agree on key decisions.
- ◆ **Supporters:** Individuals or organizations, such as funders or public officials, who may not need to be directly involved in the design process, but whose buy-in and support is critical to program success. Supporters should be kept informed about your progress as you move through the design process.

Giving thought to the appropriate role for each stakeholder upfront will help make your design process more efficient and ultimately yield a well-designed program with broad-based community support.



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IN ACTION: BUILDING THE TEAM IN ST. LOUIS

As part of an overall effort to increase access to financial capability services, safe financial products and higher education, St. Louis Treasurer Tishaura Jones and her staff decided to create the **St. Louis College Kids** program. To jumpstart development of the College Kids program, Treasurer Jones convened her executive team along with the mayor, comptroller and Board of Aldermen to determine the program's goals. Drawing on knowledge gleaned from existing CSA programs and experts in the field, they formed an advisory board that includes school administrators, local elected officials, financial partners and other key stakeholders. Local schools were invited to participate in the planning process to ensure the program would support their existing goals for students and families. The design team also met with city officials to propose a bill to incorporate the program into city ordinance.

By building the right team early on, St. Louis College Kids has cultivated buy-in from critical stakeholders and is leveraging private investment to ensure the sustainability of the program under future city treasurers. The design team's goal is to create a model that works well for the city's schools and residents and that can be adapted by other cities or, ideally, adopted statewide for all kindergartners.



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PROGRAM DESIGN BLUEPRINT 1: BUILDING THE DESIGN TEAM



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1a) INTERNAL STAKEHOLDER ROLES. In the first column, write each internal stakeholder (such as leaders, program managers/directors and additional staff who may be responsible for implementing the program) who you think should be involved in your program design process. Answer the questions in the table for each stakeholder to help you consider their appropriate role in the design process. Finally, select the best role for the stakeholder (i.e. program design team member, consultant, decision-maker or supporter) in the last column. *Refer to Chapter 1 for explanations of each of these roles.*

| INTERNAL STAKEHOLDER(S) (e.g., organization/agency leaders, board members and program managers/directors) | On what areas of program design can the stakeholder offer critical input or feedback? (e.g., selecting an account product, developing a family and child engagement strategy, choosing incentives) | Are there any design decisions that the stakeholder should have the ultimate decision power on or on which it is critical to have the stakeholder's agreement? (e.g., the school superintendent needs to sign off on any plan to provide financial education through schools) |  STAKEHOLDER ROLE |
|---|---|--|---|
| | | | <input type="checkbox"/> Program design team member <input type="checkbox"/> Consultant <input type="checkbox"/> Decision-maker <input type="checkbox"/> Supporter |
| | | | <input type="checkbox"/> Program design team member <input type="checkbox"/> Consultant <input type="checkbox"/> Decision-maker <input type="checkbox"/> Supporter |
| | | | <input type="checkbox"/> Program design team member <input type="checkbox"/> Consultant <input type="checkbox"/> Decision-maker <input type="checkbox"/> Supporter |
| | | | <input type="checkbox"/> Program design team member <input type="checkbox"/> Consultant <input type="checkbox"/> Decision-maker <input type="checkbox"/> Supporter |



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PROGRAM DESIGN BLUEPRINT 1: BUILDING THE DESIGN TEAM

1b) EXTERNAL STAKEHOLDER ROLES. In the first column, write each external stakeholder (such as community organizations, financial institutions, funders, parents, public officials and schools) who you think should be involved in your program design process. Answer the questions in the table for each stakeholder to help you consider their appropriate role in the design process. Finally, select the best role for the stakeholder (i.e. program design team member, consultant, decision-maker or supporter) in the last column. Refer to *Chapter 1* for explanations of each of these roles.

| EXTERNAL STAKEHOLDER(S) (e.g., organization/agency leaders, board members and program managers/directors) | On what areas of program design can the stakeholder offer critical input or feedback? (e.g., selecting an account product, developing a family and child engagement strategy, choosing incentives) | Are there any design decisions that the stakeholder should have the ultimate decision power on or on which it is critical to have the stakeholder's agreement? (e.g., the school superintendent needs to sign off on any plan to provide financial education through schools) |  STAKEHOLDER ROLE |
|---|---|--|---|
| | | | <input type="checkbox"/> Program design team member <input type="checkbox"/> Consultant <input type="checkbox"/> Decision-maker <input type="checkbox"/> Supporter |
| | | | <input type="checkbox"/> Program design team member <input type="checkbox"/> Consultant <input type="checkbox"/> Decision-maker <input type="checkbox"/> Supporter |
| | | | <input type="checkbox"/> Program design team member <input type="checkbox"/> Consultant <input type="checkbox"/> Decision-maker <input type="checkbox"/> Supporter |
| | | | <input type="checkbox"/> Program design team member <input type="checkbox"/> Consultant <input type="checkbox"/> Decision-maker <input type="checkbox"/> Supporter |



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Chapter 2: Setting Program Goals

IN THIS CHAPTER, YOU WILL:

- ◆ Set the goals for your CSA program.
- ◆ Consider how you will evaluate and measure success.

In Chapter 1, you identified the key stakeholders who need to be involved in the program design process. The next step is determining your program goals. CSAs are a powerful asset-building tool because they can meet a variety of goals. Setting clear program goals upfront will help to drive subsequent program design decisions. In addition, goals are critical to defining and achieving programmatic success, as well as helping you convey the objectives of your program to potential partners, funders and participants.

Goals you may consider for your CSA program include, but are not limited to:

- ◆ Increasing college savings and affordability.
- ◆ Fostering a **college-bound identity** in children (i.e., children's view of themselves as someone who will attend college).
- ◆ Increasing college enrollment and completion.
- ◆ Promoting educational achievement in elementary and secondary school.

- ◆ Increasing child and family **financial capability** (i.e., their capacity—based on knowledge, skills and access—to manage financial resources effectively).¹²
- ◆ Developing savings habits in children and parents.
- ◆ Building lifelong assets.

Your program may choose to focus on a particular goal or a combination of goals. In either case, ensure that your expectations are realistic.

To determine which goals you would like to achieve through your program:

- ◆ **Involve key stakeholders, such as staff, policymakers, board members, clients and funders, in the goal-setting process.** Include important players (**as described in Chapter 1: Building the Design Team**) in the goal-setting process by hosting focus groups or facilitating interviews to get an understanding of individual and community priorities.
- ◆ **Analyze the needs of your target population.** With your key stakeholders, discuss the challenges facing your program's target population and consider the ways that the CSA program can address them.¹³

¹² Amended Charter: President's Advisory Council on Financial Capability (Washington, DC: U.S. Department of the Treasury, 2010).

¹³ For an example of a target population analysis, see Tool 1 in **Building Financial Capability: A Planning Guide for Integrated Services**.



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- ◆ **Identify program goals that align with your organization’s mission.** For example, the primary goal of **Kindergarten to College** (K2C) is to make sure every child in San Francisco can save for postsecondary education. This objective aligns with the overall mission of the San Francisco Office of Financial Empowerment, which designed K2C and administers the program, to give low-income residents opportunities to participate in the financial mainstream through saving for college.
- ◆ **Consider how you will evaluate and measure success.** An easy way to visualize success is to identify your desired outcomes using a logic model, and then determine the inputs and activities needed to produce your intended results. Additional information on measuring program outcomes and an example of a CSA program logic model can be found in **Chapter 12: Tracking Success**.

The program goals that you choose will help to shape many of your design decisions. For example, if you decide to focus on building college savings and affordability, you may choose to enroll children at an early age to maximize the amount of time families have to save. If your goal is to instill a savings habit in children and parents, then you may provide savings incentives that encourage regular deposits. The Program Design Blueprint exercise at the end of this chapter will help you think through these considerations and identify the goals of your CSA program.



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IN ACTION: A UNIQUE PROGRAM MODEL FOR A UNIQUE GOAL

Like most CSA programs, one of the **Kansas Child Support Savings Initiative's** (CSSI) goals is to increase enrollment in and completion of postsecondary education, particularly among low-income children. However, this program has a twist—it also helps meet a state goal of encouraging noncustodial parents to pay their child support arrears. The idea for the program was sparked by a Governor-appointed task force to reduce childhood poverty in Kansas, which identified higher education as a key strategy for improving children's futures. Leaders at Kansas Child Support Services (CSS) decided on implementing a CSA program to address that goal. At the same time, they also saw an opportunity to employ the CSA program to address the large number of noncustodial parents who owed child support back payments—known as arrears—to the state. In partnership with the Kansas Treasurer's office, CSS created the Child Support Savings Initiative (CSSI).

In this initiative, for every dollar that noncustodial parents deposit into a Learning Quest 529 college savings account for their children, they receive a two-dollar reduction in arrears owed to the state. They can receive an unlimited amount of reduction in arrears based on their 529 contributions. To qualify, noncustodial parents must also make their current child support payments. To ensure that the deposits in the 529 account are used only for the intended purpose, the accounts are owned by the State of Kansas, and only the beneficiary (i.e., the child of the noncustodial parent) can request withdrawals for higher education expenses. CSS also launched a pilot program for noncustodial parents who owe arrears to custodial parents, rather than the state. For every dollar the noncustodial parent deposits into a 529 account, the custodial parent receives a “match” of one dollar from a grant through the W. K. Kellogg Foundation towards the arrears owed to him or her. The maximum amount of grant matching is up to \$500 total per beneficiary.



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PROGRAM DESIGN BLUEPRINT 2: SETTING PROGRAM GOALS

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2a) CONSIDERATIONS FOR SETTING PROGRAM GOALS. Use the questions below to help you think through key considerations for setting your program goals. *Refer to Chapter 2 for additional guidance on setting program goals.*

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|--|-------------------|
| Stakeholders | |
| <ul style="list-style-type: none"> Which of the stakeholders identified in Blueprint 1 should be involved in the goal-setting process? What are the priority issue areas identified by these key stakeholders that they hope to address with a CSA program? | |
| Target Population | |
| <ul style="list-style-type: none"> What are the key challenges facing your target population? How can a CSA program help address these challenges? <p><i>(Blueprint 3 helps you identify your specific target population. For the purposes of this Blueprint, think generally about the children you hope to serve in your program. You can revisit this decision once you have selected your specific target population.)</i></p> | |
| Mission | |
| <ul style="list-style-type: none"> What is the mission of the agency or organization(s) that are planning the CSA program? How will a CSA program help to fulfill your mission(s)? | |
| Measuring Success | |
| <ul style="list-style-type: none"> What would success look like for your CSA program? What are your desired outcomes? <i>(Additional information on identifying outcomes can be found in Chapter 12.)</i> How will a CSA program help you reach those outcomes? | |

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PROGRAM DESIGN BLUEPRINT 2: SETTING PROGRAM GOALS

(2b) SUMMARY. Based on the considerations listed in 2a, identify the primary program goals of your CSA program in the box below. Refer to Chapter 2 for a list of common goals for CSA programs.

PROGRAM GOALS



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Chapter 3: Selecting and Enrolling Your Target Population

IN THIS CHAPTER YOU WILL:

- ◆ Identify your target population, including:
 - ◆ Participants' age at enrollment
 - ◆ Eligibility criteria
 - ◆ Program reach (i.e., geographic area or institution you will be targeting)
- ◆ Determine how you will enroll participants, including:
 - ◆ The system for delivering the program
 - ◆ Whether participants will be automatically enrolled or will self-enroll

Once you have determined your program goals, your next step is to decide on *who* you are serving and *how* you are enrolling them. This chapter discusses the key considerations for determining your target population and defining your enrollment strategy.

Identifying Your Target Population

The selection of your target population is informed by the goals of your program and the priorities of key stakeholders and supporters. The key dimensions of target population are:

- ◆ Participant age at enrollment.
- ◆ Eligibility (e.g., universal vs. specific subset of population).
- ◆ [Program reach](#) (e.g., citywide, countywide, statewide or through a particular institution).

Participant Age at Enrollment

The age range of your target population will impact participants' length of time in and engagement with the program. For example, if your program focuses on fostering a college-bound identity in children, then targeting children in elementary school may be appropriate. However, if your primary focus is on building a small nest egg for higher education, you may consider targeting children as early as birth or preschool to allow their accounts more time to grow. Determining age at enrollment is also an interdependent decision with the available systems for delivering your program (e.g., school system or social service program), which is discussed in more detail later in this chapter.

Eligibility

Eligibility can either be universal—meaning that all children of an identified age in a specified area (e.g., a city, a state, a school district, etc.) are eligible to participate—or target a specific subset of a population (e.g., children in a school district receiving free or reduced-price lunch). The decision on a universal versus a limited eligibility program may be driven by political considerations—it may be easier to “sell” and sustain a program to policymakers and the public if all children receive it. By including all children, all families have a stake in the program, thereby giving it a broader base of support than one targeted toward a subset of the population. In addition, [universal eligibility](#) streamlines enrollment by reducing the administrative burden of verifying eligibility, which is particularly important for large-scale CSA programs.

At the same time, a universal program offering incentives to all children is more expensive than a limited-eligibility program.



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One way to reduce costs is to consider offering different incentives based on criteria that are relatively easy to verify. For example, in San Francisco's **Kindergarten to College**, all children receive a base initial deposit of \$50, but children who are eligible for free or reduced-price lunch receive an extra \$50. (**Chapter 6** provides more information on savings incentives.)

Program Reach

Program reach refers to the geographic area or institution you are targeting for your program. Smaller programs may target students in one particular school, while larger programs may be citywide, countywide or statewide in reach. The ideal program reach will differ for each CSA program depending on a number of factors, such as its objectives, administrative capacity and fundraising ability. However, large programs generally have **economies of scale** (i.e., cost efficiencies based on size) that smaller programs do not. Setting up a CSA program requires investments in infrastructure and partnership development—such as purchasing a data tracking system and creating a partnership with a financial institution—whether the program serves 100 children or 10,000 children. Given the significant investment of time and resources to create this infrastructure, it will generally be more cost efficient to set up a larger program.

If the prospect of starting with a large number of children is daunting or if funding does not allow for that, you may choose to use a phased approach for rolling out your program, in which you begin with a smaller cohort of children and then, over a few years, gradually increase the number of participants until you reach the full number of children you want to enroll. This approach may allow you to demonstrate initial short-term outcomes to funders (e.g., the number of families saving), thereby helping to secure funds for expansion. It also provides the opportunity to ensure that the program is operating

smoothly before enrolling a large number of children. If you choose to use a phased approach, make sure that you are setting up your program design and processes in a way that makes them easily scalable when you expand. For example, you will want to have a data management system in place that allows you to streamline account and incentives tracking. Manual processes may work for a small program but are too resource-intensive for larger programs. (See **Chapter II** for more information on account and data management.)

Figure 3.1 provides examples of each of these key dimensions of target populations for several existing CSA programs. Exploring these dimensions may help you narrow in on your target population and develop a strategy for how and where to connect with your target population.

Enrollment

System for Delivering Program

Closely related to selecting your target population is the need to identify the system through which you'll reach your target population of children. In most cases, pairing the CSA program with an existing system already serving your target population can simplify enrollment and management of the CSA program. Systems that may already be serving your target population include school districts, Head Start, social service programs and housing agencies. Integration into these types of child- and family-serving systems allows you to take advantage of the infrastructure that is already in place to reach children and their families. For example, if your program is delivered through a school system, you can use school enrollment records to automatically open participant accounts, while school events, such as kindergarten orientation and back-to-school night, can provide opportunities to engage parents.



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Automatic vs. Self-Enrollment

Participation in your program may be affected by whether you use **automatic enrollment** or **self-enrollment**. Automatic enrollment—also known as opt-out—means that all children in your target population receive an account unless they or their parents take action to “opt out” of the program.¹⁴ Conversely, self-enrollment requires children (usually through their parents) to take proactive steps to sign up for an account. Automatic enrollment optimizes take-up rates by taking the burden of opening accounts off of busy families and by making it easier for families who have limited access to financial institutions. The opt-out approach is based on the behavioral economics concept of *status quo bias*, which states that people tend to accept the default option rather than making an active choice.¹⁵ In the case of a CSA program, automatically enrolling children and giving families the opportunity to opt out makes it significantly more likely that most children will participate.¹⁶ With self-enrollment, no matter the extent of your efforts, some percentage of potential participants will not sign up. Automatic enrollment also makes the recruitment process easier and less resource-intensive for your program, which is particularly important for large programs, such as those serving all children in a city. The resources needed to facilitate self-enrollment by that many families may be too costly for many programs.

If you are unable to (or choose not to) automatically enroll participants, consider facilitating self-enrollment during a time when families are already receiving or seeking other services. For parents with young children, programs have found that the best time for enrollment is at the beginning of the school year when parents are registering their children for other programs. CSA program staff can be on hand at these school registration events to help parents sign up for the CSA program and open accounts. Additionally, self-enrollment may be more effective when an established, trusting relationship with the target population exists. If your organization does not have a direct connection to the target population, you may want to work with community partners to help facilitate the enrollment process. Examples of existing CSA programs and the type of enrollment they use are in Figure 3.1.

¹⁴ In programs using certain account structures (such as omnibus 529 accounts), while the account that holds the initial deposit is automatically opened, families have to take action to open a separate account if they want to make contributions. In this guide, we categorize programs with this account structure as having automatic enrollment, since the account holding incentives is opened automatically. Chapter 5 provides detailed information on account structures.

¹⁵ For more information on status quo bias, see <http://www.ideas42.org/status-quo-bias/>.

¹⁶ For additional discussion of how automatic enrollment impacts take-up in CSA programs, see Margaret Clancy and Michael Sherraden, *Automatic Deposits for All at Birth: Maine's Harold Alfond College Challenge* (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2014), <http://csd.wustl.edu/Publications/Documents/Maine%E2%80%99s%20Harold%20Alfond%20College%20Challenge.pdf>.



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Figure 3.1: Examples of Target Population and Enrollment Design in Existing CSA Programs

| CSA Program | Age at Enrollment | Eligibility Requirements | Program Reach | Enrollment | How is Enrollment Information Obtained? |
|--|------------------------------------|--|----------------------------|--|---|
| Kindergarten to College (K2C) | Kindergarten | Universal—all kindergarteners in San Francisco Unified School District (SFUSD) | Citywide (San Francisco) | Automatic | SFUSD provides San Francisco's Office of Financial Empowerment, which administers K2C, with enrollment data for each kindergarten student in the district, including the child's name, address, date of birth and student identification number. |
| Kansas Child Support Savings Initiative | Dependent children age birth to 18 | Specific subset—children of noncustodial parents who owe arrears to the state of Kansas or custodial parents | Statewide (Kansas) | Self-enrollment (by noncustodial parent) | The non-custodial parent completes an enrollment application; the form can be downloaded from the agency's website or obtained from Child Support Services. |
| Harold Alfond College Challenge | Birth | Universal—all babies born as Maine residents | Statewide (Maine) | Automatic | Since it is a nongovernmental organization and cannot access government records, the Alfond Scholarship Foundation (program coordinator) partners with the Finance Authority of Maine (FAME) to collect enrollment data. FAME receives information on every child born as a Maine resident—including the child's name, date of birth, address and mother's name—from the Maine Bureau of Vital Records. ¹⁷ |
| Future Forward College Savings Program | Middle School | Subset—children attending three specific schools in St. Louis | Three schools in St. Louis | Self or parent enrollment | Participant or parent provides enrollment information. |

¹⁷ The Alfond Scholarship Foundation does not have access to individual-level participant data. Rather, FAME holds that data and only relays aggregate numbers of children enrolled to the Foundation, which provides initial deposits for each child.



IN ACTION: BOOSTING PARTICIPATION THROUGH AUTOMATIC ENROLLMENT

The **Harold Alfond College Challenge** provides all children born as Maine residents with an initial \$500 investment in a NextGen 529 college savings account. When the program began in 2008, parents were required to complete a two-step application and enrollment process to open a NextGen account and receive the \$500 initial seed deposit. Research indicated that parents in Maine with more education, other investments and a financial advisor were more likely than those who were less financially sophisticated to enroll their children in the College Challenge. This research prompted the program to transition to an automatic enrollment model in 2014. College Challenge now automatically enrolls every baby who is a Maine resident for the program at birth, making the program both automatic and universal—ideal features for scale. As a result of the switch to automatic enrollment, the participation rate has grown from around 40% of eligible children during the opt-in enrollment period to 100% in 2015. Over the next five years, program staff expect that about 62,500 Maine children will receive approximately \$31,250,000.



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PROGRAM DESIGN BLUEPRINT 3: SELECTING AND ENROLLING YOUR TARGET POPULATION

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3a) TARGET POPULATION. Use the questions below to help you work through key considerations around the three dimensions of determining your target population—age at enrollment (e.g., at birth, kindergarten), eligibility (e.g., universal vs. specific subset of population) and program reach (e.g., citywide, countywide, statewide or through a particular institution). *Refer to Chapter 3 for more information on each of these dimensions.*

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|--|-------------------|
| <p>Age at Enrollment</p> <ul style="list-style-type: none"> ◆ How high of a priority is it for your program goals for participants to have a long time to be able to grow their accounts? (e.g., if your program goal is to maximize total savings in accounts, you may want to start at birth or preschool to allow more time for families to save) ◆ For the age range you are considering, are there systems in place that you can use for reaching those children? (e.g., a local Head Start program for preschoolers) <i>See the questions on “System for Delivering Your Program” in 3b for additional information.</i> | |
| <p>Eligibility</p> <ul style="list-style-type: none"> ◆ Will accounts be universally available to all children (in the targeted area and age range) or only those meeting particular criteria? ◆ If they are not universally available, what are the required criteria for participation in your program? How will you determine eligibility? | |

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PROGRAM DESIGN BLUEPRINT 3: SELECTING AND ENROLLING YOUR TARGET POPULATION

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|---|-------------------|
| Program Reach | |
| <ul style="list-style-type: none"> ◆ Will you target a state, a county, a city, a school district, or a different type of area or institution? ◆ How many children who fall within your targeted age range and eligibility criteria are in this area? | |
| Program Rollout | |
| <ul style="list-style-type: none"> ◆ Is it operationally feasible to start your program with a full rollout to your whole target population? ◆ If you are considering a phased rollout approach, which children will you enroll in the first cohort and which will you enroll in subsequent cohorts? (e.g., if starting a school district-wide program, you might roll out the program to a few schools in the first year and then to others over the next few years) <ul style="list-style-type: none"> ● Are there specific subsets of your target population who may be more difficult to enroll? (e.g., kindergartners in your city who attend private schools whose information may be more difficult to obtain for enrollment purposes) <i>You may want to wait to enroll these children in the program until after you've worked through all operational challenges in the first few cohorts of children.</i> ◆ If you are using a phased rollout approach, what do you need to have in place to ensure that the program is scalable when you're ready to expand your program? (e.g., ensuring that you have a data management system that will help you streamline account tracking when you have a large number of children in the program) | |



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PROGRAM DESIGN BLUEPRINT 3: SELECTING AND ENROLLING YOUR TARGET POPULATION

3b) ENROLLMENT. Use the questions below to guide your discussions around how you will enroll your target population, including the system you will use to deliver your program (e.g., school districts, Head Start, social service programs and housing agencies), whether you will use an automatic enrollment or self-enrollment approach and how you will roll out the program. Refer to Chapter 3 for more information about enrollment.

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|--|-------------------|
| System for Delivering Program | |
| <ul style="list-style-type: none"> ◆ What existing systems (such as school systems or social service agencies) in your area already serve your target population? ◆ What are the potential opportunities for integrating your CSA program into each of these systems? ◆ What are the potential challenges to integrating your CSA program into each of these systems? | |
| Automatic Enrollment (opt-out) or Self-Enrollment (opt-in) | |
| <ul style="list-style-type: none"> ◆ Is automatic enrollment feasible given your target population and selected system for delivering your program? ◆ If you decide to use automatic enrollment, how will you access the information needed to open participants' accounts, such as name, address and date of birth (e.g., through birth certificate records or school enrollment forms)? ◆ If you decide to use self-enrollment, what types of resources do you need to effectively reach families and encourage them to enroll? How can you reduce barriers for families to take necessary actions to enroll their children and open accounts? ◆ Taking into account the considerations above, will automatic or self-enrollment work best for your program? | |



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PROGRAM DESIGN BLUEPRINT 3: SELECTING AND ENROLLING YOUR TARGET POPULATION

(3c) SUMMARY. Based on your responses in 3a and 3b, use the space below to describe your target population and enrollment strategy.



TARGET POPULATION AND ENROLLMENT STRATEGY



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Chapter 4: Deciding on a Program Coordinator

IN THIS CHAPTER YOU WILL:

- ◆ Explore which organizations in your community have the right attributes to function as program coordinator.
- ◆ Decide on which organization(s) you will reach out to about potentially serving as program coordinator.

Once you have figured out *who* you are going to enroll in your program and *how* you will enroll them, the next step is to think about which organization will run your program. This organization, known as the [program coordinator](#), manages the overall implementation and operations of the CSA program, ensuring that all key responsibilities are met, including:

- ◆ Facilitating participant enrollment and account opening.
- ◆ Developing program policies and procedures.
- ◆ Conducting marketing and outreach campaigns.
- ◆ Tracking account activity.
- ◆ Managing and safeguarding savings incentives.
- ◆ Forging partnerships.
- ◆ Reporting to accountholders, funders and other constituents.
- ◆ Coordinating distribution of savings to participants when they are ready to use them.

Although the program coordinator is responsible for coordinating all of these duties, it does not necessarily carry out all of the

operational functions; the program coordinator may delegate some key duties to partner organizations. (**Chapter II** provides more information on program coordinator responsibilities and developing partnerships.)

Attributes of Program Coordinators

A wide variety of organizations can serve as CSA program coordinators. Organizations currently serving as program coordinators include:

- ◆ **State government agencies**, such as the Nevada Treasurer's Office (for the **Nevada College Kick Start** program).
- ◆ **Local government agencies**, such as the San Francisco Office of Financial Empowerment (for the **Kindergarten to College** program).
- ◆ **Nonprofit organizations**, such as Children's Aid Society (for the **CAS College Savers** program).
- ◆ **Local housing agencies**, such as the Tacoma Housing Authority.

While the entities serving as program coordinators vary, they share several key attributes:

- ◆ **Mission alignment:** The CSA program fits with and helps further the organization's core mission.
- ◆ **Capacity:** The organization has the resources and experience needed to implement and manage a complex program and work with multiple partners.



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- ◆ **Sustainability:** The organization has the capacity to raise or manage the resources needed to support and sustain this program over the long term and is able to commit to supporting the program until participating children reach adulthood.

Choosing Your Program Coordinator

The decision of which organization will serve as program coordinator is critical, as the success of your CSA program is largely dependent on the ability of the program coordinator to execute the program well. Even the best designed program will not succeed if it is poorly run. Before making this decision, you will need to give careful consideration to which organization or entity in your community is best suited for this role. The answer may not be the organization that originally came up with the idea of designing a CSA program or the organization leading the design process.

Serving as a CSA program coordinator is a significant endeavor that requires specific capacity and expertise—as described in the previous section—that not all organizations possess. In the case of a large-scale program, especially those using an automatic enrollment model, it is important for the program coordinator to have (or be able to leverage partners’) technical and legal expertise to work through operational and legal questions involved in setting up a complex program. Moreover, since most CSA programs enroll young children and only allow qualified withdrawals in early adulthood, the program coordinator must be able to make a long-term commitment to raising and managing the financial and other resources needed to sustain the program and to working with CSA participants and their families.

The Program Design Blueprint at the end of this chapter will help you think through what to look for in a program coordinator and narrow down the list of organizations that you want to approach about serving in this capacity. In addition, **Chapter II** provides more detailed information about the elements of managing a CSA program to aid in your decision. Bear in mind—as discussed in **Chapter II**—that even if an organization is not selected as the program coordinator, it can still play a significant role in operating a piece of the program, such as conducting outreach to families.

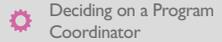


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PROGRAM DESIGN BLUEPRINT 4: DECIDING ON A PROGRAM COORDINATOR

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4a) ASSESSING POTENTIAL PROGRAM COORDINATORS. In the first column, list organizations and agencies that could potentially serve as the program coordinator for your CSA program (e.g., state or local government agencies or nonprofit social service organizations). Then, for each organization/agency, consider whether it has the three key attributes for serving as a program coordinator listed in the table and check the appropriate box. There is space under the check boxes to add additional explanation or notes. *Refer to Chapter 4 for more information on the key attributes of CSA program coordinators.*

| ORGANIZATION/ AGENCY | ATTRIBUTE 1: MISSION ALIGNMENT | ATTRIBUTE 2: CAPACITY | | ATTRIBUTE 3: SUSTAINABILITY |
|-------------------------|---|---|--|---|
| | <i>Does a CSA program align with the organization’s mission?</i> | <i>Does the organization have experience in administering complex programs and working with multiple partners?</i> | <i>Does the organization have the capacity to raise and/or manage the resources needed to support and sustain this program over the long term?</i> | <i>Is the organization able to commit to running this program until participating children reach adulthood?</i> |
| | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Needs further exploration Explanation: | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Needs further exploration Explanation: | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Needs further exploration Explanation: | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Needs further exploration Explanation: |
| | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Needs further exploration Explanation: | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Needs further exploration Explanation: | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Needs further exploration Explanation: | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Needs further exploration Explanation: |

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PROGRAM DESIGN BLUEPRINT 4: DECIDING ON A PROGRAM COORDINATOR

(4b) SUMMARY. Based on your assessment of whether the organizations/agencies listed in 4a have the three key attributes needed to serve as program coordinator, use the space below to list the organizations/agencies you are considering as potential program coordinators. Describe your next steps for further assessing these organizations and making the final determination of your program coordinator.



POTENTIAL PROGRAM COORDINATORS



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Chapter 5: Choosing an Account and Financial Partner

IN THIS CHAPTER YOU WILL:

- ◆ Determine the features that are most important in selecting the account for your program.
- ◆ Consider which account type works best for your programs.
- ◆ Identify potential financial institution partners.

Identifying and selecting an account to use for participant savings is one of the most important components of designing a CSA program. The success of your program depends on choosing an account structure that both works for your participants and allows for streamlined account management by the [program coordinator](#).

An “account” for a CSA program is about more than just the savings product into which participants make deposits; it is also about the type of financial institution providing the account and the back-end account structure used by the financial institution and program coordinator to manage the accounts. Thus, you will need to consider these elements in choosing an account for your program:

- ◆ **The type of financial institution partner** that provides the account, such as a bank, credit union or 529 plan provider.¹⁸

- ◆ **The back-end account structure**, which is the way the accounts are set up in the financial institution’s system (e.g., as a master account owned by the program coordinator with a subaccount for each participant) and how the program coordinator interacts with and manages the accounts. (You can find detailed information on back-end account management in [Chapter II](#).)
- ◆ **The participant experience**, which is how the participants interact with the account—such as by making deposits—and how it functions from their vantage point (e.g. for the participant, an account might function like a typical savings account, even though the back-end structure is actually a subaccount under a master account).

Key Account Features

As you consider which account to use for your program, it is crucial that the features of the account meet the needs of participants and that the back-end structure meets the program coordinator’s management requirements. The sections below outline the key account features from both the participant and program coordinator perspectives.

For Participants

The key account features that will help to facilitate participation and savings by children and their families include:



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¹⁸ Although the financial industry may use other terms for 529 plan providers, such as “financial service providers,” for the purposes of this guide, we are using “financial institution partner” to refer to any entity that provides the account for a CSA program, including banks, credit unions and 529 plan providers.

- ◆ **No Social Security number (SSN) or other presentation of identification required for account opening.** This enables programs to open accounts for children without supplying SSNs or presenting other identification documents to the financial institution, which facilitates automatic enrollment.¹⁹ In addition, this allows all children in the target population to have accounts, including undocumented children and children of undocumented parents.
- ◆ **Multiple deposit options.** Participants should have a range of ways to make deposits, such as in-person cash deposits, deposit by mail, direct deposit, transfers from other accounts, online payments, deposit-only ATM privileges, etc. These options make saving easier for families (especially those who are unbanked) and enable families to make small-dollar deposits.
- ◆ **Financial institution branches conveniently located for the target population.** Research shows that the ability to make in-person deposits is particularly important for low- and moderate-income communities of color.²⁰ For example, in San Francisco's **Kindergarten to College (K2C)** program, more than 50% of deposits by participating families are made in-person at bank branches, and the percentage increases to 60% for low- and moderate-income children.²¹
- ◆ **The ability for families to track accounts and incentives.** Tracking account growth and incentives, either

through periodic statements or an online portal, helps keep families engaged with the program and excited about saving.

- ◆ **No or low fees, and no or low minimum balance and minimum deposit requirements for families.** These criteria are essential for encouraging low-income families, who often can only deposit small amounts at a time, to save.
- ◆ **Interest-bearing or investment growth potential.** Providing participants with accounts that offer a return on investment helps families grow their savings and build a nest egg for higher education.
- ◆ **Account funds that do not count towards asset limits for benefits.** Having an account structure in which families do not “own” the account funds protects families from losing eligibility for federal or state benefits with asset limits.²²

For Program Coordinators

In addition to making the account easy for participants to use, it is important that the back-end account structure has elements that make account opening and incentives management efficient and streamlined for the program coordinator. (Account management is discussed in more detail in **Chapter II**.) These features include:

- ◆ **The ability to open large numbers of accounts at a time.** This allows enrollment of many children simultaneously, such as at the beginning of the school year.

¹⁹ Under automatic enrollment, the program coordinator supplies the financial institution with other identifying information about participating children, such as name, address, date of birth and student identification number.

²⁰ National Council of La Raza. *Banking in Color: New Findings on Financial Access for Low- and Moderate-Income Communities*. Washington, DC: National Council of La Raza, 2014. Available online at http://www.nclr.org/images/uploads/publications/bankingincolor_web.pdf.

²¹ Based on data provided by the San Francisco Office of Financial Empowerment, July 2015.

²² You can find more information about asset limits for key state-administered benefits in the **Assets & Opportunity Scorecard**. CFED actively supports lifting federal and state asset limits that create disincentives for families to save and build assets. Learn more [here](#).



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- ◆ **The ability to provide account activity reports to the program coordinator.** These should be delivered electronically and automatically on at least a monthly basis, or, preferably, program coordinators could have on-demand access to an online portal with this data.
- ◆ **A system for differentiating between participant deposits and incentive funds.** This allows participant deposits to be matched and incentive funds to be protected from withdrawal for unintended purposes.
- ◆ **Custodial or trust accounts held by a third party for the benefit of the child.** This allows CSA programs to open accounts automatically, protects families from exceeding asset limits for government benefits and prevents unauthorized withdrawals of incentive funds. The purpose of an [account custodian](#) is discussed in more depth later in the chapter.
- ◆ **Account structure that permits withdrawals only as approved by the account custodian or program coordinator.** This safeguards incentives and ensures that family deposits are used for the intended purpose, such as postsecondary education.
- ◆ **No or low fees for the CSA program.** Citing the costs of maintaining thousands of low-balance accounts for a decade or more, some financial institutions charge CSA programs high fees. If your financial institution partner will be charging fees, you need to ensure that you have sufficient, sustainable funding to cover these costs in the long-term, as the accounts may be open for a decade or more.²³

Special Considerations for Large-Scale Programs

Large CSA programs require not only the account features already listed, but also additional features that allow for streamlined operations at increased scale. In particular, the **willingness and ability of the financial institutions to open accounts automatically**—without affirmative parental consent and without children’s Social Security numbers—is critical. (See [Chapter 3](#) for more information on automatic enrollment.) To accommodate automatic account opening, the financial institution will need to use an existing account structure or create a new structure that allows for custodial ownership of the accounts on behalf of participants or an omnibus account structure. This is discussed in more detail later in the chapter.

In addition, the **ability of the financial institution to either take on all back-end account tracking** (as described in [Chapter II](#)) or to **seamlessly interface with a CSA program’s database system is important for a large-scale program.** Exchanging account statements or even electronic files for thousands of accounts is likely to be inefficient and require extra program staff to input information into the program’s database. In an ideal system, the financial institution would either be able to track all account activity and incentives in its own system, or it would feed account information directly into the CSA program’s database system. Though not common, this type of system exists in a few programs. For example, **K2C’s** financial institution (Citibank) worked with K2C’s database vendor, VistaShare, to allow for transmitting account information directly

²³ Be sure to consider fees charged by the financial institution for your program in the context of all costs associated with managing the accounts. For example, some financial institutions may charge a fee, but they may be able to track account activity and manage incentives for your program, thereby alleviating some costs. If you need to purchase a third-party database tool to track account activity, rather than the financial institution managing this task, that will add to your total costs, even if the financial institution is not charging your program a fee. (See [Chapter 9](#) for additional information on budgeting and [Chapter II](#) for additional information on account and data management.)



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into the program's OutcomeTracker database. In the **Scholars Savings Program** in El Monte, California, the Utah Educational Savings Plan 529 system directly shares account information with the program's database.

Types of Accounts

The primary types of accounts used by current CSA programs are:

- ◆ **Savings accounts**
 - Pooled savings accounts (with custodian)
 - Individual custodial savings accounts
- ◆ **529 plan college savings accounts**
 - Omnibus 529 accounts
 - Entity-owned 529 accounts
 - Parent-/guardian-owned 529 accounts

These account types are described in detail in the following sections, including a table outlining how each account type measures up against the list of key features for participants and program coordinators. You can find a table comparing the features of each type of account side-by-side in **Appendix II**. It is important to note that none of these existing account types has all of the key features. As you explore different account options, prioritize the account elements that are most critical to serving your target population, reaching the desired scale of your program, meeting the goals of your program and working within your funding constraints. Then think about how the different account types stack up against your priority features and consider the account options and financial institutions that are available for your community.

Overview of Savings Accounts

As described earlier, CSAs use two types of savings accounts—**pooled savings accounts** (with custodian) and **individual custodial savings accounts**—which are discussed individually at length below. To understand these different account types, we will first discuss the general characteristics of accounts with custodians. Custodial savings accounts are accounts opened through a bank or credit union by a custodian on behalf of another individual; in general usage, custodians are often parents of minor children. In the case of CSA programs, the **account custodian** is a third-party entity, such as a nonprofit organization or government agency, that opens and owns the account on behalf of the minor children participating in the program. Often, though not always, the custodian is the same entity as the program coordinator. Most CSA programs, especially large-scale ones, have an account custodian.

The primary reasons for having a third-party custodian in a CSA program are to:

- ◆ **Enable automation and scale.** Individual parent signatures are not required to open third-party custodial accounts at banks or credit unions, allowing large numbers of children to be automatically enrolled quickly and efficiently.
- ◆ **Open accounts on behalf of minors.** Most financial institutions are not willing to open bank accounts for children under age 18 but will allow individuals or organizations to own bank accounts on behalf of minor children.²⁴



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²⁴ State laws on the ability of minors to open accounts vary. Additional information is available in the joint agency [guidance on youth savings](#).

- ◆ **Secure savings.** Third-party custodianship safeguards incentive funds and family deposits alike, ensuring that they are restricted until the participant is ready to make an allowable asset purchase, such as paying for postsecondary education.
- ◆ **Protect families from asset limits.** Families are protected from the potential loss of federal and state benefits when participating in public programs that place “asset limits” on the amount of savings and other resources that recipients can accumulate without losing eligibility.



IN ACTION: THE CITY AS CUSTODIAN

San Francisco Treasurer José Cisneros and the team at the City’s Office of Financial Empowerment (SFOFE) had several overarching objectives in creating the **Kindergarten to College (K2C)** program, including developing a universal program designed to serve all kindergarteners in the San Francisco Unified School District (approximately 4,500 students per year) and opening accounts automatically. The program designers determined that, to reach the desired scale and to open accounts automatically, the program needed an account custodian. They opted to have the City and County of San Francisco Office of the Treasurer serve as the custodian, since it is the program coordinator, has the staying power to hold accounts for 15 years or more and is a well-known, trusted entity in the targeted community. The Treasurer’s Office also has deep expertise in finance and investing. In addition, having the City as custodian streamlines the account opening process, since it can obtain student data from the school district.

SFOFE partnered with Citi to provide accounts for the program. The City has a master account with Citi to hold participant funds, under which it has “subaccounts”—essentially individual account records—on behalf of each child. To open the subaccounts, SFOFE sends a list of the enrolled children’s names, birthdates, student identification numbers and addresses from the San Francisco Unified School District to Citi. Since the City of San Francisco is considered the bank’s customer, rather than the children, Citi does not need to verify the identity of the children or receive parental permission. K2C participants and their parents can then make deposits directly into their subaccounts to help the balances grow.



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FREQUENTLY ASKED QUESTIONS

Q: Does the program coordinator have to also serve as account custodian? If not, what other types of organizations can serve as account custodians?

A: In many programs the program coordinator also serves as the account custodian, but this is not required. Some programs partner with an outside organization to act as custodian. For example, Children’s Aid Society is the program coordinator for the **College Savers** program and its nonprofit partner Juma Ventures is the account custodian. Juma is a national youth development organization that has experience managing custodial accounts through its youth Individual Development Account (IDA) program.

Regardless of whether the program coordinator or a separate organization is the custodian, the most important characteristics of the organization fulfilling the account custodian role is that it is well-known and trusted in the communities served by the CSA program and has the sustainability and commitment to hold the accounts until participants are ready to use their account funds. A wide range of organizations can be suited to this role, such as local or state governments, nonprofits, educational institutions or foundations.



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Pooled Savings Account

Description: A pooled account owned by the program coordinator or custodian with subaccounts for each of the participants; it’s often referred to as a master account/subaccount structure. Different products can serve as a pooled savings account depending on what is available at the financial institution; most commonly, escrow or trust accounts are used.

Type of Financial Institution Partner: Bank or credit union

Participant Experience: For participants, the account functions as a deposit-only savings account in which they can make deposits, but withdrawals require authorization from the program coordinator or custodian.

Example of CSA Program Using Account: **Kindergarten to College** (San Francisco)

Figure 5.1: Pooled Savings Account Features

| Ideal Account Feature | Does the Account Have this Feature? | Explanation |
|---|---|---|
| For Participants | | |
| Social Security Number (SSN) not required |  | Since the master account is owned by the program coordinator or custodian, individual SSNs or identification documents are not required for the participants or their parents in order to open subaccounts. |
| Multiple deposit options |  | Each financial institution sets its own policies, but generally deposits can be made in person, online or through direct deposit. |
| Convenient financial institution branches |  | This varies depending on the footprint of the partner financial institution. |
| Ability for families to track accounts and incentives |  | Generally families cannot directly track the subaccounts through the financial institution’s online portal. However, some programs have set up their own online portals for participants and/or they send separate paper statements to each family. |
| No/low fees & no/low minimum balance & minimum deposit requirements |  | Subaccounts are not subject to fees or minimum balance requirements. |
| Account funds do not count towards asset limits for benefits |  | Since the program coordinator or account custodian owns the accounts, the funds in the accounts do not count towards asset limits for federal and state benefits. |

KEY  = Always  = Usually  = Sometimes  = Rarely  = Never **N/A = Not applicable**

Figure 5.1: Pooled Savings Account Features (cont'd)

KEY = Always = Usually = Sometimes = Rarely = Never **N/A** = Not applicable

| Ideal Account Feature | Does the Account Have this Feature? | Explanation |
|--|-------------------------------------|---|
| <i>For Program Coordinators</i> | | |
| Ability to open large number of accounts at a time | | At most financial institutions, a pooled account structure allows for opening hundreds or even thousands of subaccounts under one or several master account(s). |
| Ability to provide account activity data | | Most financial institutions can provide information on subaccount activity, but the frequency and means of exchanging information (e.g. electronic data exchange, statements) differ based on individual agreements with the financial institution. |
| Ability to differentiate between participant deposits and incentive funds | | Generally programs hold the incentives provided by the program in a different account from the participants' subaccounts. Further discussion on this topic is in the "Holding Account Incentives" section later in the chapter. |
| Allows for third-party custodial account | | The pooled master account is owned by the program coordinator or custodian. |
| Withdrawals must be approved by the account custodian or program coordinator | | Since the master account is owned by the program coordinator or custodian, withdrawals require authorization. |
| No or low fees for the CSA program | | Some financial institutions ask for high fees to provide these types of accounts, since they view low-balance, long-term accounts as unprofitable. However, some programs have been successful in negotiating low or no fees with financial institutions. |

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Q: Is automatic account opening legal under the USA PATRIOT Act? What about “Know Your Customer” requirements?

A: The USA PATRIOT Act requires that financial institutions affirmatively verify the identity of accountholders; this requirement is commonly known as “Know Your Customer” (KYC).²⁵ Some financial institutions have raised concerns about automatic account opening, because they cannot check the identity of the individual CSA participants. Using a custodial savings account structure for automatic account opening avoids this issue. The account is owned by the program coordinator or account custodian, which is considered to be the “customer,” with the children who hold the subaccounts considered beneficiaries. Thus, once the financial institution has verified the identity of the program coordinator or account custodian “customer,” it does not need the Social Security numbers of the CSA participants or other identification documents, because they are not considered customers. Additional information on this issue is provided in **question 10 of the guidance** jointly issued by several federal financial regulatory agencies.

²⁵ These requirements are found in Section 326 of the PATRIOT Act, and the final rules are published in the Federal register as 31 C.F.R. § 103.121.

Individual Custodial Savings Accounts

Description: An individual savings account opened and “owned” on behalf of each participant by a third-party custodian. This account type is very similar in function to a pooled custodial savings account; the main difference is that the custodian opens a separate account on behalf of each participant, rather than each participant having a subaccount under a master account. (This is similar to the type of account structure used by some [Individual Development Account](#) programs.)

Type of Financial Institution Partner: Bank or credit union

Participant Experience: For participants, the account functions as a deposit-only savings account in which they can make deposits, but withdrawals require authorization from the custodian.

Examples of CSA Programs Using Account: [Mississippi College Savings Account program](#)

Figure 5.2: Individual Custodial Savings Accounts Features

| KEY | = Always | = Usually | = Sometimes | = Rarely | = Never | N/A = Not applicable |
|---|--------------------------------------|--|-------------|----------|---------|----------------------|
| Ideal Account Feature | Does the Platform Have this Feature? | | Explanation | | | |
| For Participants | | | | | | |
| SSN not required | | Since the account is owned by the custodian on behalf of the participant, the participant's SSN or other identification documents should not be required. However, some financial institutions may still ask for them. | | | | |
| Multiple deposit options | | Each financial institution sets its own policies, but generally deposits can be made in person, online or through direct deposit. | | | | |
| Convenient financial institution branches | | This varies depending on the footprint of the selected financial institution. | | | | |
| Ability for families to track accounts and incentives | | Due to the custodial set-up of the account, account statements will generally be sent to the custodian, though the program coordinator may be able to arrange with the financial institution to have them sent directly to participants or to allow participants online access to account information. If that is not possible, the program coordinator needs to either send its own statements to participants or set up a separate online portal for the participants to check balances. | | | | |
| No/low fees & no/low minimum balance & minimum deposit requirements | | Fees and minimum balance requirements differ by financial institution. If your program provides an initial deposit, that may be sufficient to meet minimum balance requirements. | | | | |
| Account funds do not count towards asset limits for benefits | | Since the account custodian owns the accounts, the funds in the accounts do not count towards asset limits for federal and state benefits. | | | | |

Figure 5.2: Individual Custodial Savings Accounts Features (cont'd)

KEY  = Always  = Usually  = Sometimes  = Rarely  = Never **N/A** = Not applicable

| Ideal Account Feature | Does the Platform Have this Feature? | Explanation |
|--|--|--|
| For Program Coordinators | | |
| Ability to open large number of accounts at a time |  | Accounts are opened individually by the program coordinator or account custodian, so opening many accounts at the same time can be cumbersome. |
| Ability to provide account activity data |  | The financial institution usually sends account statements and allows access to an online account portal for the custodian. However the process may be cumbersome with programs having to log into each account individually. Many programs have also set up electronic account activity sharing systems with financial institutions, so the financial institution automatically sends account activity information electronically to the custodian. |
| Ability to differentiate between participant deposits and incentive funds |  | Generally programs hold the incentives provided by the program in a different account from the participants' accounts. Further discussion on this topic is in the "Holding Account Incentives" section later in the chapter. |
| Allows for third-party custodial account |  | The account is set up as a custodial account. |
| Withdrawals must be approved by the account custodian or program coordinator |  | Since the account is custodial, withdrawals require authorization. |
| No or low fees for the CSA program |  | Some financial institutions ask for fees to provide these types of accounts, since they view low-balance, long-term accounts as not profitable. However, some programs have been successful in negotiating low or no fees with financial institutions. |

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Considerations when Choosing Savings Accounts

One overall advantage of using savings accounts for a CSA program is that they are a familiar, easy-to-understand product. Many families, especially those with less financial experience, may be more comfortable using these accounts than 529 accounts. In addition, most savings accounts are federally-insured and allow participants and their families to access a brick-and-mortar bank or credit union location, making depositing more accessible for families. On the other hand, a major trade-off in using savings accounts over a 529 account is that the interest rates are usually very low or even nonexistent, while 529s generally have a significant rate of return. As a result, the initial deposits and family contributions in custodial savings accounts will not grow significantly over time.

The two types of savings accounts have a few key differences. A pooled savings account structure allows for automatic account opening for large numbers of children at a time—an important feature for large-scale CSA programs. Since individual custodial savings accounts need to be opened separately, opening large number of accounts simultaneously may be more cumbersome. This could limit the feasibility of using this type of account for large-scale programs.

A disadvantage of the pooled savings account is that many financial institutions do not have this type of account structure already in place, which means that they would have to create a new account structure or revamp an existing one—a costly proposition for most financial institutions. On the other hand, individual custodial savings accounts are relatively simple to set up, and most financial institutions already have a structure in place to allow for custodians

on accounts for minors through the Uniform Gift to Minors Act (UGMA) or Uniform Transfers to Minors Act (UMTA).

Overview of 529 accounts

As described earlier, CSAs use three types of [529 accounts](#)—[omnibus 529 accounts](#), [entity-owned 529 accounts](#) and [parent-/guardian-owned 529 accounts](#)—which are discussed individually at length below. A 529 account—named for section 529 of the Internal Revenue Service code that authorizes it—is a tax-advantaged investment account designed for saving towards postsecondary education for a specific beneficiary. Earnings in 529 accounts are not subject to federal income taxes when they are used to cover eligible postsecondary education expenses, such as tuition, fees and books at eligible universities, colleges or vocational programs.²⁶ While accounts are generally opened by a parent or grandparent, most states allow nonprofit organizations and government entities to open a 529 account for designated beneficiaries. In addition, nonprofits and government entities can make contributions into parent-opened accounts.

Each state administers its own 529 plans—through state agencies, quasi-state agencies or educational institutions—and decides which investment providers to work with and which investment plan options to offer. For example, Massachusetts' 529 plan is administered by the Massachusetts Educational Financing Authority (MEFA); it offers one plan option provided and managed by Fidelity Investments.²⁷ In addition to federal tax advantages, many states provide tax credits or deductions for contributing to 529 accounts. A few states offer a limited amount of savings matches for households under certain income limits.²⁸

²⁶ Eligible institutions are those that participate in student aid programs run by the U.S. Department of Education. A list of eligible institutions is available on the [FAFSA website](#).

²⁷ Information on the 529 plans offered in each state are available at [Saving for College](#).

²⁸ CFED's [Assets and Opportunity Scorecard](#) provides information on which states offer tax advantages and savings matches for 529 accounts.



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Omnibus 529 Accounts

Description: An omnibus, or collective, 529 account opened and owned by the program coordinator or designated third-party custodian. Money is invested for each participating child within the omnibus account, but children do not have separate accounts or subaccounts.

Type of Financial Institution Partner: 529 plan provider

Participant Experience: Participants cannot make contributions into an omnibus 529 account; their interaction is generally limited to receiving statements about the value of the deposit(s) made on their behalf into the omnibus account. In order to be able to make deposits, families need to open their own separate 529 account.

Examples of Programs Using Account: Nevada College Kick Start, Harold Alfond College Challenge (Maine)

Figure 5.3: Omnibus 529 Account Features

| Account Feature | Does the Account Have this Feature? | Explanation |
|---|-------------------------------------|---|
| For Participants | | |
| SSN not required | Always | Since the omnibus account is owned by the program coordinator or custodian, individual SSNs or identification documents are not required for children or parents at the time of the initial deposit. However, the participants must have SSNs when they are ready to withdraw the money for post-secondary education. |
| Multiple deposit options | Rarely | Participants cannot make deposits into the omnibus account. Families have to open a separate 529 account if they want to make deposits. |
| Convenient financial institution branches | N/A | Participants cannot make deposits into the omnibus account. |
| Ability for families to track accounts and incentives | Sometimes | Generally families cannot directly track their accounts through the 529 provider's online portal due to the omnibus account structure. However, some 529 providers have been able to work with CSA programs to send participants statements showing the growth of funds held in the omnibus account on their behalf. |
| No/low fees & no/low minimum balance & minimum deposit requirements | Always | Fees are charged to the program coordinator that owns the account, not participants. |
| Account funds do not count towards asset limits for benefits | Always | Since the funds in the omnibus account are owned by the program coordinator, they do not count towards asset limits for federal and state benefits. |

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Figure 5.3: Omnibus 529 Account Features (cont'd)

KEY  = Always  = Usually  = Sometimes  = Rarely  = Never **N/A** = Not applicable

| Account Feature | Does the Account Have this Feature? | Explanation |
|--|---|---|
| For Program Coordinators | | |
| Ability to open large number of accounts at a time |  | The omnibus account structure is designed to allow for holding investments under it for thousands of children. (Note that these are not separate accounts for each child, but rather money invested on behalf of each child within one collective account.) |
| Ability to provide account activity data |  | As the owner of the omnibus account, the program coordinator can track all overall account activity. However, the program coordinator will most likely need a back-end tracking system to allow it to track and report out to families on participants' "account" balances. |
| Ability to differentiate between participant deposits and incentive funds | N/A | Participants cannot make deposits into the omnibus account, so this is not applicable. |
| Allows for third-party custodial account |  | The omnibus account is owned by the program coordinator or a designated custodian. |
| Withdrawals must be approved by the account custodian or program coordinator |  | Since the omnibus account is owned by the program coordinator or custodian, participants cannot make direct withdrawals from it. |
| No or low fees for the CSA program |  | Each 529 plan provider has a different fee structure, so this will vary. It may be possible to negotiate lower fees as part of a partnership agreement with a 529 provider. |



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Entity-Owned 529 Accounts

Description: An individual 529 account owned by the program coordinator or a custodian on behalf of each participating child.

Type of Financial Institution Partner: 529 plan provider

Participant Experience: Participants cannot make contributions into the account, since it is owned by the custodian; the account holds only incentive funds. Families need to open their own separate 529 accounts in order to be able to make deposits.

Example of CSA Programs Using Account: “I Have a Dream” Foundation CSA Program, Scholars Savings Program

Figure 5.4: Entity-Owned 529 Account Features

| Account Feature | Does the Account Have this Feature? | Explanation |
|---|-------------------------------------|---|
| For Participants | | |
| SSN not required | ⊕ = Always | Since the account is owned by the custodian, individual SSNs or identifying documents are not required for children or parents at the time of the initial deposit. However, the participant must have a SSN when s/he is ready to withdraw the money for postsecondary education. |
| Multiple deposit options | ⊕ = Usually | Participants cannot make deposits into the entity-owned account. Parents have to open a separate 529 account to make deposits. |
| Convenient financial institution branches | N/A | Participants cannot make deposits into the entity-owned account, so this is not applicable. |
| Ability for families to track accounts and incentives | ⊕ = Sometimes | Families may be able to have view-only online access to the account information from the 529 plan provider. |
| No/low fees & no/low minimum balance & minimum deposit requirements | ⊕ = Always | Fees are charged to the program coordinator that owns the account, not participants. |
| Account funds do not count towards asset limits for benefits | ⊕ = Always | Since the funds in the entity-owned account are owned by the program coordinator, they do not count towards asset limits for federal and state benefits. |



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Figure 5.4: Entity-Owned 529 Account Features (cont'd)

KEY = Always = Usually = Sometimes = Rarely = Never **N/A** = Not available

| Account Feature | Does the Account Have this Feature? | Explanation |
|--|-------------------------------------|---|
| <i>For Program Coordinators</i> | | |
| Ability to open large number of accounts at a time | | Since a separate account needs to be opened on behalf of each participant, getting participants enrolled in the accounts may be more time-consuming than with the omnibus account structure. However, programs may be able to work with 529 plan providers to create a streamlined process to open many accounts at one time. |
| Ability to provide account activity data | | As the owner of the account, the program coordinator or custodian can track account activity. |
| Ability to differentiate between participant deposits and incentive funds | N/A | Participants cannot make deposits into the entity-owned account, so this is not applicable. |
| Allows for third-party custodial account | | The account is owned by the program coordinator or a third-party custodian. |
| Withdrawals must be approved by the account custodian or program coordinator | | Since the account is owned by the program coordinator or a custodian, participants cannot make unauthorized withdrawals. |
| No or low fees for the CSA program | | Each 529 plan provider has a different fee structure, so this will vary. It may be possible to negotiate lower fees as part of a partnership agreement with a 529 provider. |

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Parent-/Guardian-Owned 529 Accounts

Description: An individual 529 account owned by a parent or guardian on behalf of the participating child and into which the program coordinator or other third-parties may be able to make deposits.

Type of Financial Institution Partner: 529 plan provider

Participant Experience: The account functions as a normal 529 account, since it is owned by the participants’ parent or guardian.

Example of CSA Programs Using Account: **Promise Indiana**

Figure 5.5: Parent-/Guardian-Owned 529 Account Features

| Ideal Account Feature | Does the Account Have this Feature? | Explanation |
|---|---|---|
| For Participants | | |
| SSN not required |  | A parent/guardian taxpayer identification number is required to open the account. Some 529 plans will accept an Individual Taxpayer Identification Number (ITIN), ²⁹ though most require an SSN. Participants must have an SSN when they are ready to withdraw the money for postsecondary education. |
| Multiple deposit options |  | Deposit options are generally limited to electronic transfers from another bank account, direct deposit and mailing in checks. Very few 529 plan providers offer an in-person deposit option. |
| Convenient financial institution branches |  | Most 529 plans do not have an in-person deposit option. |
| Ability for families to track accounts and incentives |  | 529 plans provide families with statements and/or online options for tracking their account balances. |
| No/low fees & no/low minimum balance & minimum deposit requirements |  | Plan structures vary widely across state 529 plans. Many states have plans that allow opening accounts with \$25, while others require as much as \$250. Some states have plans that require that subsequent deposits meet a minimum threshold, such as \$50, while others have no minimum deposit amount. All 529 providers charge fees for managing accounts, though the amount of these fees varies significantly by plan. ³⁰ |
| Account funds do not count towards asset limits for benefits |  | Since the accounts are owned by the parent or guardian, funds saved in the account would count towards asset limits when families apply for or recertify benefits. |

²⁹ An ITIN is a temporary tax identification number, used by foreign nationals and undocumented immigrants for the purpose of filing a federal tax return.

³⁰ For more information about minimum balance requirements and fees charged by 529 plans in each state, visit [Saving for College](#).

Figure 5.5: Parent-/Guardian-Owned 529 Account Features (cont'd)

KEY = Always = Usually = Sometimes = Rarely = Never **N/A** = Not applicable

| Ideal Account Feature | Does the Account Have this Feature? | Explanation |
|--|-------------------------------------|---|
| <i>For Program Coordinators</i> | | |
| Ability to open large number of accounts at a time | | Accounts are opened individually by families, though programs can help facilitate the process to make it easier for families. |
| Ability to provide account activity data | | Most 529 plans have the technology to share account activity information with the program coordinator; but this requires authorization from the parent or guardian who opens the account. |
| Ability to differentiate between participant deposits and incentive funds | | Existing programs using this structure have created a “mirror” account for each participant—linked to the participant’s account—to hold incentive funds separately. (See the section, “Holding Account Incentives” later in the chapter for more details.) |
| Allows for third-party custodial account | | The account is owned and controlled by the parent or guardian. |
| Withdrawals must be approved by the account custodian or program coordinator | | Parent or guardian account owners can withdraw their own contributions for any reason, though the federal tax penalty of 10% on all earnings not used for eligible postsecondary education expenses serves as a disincentive. If a mirror account is used to hold incentives, participants cannot withdraw those funds without authorization. |
| No or low fees for the CSA program | N/A | Since the account is parent- or guardian-owned, the fees would be charged to the parent or guardian, rather than the CSA program coordinator. |



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Considerations When Choosing 529 Accounts

529 accounts overall offer significant advantages over custodial savings accounts. First, they generally have a much higher rate of return, and savings in the account grow tax-free. Second, they use an existing structure already intended for saving for postsecondary education, with built-in tax penalties for withdrawing funds not used for postsecondary education. This means that, unlike with savings accounts, CSA programs using 529s do not need to find a financial institution willing to set up a new product for the program, which can be very difficult.

At the same time, 529s are often more complicated and generally not as well understood by families as savings accounts. Many 529 plans require filling out lengthy enrollment forms and signing complicated disclosure agreements, though some states have flexibility that allows them to work with providers to simplify enrollment. Parents with less financial savvy or those with limited English proficiency may find the process difficult; even for those with more financial knowledge, the process of opening a 529 can be cumbersome. This difficulty can be partly alleviated through using automatic enrollment with omnibus or entity-owned 529 accounts, though families still need to go through the process to open their own 529 accounts in order to make contributions. In addition, few 529 accounts have an in-person deposit option, potentially making it difficult for families who do not have bank accounts to make deposits.³¹

In addition to general considerations around 529 accounts, each type of 529 account has its own pros and cons. The omnibus 529 account and the entity-owned 529 account share many similarities.

Both provide many of the same benefits as a savings account with custodian, including:

- ◆ Allowing for automatic enrollment.
- ◆ Opening accounts on behalf of minors.
- ◆ Securing incentive funds so that they are restricted until the participant is ready to make an allowable asset purchase, such as paying for postsecondary education.
- ◆ Protecting families from asset limits, since families do not own the account.

The omnibus and entity-owned 529 accounts also share a significant disadvantage, which is that families cannot save into the accounts. Rather, families who want to make contributions need to open their own 529 accounts. While this can be an obstacle for families, programs can work with 529 providers to simplify this process as much as possible to facilitate families opening accounts.

The omnibus and entity-owned 529 accounts also have some key differences. In the omnibus account structure, money is invested into the omnibus account on behalf of each newly enrolled participant, while the individual custodial accounts require that a separate account be opened for each participant. The process for opening individual entity-owned accounts may be more time-consuming, making it potentially less feasible to enroll thousands of children at a time. The omnibus account structure has proven to work well at a large scale—as seen in statewide programs such as **Nevada College Kick Start** and the **Harold Alfond College Challenge** in Maine—while the entity-owned 529 accounts have generally been used by smaller programs, such as the **Scholars Saving Program**.

³¹ Though not common, some 529 programs do provide an option that allows accountholders to make deposits through bank branches. For example, Colorado's 529 program **CollegInvest** offers the **Smart Choice College Savings Plan** that is managed by FirstBank and allows account holders to go into any bank branch to make deposits.



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Another difference between the two account types is in account tracking and participant access to account information. Under the omnibus structure, since participants' funds are not held in separate accounts or subaccounts, either the 529 plan provider or the program coordinator needs to have a back-end accounting system to allow it to track and report out to families on participants' "account" balances. In the **Harold Alfond College Challenge**, which uses an omnibus account structure, this is done by unitizing all account values based on the participant's cohort (e.g., all babies born in January 2015) as a means of calculating the value of the funds held on behalf of a particular child. With an entity-owned 529 structure, this back-end calculation is not needed, since each participant has his or her own account that is tracked separately.

Parent-/guardian-owned 529 accounts are easier to set up from the program coordinator point of view, since they use the normal 529 structure already in place to allow families to save for postsecondary education. However, a disadvantage of this type of account is that, in contrast to omnibus and entity-owned 529 accounts, parent-/guardian-owned 529 accounts do not allow for automatic enrollment. This leaves the onus on parents to open accounts for their children. As described in **Chapter 3**, opt-in programs require significantly more outreach and marketing, and families with lower incomes or less financial savvy are less likely to open an account. In addition, because accounts are owned by the families, contributions into the 529s are subject to asset limits for certain federal and state benefits. These asset limits may either discourage families who receive benefits from saving or may lead families who do save to lose eligibility for certain benefits.

Another consideration is that, in many CSA programs, the omnibus or entity-owned 529 accounts work in concert with parent-/guardian-owned 529 accounts. For example, families in the **Scholars Savings Program** are encouraged to open their own accounts alongside the entity-owned accounts that hold incentives. The **Utah Education Savings Program** links the two accounts in their systems so that families can view the total balance between the two accounts.



FREQUENTLY ASKED QUESTIONS

Q: Can our program partner with a 529 plan in another state?

A: Yes. Just as families are not limited to only using their state's 529 plans, CSA programs can work with 529 plans across state lines. For example, **"I Have a Dream" Foundation's CSA program**—with locations in New York, Oregon and Iowa—partners with Utah's 529 plan provider, the Utah Educational Savings Plan. An important caveat is that, in most cases, families saving in 529 plans from other states will not receive any available tax benefits in their state of residence.



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Other Account Options

The account types described above are the primary ones used by CSA programs. However, given the rapid change and evolution in the financial services industry, there is also a whole range of financial services innovations and financial technology (i.e., fin tech) products and solutions that may provide other account options for CSA programs. These products and services may serve as alternate account types, or they may supplement or support existing products, for example mobile apps that encourage saving and/or making deposits into accounts. Some of these newer innovations include:

- ◆ Online accounts.
- ◆ Online gift or college saving registries that allow anyone to make deposits into accounts and are integrated with social media.
- ◆ Mobile apps that use “gamification” and other behaviorally-informed tools to make saving fun, rewarding and easy.
- ◆ Technology interfaces, such as Mint.com, that make managing personal finances easier.
- ◆ Stored value (prepaid) cards, many of which also include savings “purses.”

To date, none of these platforms have been used by CSA programs, so it is difficult to assess the feasibility of their use as account options for programs. If you want to consider any of these platforms, you will need to do extensive vetting to determine if they can meet the needs of your participants and the program coordinator. Nonetheless, as technology evolves and plays a larger role in financial services, it is important for the field to keep these other products and services in mind as possible account and deposit options for CSA programs.

Holding Account Incentives

The final piece to think about when considering account options is how your program will hold incentive funds. If your program is using omnibus or entity-owned 529 accounts, the incentives are held directly in those accounts, so you will not need to determine a separate system for holding incentives. However, if you are using either type of savings account or parent-/guardian-owned 529 accounts, which can receive contributions from participants, you will also need to consider separately how you will hold the incentive funds that participants receive from your program. (**Chapter 6** discusses incentives in detail.) Depending on your program guidelines, the account vehicle and the requirements of your data management system, a variety of methods can be used, such as:

- ◆ **Pooled Incentive Accounts.** All participants’ incentive funds are held collectively in one (or multiple) pooled incentive account(s) and distributed to individuals when they withdraw their account funds for postsecondary education or other qualified purposes. The pooled incentive accounts do not necessarily have to be held in the same financial institution as the participant accounts.
- ◆ **Mirror Incentive Accounts.** In order to hold incentive funds on behalf of the participant, an individual account is set up separately from the account into which a participant makes contributions; mirror accounts are owned by the program coordinator or a custodian. Mirror incentive accounts are often used by programs using individual parent-/guardian-owned 529 accounts to safeguard against families withdrawing incentive funds for unqualified purposes.
- ◆ **Commingling.** The incentives can be deposited directly into participants’ accounts, though this option requires that you



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set up a system to ensure that participants cannot withdraw incentives for unqualified purposes. This can be accomplished by using a custodial or omnibus account structure and by having a robust data management system that tracks how much of the savings in the account are from participant contributions versus from incentives. Note that commingling is not advisable for parent-/guardian-owned 529 accounts, in which there are no safeguards to prevent unqualified withdrawals of incentive funds.

In general, if you choose to hold participants' incentives in a pooled incentive account, you will need a back-end account tracking system that allows you to communicate to participants about the total amount of savings they have accrued, since the balances in their accounts (i.e. the accounts into which they make deposits) will not reflect the incentives. A good data management system will help you to track this and create customized account statements or an online portal for participants that show both their own contributions and accrued incentives. (**Chapter 11** provides more information on account tracking and data management.) If you hold incentive funds in mirror accounts, your financial institution may be able to link the mirror accounts with the accounts into which the participants make deposits so that participants can easily see their total balance across the two accounts.

Considerations for Finding a Financial Institution Partner

The primary consideration in choosing a partner financial institution is whether it already has, or is willing to develop, an account product that has many of the key features listed earlier

in this section that make accounts user-friendly for low-income families and easy for the program coordinator to manage. Some CSA programs have worked successfully with banks and credit unions to create new account products, or modify existing products, to suit the program's needs. However, creating a new account product for a program serving a limited group of people typically takes significant time and resources that many financial institutions are unable or unwilling to commit. Another related consideration is the financial institution's experience in working with CSA programs or other similar programs, such as **Individual Development Account** matched savings programs. Partnering with a financial institution that has successfully worked with similar programs will make it easier and quicker to get the accounts designed and set up, and can help avoid the challenges that less-experienced financial institutions might experience in providing these accounts.

When approaching financial institutions, here are some of the benefits you can describe for them about partnering with your program:

- ◆ **Positive public relations.** Stories and images of young children making deposits at branches and saving for college can boost a financial institution's public image and help build its brand.
- ◆ **Customer acquisition.** CSAs present an opportunity to tap into a new market, both through offering other products and services to parents of participating children—many of whom may be unbanked or underbanked—and through building long-term brand loyalty with children and adults alike.

³² The Community Reinvestment Act of 1977 is meant to encourage financial institutions to meet the credit and service needs of the communities in which they operate, particularly low- and moderate-income neighborhoods, by requiring periodic review of their record of serving communities. These records are taken into account when financial institutions submit applications for new bank branches or for mergers and acquisitions. More information is available at www.ffiec.gov/cra/default.htm.



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- ◆ **Community Reinvestment Act (CRA) credit.**³² By serving low-income children through CSAs, banks can earn credit towards their CRA requirements. More information is available in question 4 of the joint agency **guidance on youth savings**. (Note that this does not apply to credit unions or 529 plan providers.)

As you begin exploring potential financial institution partners, first examine any existing relationships that your organization or key stakeholders have. These relationships may provide you leverage in encouraging the financial institution to partner, as well as in negotiating for favorable terms for the accounts, such as no or low fees for the participants and program coordinator. For example, if a city government is starting a CSA program, it may want to start by talking with the financial institution(s) holding the city’s funds. If it is in the process of soliciting competitive bids for a financial institution to hold the government’s funds, it could include a provision requiring the selected financial institution to hold accounts for the CSA program. For non-governmental entities, consider incentives you can provide to the financial institution, such as moving your organization’s general funds into one of their accounts.



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³² The Community Reinvestment Act of 1977 is meant to encourage financial institutions to meet the credit and service needs of the communities in which they operate, particularly low- and moderate-income neighborhoods, by requiring periodic review of their record of serving communities. These records are taken into account when financial institutions submit applications for new bank branches or for mergers and acquisitions. More information is available at www.ffiec.gov/cra/default.htm.



PROGRAM DESIGN BLUEPRINT 5: CHOOSING AN ACCOUNT AND FINANCIAL PARTNER



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5a) ACCOUNT FEATURES. To help you think through which type of account might be the best fit for your program, review the list of ideal account features in the table below and select the three features that are most important for your participants and program coordinator. *Refer to Chapter 5 for explanations of all the account features.*

ACCOUNT FEATURES FOR PARTICIPANTS

Which *three* of the following features are most important for your participants?

- No Social Security number required for account opening
- Multiple deposit options
- Financial institution branches conveniently located for the target population
- The ability for families to track accounts and incentives
- No or low fees, and no or low minimum balance and minimum deposit requirements for families
- Interest-bearing or investment growth potential
- Account funds that do not count towards asset limits for public benefits

ACCOUNT FEATURES FOR PROGRAM COORDINATORS

Which *three* of the following features are most important for the program coordinator?

- The ability to open large numbers of accounts at a time
- The ability to provide periodic account activity reports to program coordinator
- A system for differentiating between participant deposits and incentive funds
- Custodial or trust accounts held by a third party for the benefit of the child
- Account structure that permits withdrawals only as approved by the account custodian or program coordinator.
- No or low fees for the CSA program



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5b) ACCOUNT TYPE. Use your selections from 5a of the most important account features for participants and program coordinators to consider which account type(s) might work best for your program. Refer to *Chapter 5* for more information on each account type and how they compare to the list of ideal features, as well as *Appendix II*, which has side-by-side comparisons of the features of each account type.

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|--|---|
| <p>Potential Account Type(s)</p> <ul style="list-style-type: none"> Given the account features you selected as most important for participants and the program coordinator in 5a, which account type(s) best meets your criteria? | <p>Savings accounts</p> <ul style="list-style-type: none"> <input type="checkbox"/> Pooled savings accounts <input type="checkbox"/> Individual custodial savings accounts <p>529 plan college savings accounts</p> <ul style="list-style-type: none"> <input type="checkbox"/> Omnibus 529 accounts <input type="checkbox"/> Entity-owned 529 accounts <input type="checkbox"/> Parent-/guardian-owned 529 accounts |
| <p>Potential Drawbacks</p> <ul style="list-style-type: none"> What are the potential drawbacks of your selected account type(s)? (e.g., the fees charged to the program coordinator may be high) How much of an impact could these drawbacks have on the functionality of the accounts for either participants or the program coordinator? (e.g., high fees could increase the overall program budget) How might you be able to work around these drawbacks? (e.g., negotiating with the financial institution for lower fees) | |



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KEY CONSIDERATIONS

RECORD YOUR IDEAS

Account Custodian

- ◆ If you are planning to use a custodial structure for your account (e.g., individual custodial savings accounts or entity-owned 529 accounts), will the program coordinator serve as account custodian?
- ◆ If not, what other organizations or agencies might be a good fit for the account custodian role? *(Key attributes for an account custodian include that it is well-known and trusted in the communities served by the CSA program and has the sustainability and commitment to hold the accounts until participants are ready to use their account funds. Refer to Chapter 5 for more information.)*



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5c) FINANCIAL INSTITUTION PARTNER. Use the questions below to help you think through which financial institutions might make a suitable partner. Refer to *Chapter 5* for more information on selecting a financial institution partner and on the potential benefits of a CSA partnership for financial institutions.

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|---|-------------------|
| Leveraging Existing Relationships | |
| <ul style="list-style-type: none"> ◆ With which financial institutions does your organization or do your partners currently have relationships that could be leveraged? <ul style="list-style-type: none"> ● Do any of those financial institutions potentially have the capacity and interest in partnering on a CSA program? ● Do those financial institutions already have an account product in place that would work for your program as-is or with modest tweaks? ● What leverage points do you have with the financial institutions (e.g., potentially moving your organization's general funds account to them)? | |
| Potential New Relationships | |
| <ul style="list-style-type: none"> ◆ Which other financial institutions in your area (or in other states, in the case of 529s) might have the capacity and interest in partnering on a CSA program? ◆ Do any of those financial institutions already have an account product in place that would work for your program as-is or with modest tweaks? | |



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5d) SUMMARY. Based on your responses in 5b and 5c, use the space below to identify the account type(s) you are considering for your program and your next steps for exploring potential financial institution partners.



ACCOUNT TYPE(S) AND FINANCIAL INSTITUTION PARTNER(S)



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Chapter 6: Determining Incentives to Grow Savings

IN THIS CHAPTER YOU WILL:

- ◆ Identify which types of incentives—initial deposits, savings matches and/or benchmark incentives—your program will offer.

Incentives are an important component of CSA programs because they build account balances, encourage families to save and help them accrue savings more quickly. For low- and moderate-income CSA participants in particular, incentives are a way of supplementing participants' contributions. By offering incentives to participants, your program will encourage lower-income families to make more deposits and their total savings will reach a meaningful level more quickly.

Commonly used incentives in CSA programs include:

- ◆ **Initial deposits** made on behalf of participants upon account opening.
- ◆ **Savings matches** on contributions made by participants.
- ◆ **Benchmark incentives** based on desirable behaviors or achieving milestones.

Each of these incentive types serves a different role in promoting children's savings, as explained below.

³³ Lisa Reyes Mason, Yunju Nam, Margaret Clancy, Vernon Loke and Youngmi Kim, SEED Account Monitoring Research: Participants, Savings and Accumulation (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2009), <http://csd.wustl.edu/Publications/Documents/RP09-05.pdf>.



FREQUENTLY ASKED QUESTIONS

Q: *What is the ideal amount for an initial deposit?*

A: No specific research has been done to determine the ideal amount of initial deposits for a CSA program. Research on the SEED program did find that the larger the initial deposit into SEED participant accounts, the higher the total accumulation of funds in the account. However, the *amount* of the initial incentive did not appear to affect the amount of savings contributions participants made.³³ In most cases, the amount of programs' initial deposits are based on programs' goals and local conditions, particularly the availability of funding.

The initial deposit amounts for current programs generally range from \$50-100, with \$50 being most common. A few programs have generous funding and offer significantly higher seed amounts, such as Maine's **Harold Alfond College Challenge**, which provides \$500 for each child. In addition, some programs offer different seed amounts depending on household income. For example, San Francisco's **Kindergarten to College** program provides a \$50 seed deposit to all participants and an additional \$50 to participants receiving free or reduced-price lunch. Figure 6.1 details the amount of initial deposits provided by several existing CSA programs.



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Initial Deposits

Initial deposits, often called “seed” deposits, are generally provided by a third party automatically on behalf of participants upon account opening. These seed deposits serve a number of purposes, including:

- ◆ Ensuring that all participants have at least some funding in their accounts, regardless of their families’ ability to make contributions.
- ◆ Encouraging participants and their families to make additional deposits.
- ◆ Fostering a college-bound identity in participants by setting aside money earmarked for postsecondary education.³⁴
- ◆ Meeting the minimum account balance requirement, if applicable.

Savings Matches

These incentives match deposits made by participants and/or their families to the accounts. Matches are often made on a dollar-for-dollar basis, though programs can choose to provide other amounts, such as \$.50 or \$2 in match for every dollar saved. Most programs cap the savings match on an annual or lifetime basis (e.g., only the first \$100 deposited per year will be matched) to

keep costs manageable, though families are not typically limited on the total amount they can deposit.

Savings matches encourage families to maximize their deposits and help account balances grow more quickly.³⁵ They are particularly important for building participants’ savings if your program’s account product has little or no return on investment, such as a savings account with an interest rate near zero percent. In addition, offering a match cap can encourage participants and families to save by setting a savings goal: the cap on the amount matched sets a target that accountholders will try to meet.³⁶ Research on the SEED program found that higher savings match caps were positively associated with savings, indicating that higher match limits incentivized participants to save. At the same time, overall the higher match cap did not lead to a higher total balance in accounts. This finding implies that participants and their families still found it hard to make deposits even with savings matches as an incentive, thereby highlighting the importance of also offering an initial deposit to build account balances.³⁷

Benchmark Incentives

Benchmark incentives are extra third-party contributions that participants and their families can earn for reaching milestones or achieving goals such as completion of financial education,

³⁴ As discussed in [Appendix I](#), research shows that low- and moderate-income students with an account for college are three times more likely to attend college and four times more likely to graduate, even with as little as \$1-499 in an account. Emily Rauscher and William Elliott, *Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education* (Lawrence, KS: Center on Assets, Education and Inclusion, University of Kansas, 2013), <http://aedi.ku.edu/sites/aedi.ku.edu/files/docs/publication/CSA/reports/Full-Report.pdf>.

³⁵ For example, a study of Maine’s 529 matching grant program showed that incentives were very important in accountholders’ decisions to open an account (initial deposit), and in low- and moderate-income accountholders’ decisions to continue saving in the account (annual match on contributions to the account). See Margaret Clancy, Chang-Keun Han, Lisa Reyes Mason and Michael Sherraden, *Inclusion in College Savings Programs: Participation and Saving in Maine’s Matching Grant Program* (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2006), <http://csd.wustl.edu/Publications/Documents/RP06-03.pdf>.

³⁶ Mark Schreiner and Michael Sherraden, *Can the Poor Save? Saving and Asset Building in Individual Development Accounts* (Piscataway, NJ: Transaction, 2006).

³⁷ Mason, Nam, Clancy, Loke and Kim, *SEED Account Monitoring Research*, I.



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attainment of certain grades or making consistent deposits. For example, the **“I Have a Dream” Foundation’s CSA program**, which provides long-term support to children from low-income communities to ensure they have the opportunity to achieve postsecondary education, uses benchmark incentives to help keep kids on the path to and through college. It offers account contributions for completing critical college readiness milestones, such as providing “celebration” dollars of up to \$50 for taking the PSAT. Incentives like these allow participants and families to generate deposits for accounts that do not have to come out of tight family budgets, encourage certain behaviors such as taking college preparation courses and help account balances grow more quickly.

Other Incentives

In addition to the three commonly used types of incentives already described, CSA programs have used other creative means to encourage savings and meet other program objectives. The **Fund My Future** program, run through Propel Schools in Pittsburgh, uses a **prize-linked savings** model in which participants earn one entry into a monthly raffle drawing for every \$10 deposited into the account.³⁸ This model encourages contributions to the accounts while keeping the costs manageable for the program.

The Kansas Department of Children and Families has also used an innovative incentive structure in its **Child Support Savings Initiative** (CSSI) that encourages both savings and payment of child support arrears. Noncustodial parents who make deposits

into 529 accounts for their children receive a \$2 reduction in their state-owed child support arrears for every dollar deposited.

Deciding on Your Incentives

The use of incentives varies across CSA programs. Most programs provide an initial deposit, though some programs only offer savings matches once participants start making contributions. In other cases, programs provide only an initial deposit to start the account without any further incentives. Within these different configurations, the amount of the incentives also varies widely. Figure 6.1 shows the types and amounts of incentives used by several existing CSA programs.

Key Considerations

Figuring out the exact mix and amount of incentives that is right for your program depends on a number of factors, including:

- ◆ **Program goals.** The types and amounts of incentives you chose can have different impacts; therefore, the incentives you select should promote your program goals, as outlined in **Chapter 2**. If your program’s primary objective is to maximize account balances, a higher initial deposit amount may be the most efficient way to reach that goal, since research findings from SEED show a positive correlation between the amount of the initial deposit and total account balances.³⁹ If one of your goals is to build a savings habit among participating children and/or parents, offering savings matches or a benchmark incentive for consistent savings may encourage that desired behavior. If you want to increase the

³⁸ More information on prize-linked savings is available on the [Doorways to Dreams \(D2D\) Fund website](#).

³⁹ Mason, Nam, Clancy, Loke and Kim, *SEED Account Monitoring Research*, I.



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financial capability of parents, you may want to offer a benchmark incentive for parents who meet with a financial coach or utilize other financial capability services.

- ◆ **Progressive incentives.** Rather than offering the same incentives to all participants, you may want to offer additional or higher incentives to children in low- and moderate-income families. Progressive incentives can help children whose families have limited financial resources build their account balances faster. For example, in Kindergarten to College, all participants receive a \$50 initial deposit, and participants who are eligible for free or reduced-price lunch receive an extra \$50. Another way to structure progressive incentives is to provide the same initial deposit to all participants but only provide a match to children from low- or moderate-income families.
- ◆ **Administrative capacity.** The administrative burden of providing incentives varies significantly between different types. Providing an initial deposit to every participating child is relatively simple, while savings matches require tracking account activity and disbursing match funds accordingly. Savings matches are feasible to administer in a large CSA program, but it will likely require investing in a database system capable of doing this type of tracking automatically. (See **Chapter II** for additional information on tracking incentives and data management systems.)
Benchmark incentives are the most complex to administer because they require collecting extra data or documentation on the completion of milestones, often from a third party (such as a school or financial education provider). In a small,

high-touch CSA program, it may be possible to effectively use benchmark incentives. However, for a large-scale program, benchmark incentives that cannot be automatically verified through a data exchange may be too expensive and administratively burdensome.⁴⁰ If your program decides to offer benchmark incentives, make sure you carefully consider the number and complexity of the benchmarks, the accessibility of the data or documentation needed to verify the milestones, and whether the amount of the incentive provided to the participant exceeds the cost of processing the incentive for your program.

- ◆ **Budgeting and fundraising.** You will need to consider your program's current budget constraints and ability to fundraise to cover the costs of incentives. An important consideration is program sustainability. Will your program be able to raise enough money to continue to offer the same level of incentives for future groups of participants, or should you scale back incentives for the first group of children enrolled to set aside money for future enrollees? If you are creating a large-scale program, bear in mind that the costs of providing incentives can grow quickly. For instance, the cost difference in providing a \$50 initial deposit versus \$150 initial deposit is large when thousands of children are enrolled each year.

It is also important to bear in mind the uncertainty involved in budgeting for different types of incentives. Anticipating the amount of initial deposits is fairly straightforward. However, budgeting for savings matches or benchmark incentives is trickier, because the amount of incentives that participants

⁴⁰ For further discussion on the value and limitations of offering benchmark incentives, see Bob Friedman, Liana Humphrey, Carl Rist, Barbara Rosen, Leigh Tivol, Rochelle Watson and Katie Wright, *Demonstrating Opportunity: A Compendium of Practical Experience and Lessons Learned from the SEED Initiative* (Washington, DC: CFED, 2010), http://cfed.org/assets/pdfs/SEED_Compndium_SmallEdition.pdf.



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will “draw down” can be difficult to predict, especially for a brand new program. Your organization and funder(s) will need to be comfortable with some ambiguity in budgeting if you choose to offer these types of incentives. **Chapter 9** provides a tool to help you calculate the cost of incentives using different draw-down scenarios, as well as more information on budgeting and fundraising for incentives.

In addition to deciding on which types of incentives to offer and the amount of each, other important considerations include:

- ◆ **Incentives timeframe:** How many years will participants be eligible for savings matches or benchmark incentives? Will they only be offered in just the first year of participation, for five years or until the participant reaches 18?
- ◆ **Incentives cap:** Will the amount of available savings match or benchmark incentives for participants be capped? If yes, will it be an annual or a lifetime cap?



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Figure 6.1: Programs Savings Incentives

| Program | Initial Deposit Amount | Savings Match | Benchmark Incentives | Other Incentives |
|--|------------------------|--------------------------|---|--|
| Kindergarten to College | \$50 ⁴¹ | 1-to-1 match up to \$100 | Save Steady Bonus: Families who contribute at least \$10 in their account for six consecutive months receive a one-time \$100 bonus. | |
| Harold Alfond College Challenge | \$500 | None | None | While the Alfond College Challenge itself does not offer a savings match, families who open their own 529 account through Maine's NextGen College Investing Plan can receive a NextStep Matching Grant (NMG). NMG, administered by the Finance Authority of Maine, provides a 50% match on contributions, up to \$300 match per year, with no lifetime maximum. |
| Nevada College Kick Start | \$50 | None | None | While College Kick Start itself does not have a matching component, families who open their own SSgA Upromise 529 account and earn less than \$75,000 in adjusted gross income can receive a Silver State matching grant . The matching grant provides a dollar-for-dollar match up to \$300 per year, with a lifetime maximum of \$1,500 over five years. |
| "I Have a Dream" Foundation | \$100-200 | None | Students earn CSA contributions by completing critical milestones on the path to and through college (e.g., completing the PSAT, attending a college visit, submitting the FAFSA) | |
| Kansas Child Support Savings Initiative | \$25 | None | None | Noncustodial parents who make deposits into 529 accounts for their children, receive a \$2 reduction in their state-owed child support arrears for every dollar deposited. |

⁴¹ Participants who are eligible for free or reduced-price lunch receive an extra \$50.



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PROGRAM DESIGN BLUEPRINT 6: DETERMINING INCENTIVES TO GROW SAVINGS

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6a) CONSIDERATIONS FOR CHOOSING INCENTIVES. Use the questions in 6a to help you think through key considerations for choosing the best type(s) of incentives—initial deposits, savings matches or benchmark incentives—for your CSA program. Refer to Chapter 6 for more details on each type of incentive and the key considerations for choosing among them.

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|---|-------------------|
| Program goals | |
| <ul style="list-style-type: none"> ◆ What are the primary goals of your program? (Refer to <i>Blueprint 2</i>.) ◆ Which type(s) of incentives might be best suited to help you achieve your goals? | |
| Administrative capacity | |
| <ul style="list-style-type: none"> ◆ What resources are needed to administer the incentives you would like to offer? (e.g., staff time, database system) ◆ Does your organization currently have those resources? If not, what would it take to build those resources? | |
| Cost | |
| <ul style="list-style-type: none"> ◆ What will it cost per year to provide your selected incentive(s)? (Refer to Chapter 9 for more information on budgeting for incentives. You can use the Budget Calculator to help you figure out the cost of incentives over a 1-5 year period.) ◆ Do you anticipate that you will be able to raise adequate funds to cover the cost of incentives over the duration of the CSA program? (Refer to Chapter 10 for more information on fundraising.) ◆ Is your funding flexible enough to offer incentives with a non-fixed cost, such as savings matches and benchmark incentives, that depend on participant take-up rates? | |

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PROGRAM DESIGN BLUEPRINT 6: DETERMINING INCENTIVES TO GROW SAVINGS

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|---|---------------------------------|
| <p>Eligibility</p> <ul style="list-style-type: none"> ◆ Are you going to offer the same incentives to all participants, or will you offer progressive incentives in which lower-income participants receive higher incentives? ◆ Are you going to offer incentives for certain achievements (e.g., completing an SAT prep course, participating in financial education, reaching a specific savings amount)? | Empty space for recording ideas |

6b) SUMMARY. Based on your responses in 6a, use the space below to identify the incentives you are considering providing to your program participants to grow their savings.

 **INCENTIVES TO GROW SAVINGS**



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Chapter 7: Fostering Family and Child Engagement

IN THIS CHAPTER YOU WILL:

- ◆ Determine the strategies you will use to engage both children and their families in the CSA program.

Family and child engagement is a key element for a successful CSA program. Keeping participants connected throughout the program helps to ensure that they understand the account and incentives offered and the value of making their own savings contributions. Engaging families can also be critical for supporting children's academic performance and cultivating a [college-bound identity](#) in children. However, keeping participants connected to CSA programs can be challenging, particularly for universal/automatic-enrollment programs. With opt-in programs, it may be that families who are most interested or motivated sign up and therefore may be more engaged, whereas in automatic programs, there is likely to be a larger portion of participants who are inactive.

Engagement can take many forms, including:

- ◆ Providing program activities for children and their families, such as financial education (discussed in more detail in [Chapter 8](#)).
- ◆ Encouraging children and parents to make deposits.

- ◆ Giving parents tips on how to talk to children about their accounts.
- ◆ Including activities and discussion of the accounts in classrooms.

CSA programs also provide an opportune moment to implement a [two-generation approach](#) by addressing the needs of both vulnerable children and parents together.⁴² For example, programs can simultaneously build [financial capability](#) for both parents and children by facilitating discussions between family members regarding savings and connecting families to other financial capability services, such as access to safe and affordable financial products, credit counseling and financial coaching.⁴³ (Financial capability strategies are discussed in more detail in [Chapter 8](#).)

High-Touch vs. Low-Touch Engagement

The methods and depth of engagement with children and families vary widely across CSA programs from very [high-touch programs](#) that provide ongoing, direct engagement with participants on a regular basis to very [low-touch programs](#) that have limited or infrequent contact with participants, along with everything in between.

High-touch programs:

- ◆ Have multiple touch points with program participants (e.g., school events, classroom workshops, financial coaching, account transactions, etc.).

⁴² More information about the two-generation approach is available from [Ascend](#) at the Aspen Institute.

⁴³ Find more information about financial capability services in Appendix A of *Building Financial Capability: A Planning Guide for Integrated Services* (Washington, DC: Administration for Children & Families, U.S. Department of Health and Human Services, 2015), <http://www.acf.hhs.gov/programs/ocs/resource/afi-resource-guide-building-financial-capability>.



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- ◆ Provide active, ongoing communication through a variety of media, such as newsletters, email, in-person meetings, phone calls, etc.
- ◆ Facilitate financial capability services for children, families or both.
- ◆ Provide, or refer participants to, other programs and services.

Low-touch programs:

- ◆ Have limited touch points with program participants.
- ◆ Provide infrequent or indirect communication, such as account statements or periodic email reminders.

High-touch programs may be more resource intensive, but they may help to boost program participation, including family deposits into accounts. To reduce the resource burden, program coordinators can work with community partners that already regularly interact with participants or their families to help foster engagement. For example, **Promise Indiana** partners with local schools to facilitate participant enrollment, and teachers integrate college and career discovery activities into their lessons and take students on a college visit.

Program Messaging

Whatever level of participant and family engagement you choose for your program, you will need to think critically about the way that you message it in your outreach to participants and their families. Well-designed, thoughtful and appropriate messaging for a CSA program is critical to achieving family buy-in, encouraging families to use the accounts, and ensuring that the program is well-understood by participants and families. The way that families and

children perceive the program and its relevance to their personal circumstances can have a significant effect on their levels of interest and participation. Tailoring program messaging to resonate with parents will help ensure that their needs and expectations are addressed and spark excitement about the program.

Outreach to families about the CSA program should emphasize parent pride, agency and ownership. The account should be messaged as a tool and an opportunity for families to be involved in the planning of their children's educational futures. The idea of investing in their children's futures and building their aspirations may particularly resonate with parents. In addition, parent input is critical for increasing parent participation. Involving parents early on in the program design process, as discussed in **Chapter I**, can help create a sense of ownership, which may in turn increase program participation.

Savings Participation

If your program focuses on increasing family contributions into the accounts, family engagement is critical to boosting your [savings participation rate](#). The savings participation rate refers to the percentage of enrolled children who have made (or whose families have made) deposits into their accounts beyond the initial deposits or other incentives provided by the CSA program. Having multiple touch points and providing reminders may help prompt families to make savings contributions into their accounts. Research also suggests that engaging children directly, including making sure they are aware of the account and helping them make deposits, can help increase savings contributions.⁴⁴ Bear in mind that elements of your program design, such as the deposit



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⁴⁴ Terri Friedline, "The Independent Effects of Savings Accounts in Children's Names on Their Savings Outcomes in Young Adulthood." *Journal of Financial Counseling and Planning* 25, no. 1 (2014) 69-89, <http://ssrn.com/abstract=2466561>.

options available for the selected account, the accessibility of the partner financial institution and the incentives structure, can also significantly impact savings participation.

Specific methods that you can use to engage families and boost savings participation include:

- ◆ Using incentives that are well-designed and clearly explained to spur savings.
- ◆ Involving peers and other trusted ambassadors, such as parents of young accountholders or teachers, to promote CSA programs.
- ◆ Making it fun by building excitement through games, competitions and raffles.
- ◆ Meeting people where they are by setting up deposit and marketing opportunities in places and at events where families already go, such as school activities or social service agencies.⁴⁵

When reaching out to families about savings, focus on positive, goal-oriented messaging to help families set meaningful and achievable savings targets. Underscore that savings can help children attain postsecondary education and greater financial stability. For example, a study of **Kindergarten to College** showed that parents responded best to messaging that sold

CSAs as a “12-year head start on saving for tuition.”⁴⁶ In addition, providing explicit information on college costs and how savings can fill the financial aid gap can help empower families and even increase participation in savings programs.⁴⁷

Peer support

Fostering peer support can help generate higher levels of savings. Behavioral science reveals that people are heavily influenced by the actions taken by their peers. Consider using strategies such as **social proof**, in which you show participants and their families that their peers are saving.⁴⁸ If participants see that many of their peers are saving, it may reinforce their own savings motivation. For example, you could provide opportunities to share peer successes, such as by highlighting stories of families that are saving regularly.

Financial education discussions oriented around the accounts are a great opportunity for fostering peer support among both participants and their parents. Facilitating interactive, discussion-oriented workshops can help participants and families get to know one another and feel invested in each other’s success. Ideally, peer groups should be moderate in size (7-12 people), but if you offer larger workshops, you can facilitate smaller sub-group activities to help participants’ acquire a group identity.

⁴⁵ For more information on these strategies, see Shira Markoff, Dominique Derbigny and Leigh Tivol, *From Aspirations to Achievement: Growing the Children’s Savings Movement* (Washington, DC: CFED, 2014)

http://cfed.org/knowledge_center/resource_directory/cfed_publications/from_aspirations_to_achievement_growing_the_childrens_savings_movement/.

⁴⁶ Jade Shipman Bevans, *Children’s Education Savings Accounts: A Case Study of San Francisco’s K2C Program* (San Francisco, CA: EARN Research Center, 2013), http://sfofe.org/wp-content/uploads/2011/09/K2C_Practitioners_Report_March-2013.pdf.

⁴⁷ William Elliott and Kristen Wagner, *Increasing Parent Expectations via College Savings: Closing the Achievement Gap* (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2007).

⁴⁸ Owain Service, et al., *EAST: Four Simple Ways to Apply Behavioural Insights*, (London, UK: Behavioral Insights Team, 2014), <http://www.behaviouralinsights.co.uk/publications/east-four-simple-ways-to-apply-behavioural-insights/>.



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Building relationships and rapport takes time, but you can help to facilitate this process by providing a variety of communication tools and opportunities for your participants to interact, such as through forums, in-person or virtual group meetings, and peer mentoring. Pairing participants with successful savers can help them celebrate milestones and track success toward savings goals.

Deciding on an Engagement Strategy

In determining the types and level of engagement you want to provide, first consider your program goals. For example, if your primary goal is to build a college-bound identity in children, your engagement may focus on talking to participants about college and how their account will help them attend college. Additionally, engagement strategies will differ depending on your program model and how your program is administered (e.g., through a local school district, human service organization, local or state government, etc.). For

example, a CSA program embedded in an elementary school may engage children by integrating financial education into the classroom, while a program embedded in a human service organization may engage parents by connecting them to other programs and services.

In some cases, the program coordinator may not be the ideal organization to conduct child and family engagement or may not be able to do all of it alone. If your organization does not have the capacity to provide the desired type or level of interaction or if it lacks direct access to participants and their families, you may want to partner with other community-based nonprofits, schools or human services agencies to help facilitate family and child engagement. For example, if your CSA program is administered by the state treasurer's office, you can partner with local public school systems to incorporate discussion of the accounts into math classes or financial education lessons. Additional information about forming partnerships is in **Chapter II**.



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IN ACTION: BOOSTING SAVINGS THROUGH COMMUNITY ENGAGEMENT

Contributions into CSAs need not solely rely on money pulled from families' tight budgets. **Promise Indiana** has developed an innovative model that helps children grow their savings with the help of community “champions.” Promise Indiana is a coalition of community-driven CSA programs working in partnership with the Indiana Education Savings Authority. As of 2015, the program is underway in eight counties in Indiana, with plans to expand and serve 12 additional counties over the next two years. Each community secures a local or regional sponsor to seed children’s accounts with \$25 to spark future savings. Participants are then encouraged to cultivate champions—such as family members, friends or community partners (including churches, clubs, or businesses that adopt entire classrooms or grade levels)—to support their savings. As children complete college and career discovery activities in the classroom and visit a college campus, they ask their champions to contribute to their CSAs. Promise Indiana then leverages community dollars to match the funds raised by participants. Each child who raises \$25 from his or her champions receives a community matching gift (typically a 3:1 match up to \$75 each school year).



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PROGRAM DESIGN BLUEPRINT 7: FOSTERING FAMILY AND CHILD ENGAGEMENT



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7a) CONSIDERATIONS FOR ENGAGEMENT STRATEGIES. Use the questions in 7a to help you think through key considerations about the best ways to engage children and families in your CSA program. *Refer to Chapter 7 for more information on engagement strategies.*

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|--|-------------------|
| <p>Program goals</p> <ul style="list-style-type: none"> ◆ What are the primary goals of your program? (<i>Refer to Blueprint 2.</i>) ◆ What types of child and family engagement activities would best help you achieve your program goals? ◆ What level of engagement (i.e., high-touch or low-touch) is needed to further these goals? | |
| <p>Touch Points</p> <ul style="list-style-type: none"> ◆ Do you have direct access to your target population? ◆ What opportunities do you have to engage with your target population? | |
| <p>Partnerships</p> <ul style="list-style-type: none"> ◆ Does your organization have the capacity and access to the target population needed to conduct child and family engagement? ◆ If not, what partners do you currently work with who work directly with your target population? ◆ What other organizations or agencies in your community have access to your target population? | |



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PROGRAM DESIGN BLUEPRINT 7: FOSTERING FAMILY AND CHILD ENGAGEMENT

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|--|-------------------|
| <p>Communication</p> <ul style="list-style-type: none"> ◆ How frequently will you communicate with clients? (e.g., monthly, quarterly) ◆ What communication methods will you use? (e.g., email, social media, mail) | |
| <p>Savings Participation</p> <ul style="list-style-type: none"> ◆ How important is family and child savings participation for reaching your program goals? ◆ What strategies will you use to encourage savings participation? | |
| <p>Peer support</p> <ul style="list-style-type: none"> ◆ What strategies can you use to foster peer support? | |

7b) SUMMARY. Based on your responses in 7a, identify the methods and strategies you will use to engage children and families in your CSA program.



CHILD AND FAMILY ENGAGEMENT STRATEGIES



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Chapter 8: Building Financial Capability

IN THIS CHAPTER YOU WILL:

- ◆ Identify strategies to build children’s financial capability, such as experiential financial learning.
- ◆ Determine which financial capability services you will offer for parents.

Many CSA initiatives engage children—and often their parents as well—in activities to build their **financial capability**. Financial capability in adulthood, as shown in Figure 8.1, is defined as the capacity—based on knowledge, skills and access—to manage

financial resources effectively.⁴⁹ Childhood experiences are critical to building financial capability and well-being in adulthood. Specifically, critical developmental processes in childhood that help develop financial capability include:

- ◆ Financial socialization, through which children acquire financial values, norms and attitudes.
- ◆ Financial skill building and experience.⁵⁰

As discussed in this chapter, CSA programs can incorporate these elements into their program design to help build children’s financial capability. In addition, by promoting access to an account and the opportunity to save, as well as offering additional financial services, CSA programs can simultaneously improve parents’ financial capability.

Figure 8.1: Definition of Financial Capability



⁴⁹ Amended Charter: President’s Advisory Council on Financial Capability (Washington, DC: U.S. Department of the Treasury, 2010), <http://www.treasury.gov/resource-center/financial-education/Documents/PACFC%202010%20Amended%20Charter.pdf>.

⁵⁰ Anita I. Drever, Elizabeth Odders-White, Charles W. Kalish, Nicole M. Else-Quest, Emily M. Hoagland and Emory N. Nelms, “Foundations of Financial Well-Being: Insights into the Role of Executive Function, Financial Socialization, and Experience-Based Learning in Children and Youth” *The Journal of Consumer Affairs* 49, no. 1 (2015): 13–38.

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Developing Children’s Financial Capability

Experiential Learning

Many schools and other organizations provide classroom-based financial education that teaches children basic financial topics, such as wants versus needs, banking, budgeting and saving. A number of existing financial education curricula are available for children, which can provide a solid foundation for the “lessons” portion of your financial capability programming. Figure 8.2 gives examples of just a few of these curricula, and you can also find additional curricula on the [JumpStart Coalition’s website](#).

While financial education lessons can be valuable, for children to derive meaning and gain skills, the lessons need to be paired with experiential learning opportunities. Experiential learning opportunities are direct or hands-on opportunities for children to put what they are learning about savings and related topics into practice. The CSA itself provides a chance for this type of learning when children are given a way to interact with the account. For example, classes could take field trips to a partner bank or credit union to make deposits into their accounts and see first-hand how the process works. Alternatively, you could pair a lesson on banking and saving with a bank-at-school program. Your partner financial institution could set up periodic days in which children could make deposits into their CSAs at school; potentially a few students could serve as “tellers.”⁵¹ A less resource-intensive way to have children interact with their accounts might be to give them an assignment to look at and discuss their account balance with their parents.

A critical design piece of providing paired financial education and experiential learning is thinking through who will provide it and when. Schools can be a great venue for delivering this, and many states already have financial education standards in place. However, keep in mind that schools and teachers have many competing priorities and limited time and resources. It may be difficult for them to take on the extra role of delivering financial learning. Bringing in an outside provider may help alleviate this burden to an extent, but it may still be hard to fit additional learning into an already-packed school day. To address these concerns, first make sure you involve school staff in discussions about providing experiential learning early on in your program design process to increase their buy-in. Then, work closely with them to develop lessons and activities that work within the existing classroom constraints.

Parental Modeling

Another way that CSA programs can promote children’s financial capability is by empowering parents to talk about savings with their children and to model positive financial behaviors. Research shows the strong impact that parents can have on their children’s financial attitudes and behaviors.⁵² CSA programs can foster opportunities for parents and their children to engage in positive financial behaviors together, such as setting up family financial workshops in which children and parents discuss the family budget and decide on how to set aside money for the CSA. Programs can also opt for a lower-touch intervention, such as sending tips to parents about how to talk with their children about the accounts

⁵¹ For more information on bank at school programs, see School-Based Bank Savings Programs (Washington, DC: Office of the Comptroller of the Currency, U.S. Department of the Treasury, 2009), <http://www.occ.gov/topics/community-affairs/publications/insights/insights-school-based-bank-savings-programs.pdf>. For an example of a bank at school program, see Royal Credit Union’s School \$ense program at https://www.rcu.org/investments_and_savings/school_sense_sites.phtml.

⁵² Drever, Odders-White, Kalish, Else-Quest, Hoagland and Nelms, “Foundations of Financial Well-Being,” 13–38.



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and the strategies they are using to save in the accounts, as well as directing parents to general information about speaking with their children about financial topics, such as the **Money as You Grow website**. In addition, CSA programs can help parents become better financial role models for their children by improving their financial capability, as discussed in the next section.

Figure 8.2: Examples of Financial Education Curricula for Children

| Curriculum | Target Age | Estimated Length | Materials Available | Topics Covered |
|--|------------|--|--|--|
| FDIC's Money Smart | 5-20 | Youth (age 5-8): 6 modules; 45-65 minutes each Young Adults (age 12-20): 8 modules; 90-110 minutes each | Offers a completely customizable curriculum; each module includes a fully scripted instructor guide, participant guide and overhead slides | <ul style="list-style-type: none"> Basics of handling money and finances Creating positive relationships with financial institutions |
| Financial Fitness for Life | 5-18 | Grades K-2: 16 lessons Grades 3-5: 15 lessons Grades 6-8: 17 lessons Grades 9-12: 22 lessons | Lesson plans and a variety of age-appropriate activities | <ul style="list-style-type: none"> Basic money management and savings Financial decision-making Budgeting Goal setting |
| PNC Grow Up Great: Sesame Street "For Me, for You, for Later" Kit | 3-4 | 2 hours | Educator's Guide and bilingual multimedia kit which includes a Parent and Caregiver Guide, a Children's Activity Book, and a Sesame Street DVD | <ul style="list-style-type: none"> Value Spending, Saving and Sharing Choices Money |
| Practical Money Skills | 4-18 | The number of modules depends on the age range, but each is roughly 30 minutes in length | Lesson plans with student activities for each age group | <ul style="list-style-type: none"> Money responsibility Making money Money goals Understanding credit and debt |
| Thrive by Five | 3-4 | 8 modules; each takes about 30-60 minutes to complete | 8 modules for training pre-school children, geared towards parents' instruction | <ul style="list-style-type: none"> What money is and how it is used Good money management techniques How families use money |



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Financial Capability Services for Parents

By opening up the conversation about saving and building children's financial skills, CSA programs can serve as a bridge to connect parents to a range of wrap-around services that build their own financial capability. Incorporating these services into CSA and other social service programs is known as [financial capability integration](#). Increasing parents' financial capability can benefit children by both improving parents' confidence in serving as a financial role model for their children and by helping families move towards financial security.

Financial capability services that CSA programs can directly provide or connect parents with include:

- ◆ **Access to federal and state benefits:** Screen for benefits eligibility and provide assistance in assessing benefits, such as SNAP (the Supplemental Nutrition Assistance Program, formerly food stamps), child care or transportation subsidies.
- ◆ **Access to safe and affordable financial products:** Access to or encouraging the use of financial products that are low-cost, convenient and transparent.
- ◆ **Asset ownership programs:** Support participants in building and/or maintaining assets such as retirement savings, a small business, a home, a vehicle or postsecondary education for themselves or their children.
- ◆ **Credit building:** Access to products or programs that help participants build or re-build credit.
- ◆ **Credit counseling:** Assistance organizing, prioritizing or paying down debt; helps participants monitor and manage credit.

- ◆ **Financial coaching:** Ongoing one-on-one interactions that focus on achieving financial goals.
- ◆ **Financial counseling:** One-on-one interactions that focus on solving immediate financial issues.
- ◆ **Financial education:** Workshops and classes on financial topics, offered in a series or as stand-alone sessions.
- ◆ **Free tax preparation assistance:** Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) programs; often includes promoting the Earned Income Tax Credit (EITC).
- ◆ **Incentivized savings programs.** Work with participants to save for their goals and provide incentives that they can use for an asset purchase or another expense.⁵³

An excellent resource to assist you in considering which services to integrate into your CSA program is *Building Financial Capability: A Planning Guide for Integrated Services*. It provides tools that can help you assess which financial capability services best meet parents' needs and determine how best to provide those services—whether through setting up partnerships with other organizations, establishing referral relationships with other providers or building your own in-house capacity.

Financial education is a common wrap-around service offered to parents of CSA participants. As with children, financial education for adults is most effective when it is experiential, relevant and actionable. In other words, adults need to both learn about issues that are relevant to their current situation and be able to put their new knowledge immediately into practice. When offering financial education, it is preferable not to mandate parent participation,

⁵³ For a comprehensive list of financial capability services and additional details on each service, see Appendix A of *Building Financial Capability: A Planning Guide for Integrated Services*.



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both because parents face many competing priorities, and because tracking and enforcing participation can be administratively burdensome for your program. Financial education should be strongly encouraged and offered widely at accessible times and locations (or even online) for busy parents. To encourage parent participation, some CSA programs offer an incentive, such as an extra deposit into their child's account, for participating in financial education.

Wherever possible, you may want to partner with local organizations to leverage existing financial education services, because parents may be more likely to participate in financial education that is provided in a local community setting that is familiar and comfortable. If no local organizations are providing this service, you may consider training a trusted community leader to deliver financial education. Finally, financial education should be specifically tailored toward the financial topics that are relevant to your target audience.



IN ACTION: SERVING TWO-GENERATIONS IN COLORADO

The **Colorado Children's Savings Account** program is launching a three-year pilot initiative to offer CSAs using a two-generation approach. The CSA program serves preschool children in Head Start, which provides the opportunity to build upon Head Start's existing foundation of parent and family engagement. When program designers spoke to staff in schools and Head Start programs during the design phase, many staff members reported that they had attempted to provide financial education to parents previously, but with minimal success. They observed that such resources are more successful when provided to the whole family or to both parents and children simultaneously, with activities completed together. By offering financial education for parents and their children, both separately and together, the Colorado CSA program hopes to see a multiplier effect on the children, as changes in the financial knowledge and well-being of parents typically affect outcomes for their children.



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PROGRAM DESIGN BLUEPRINT 8: BUILDING FINANCIAL CAPABILITY



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8a) FINANCIAL CAPABILITY FOR CHILDREN. Use the questions below to help you think through strategies you will use to help build the financial capability of children participating in your CSA program. *Refer to Chapter 8 for more information on how to build children’s financial capability.*

KEY CONSIDERATIONS

- ◆ What age-appropriate financial education curricula are available for children?
- ◆ What are the advantages to each curriculum?
- ◆ What are the disadvantages to each curriculum?
- ◆ What experiential learning opportunities will you pair with the lessons?

RECORD YOUR IDEAS



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PROGRAM DESIGN BLUEPRINT 8: BUILDING FINANCIAL CAPABILITY

8b) FINANCIAL CAPABILITY FOR PARENTS. Use the questions below to help you think through which financial capability services you will provide to parents/guardians of CSA participants. Refer to Chapter 8 for more information on incorporating financial capability services for parents into your CSA program.

| KEY CONSIDERATIONS | RECORD YOUR IDEAS |
|---|-------------------|
| <ul style="list-style-type: none"> ◆ Do you plan to provide financial capability services to parents, either directly or through referrals? ◆ If yes, refer to Tools 1-3 in Building Financial Capability: A Planning Guide for Integrated Services to help you determine which of the following services would best address the financial challenges facing parents: <ul style="list-style-type: none"> ● Access to Federal and State Benefits ● Access to Safe and Affordable Financial Products ● Asset Ownership Programs ● Credit Building ● Credit Counseling ● Financial Coaching ● Financial Counseling ● Financial Education ● Free Tax Preparation Assistance ● Incentivized Savings Programs ◆ How do you plan to provide each of your selected services—directly through your organization, through referrals or through a partnership with another organization in your community? <ul style="list-style-type: none"> ● Refer to Tools 4-7 in Building Financial Capability to help you think through the best approach for providing these services and for developing an inventory of financial capability service providers in your community. | |



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8c) Based on your responses in 8a and 8b, use the space below to identify how you plan to build the financial capability of children in your CSA program and, if applicable, their parents.



FINANCIAL CAPABILITY PLAN

FOR CHILDREN:

FOR PARENTS:



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Section B:

LAUNCHING YOUR PROGRAM

Now that you have made key design decisions about your program and created your customized program design blueprint, it's time to think about how to put it into operation.

To do so, you will need to:

- ◆ **Develop a program budget**
- ◆ **Fundraise to support the program**
- ◆ **Set up your program operations and management systems**
- ◆ **Determine how you will define and measure the success of your program**

This section will guide you in completing each of these steps so that you can launch your CSA program.



Chapter 9: Figuring Out the Costs

IN THIS CHAPTER YOU WILL:

- ◆ Learn about considerations for estimating the costs of the two primary components of your CSA program budget—program delivery and savings incentives.
- ◆ Use the **Budget Calculator** to estimate the costs for each of the components and create an overall program budget
- ◆ Determine how much you need to raise to launch your program.

Developing a budget and determining how much money you need to raise to start your program are key steps in operationalizing your CSA program. A budget is an important tool for fundraising, as potential funders will want to know both the overall cost of your CSA initiative and the specific line items that make up that total. Once you've begun running your program, an accurate budget is also one of the most useful management tools to help your program operate successfully and ensure that it can be sustained in the long run.

The cost of your program will largely depend on your program design, which you determined in Section A. In particular, the size of your target population and the amount of savings incentives offered are significant expense variables. While it is important to think through these design elements before creating an initial budget, developing your budget will likely be an iterative processes. You may

need to rethink some of your design decisions based on the overall cost of the program and your ability to raise that amount of money. For example, you may have initially decided to offer savings matches to participants for five years, but budget constraints might make you decide to offer them for three years instead.

As you develop your budget, you need to consider the costs of two primary components of your CSA program:

- ◆ Program delivery
- ◆ Savings incentives

These cost categories are discussed in the sections below.

Program Delivery

Program delivery costs (also known as operating costs) refers to all the expenses incurred in managing, operating and marketing the CSA program. Key program delivery expenses include:

- ◆ Personnel.
- ◆ Consulting/contracting fees to retain key partners (such as providers of financial education training and the account custodian, if applicable).
- ◆ Account fees, if your financial institution partner is charging fees to your program for providing the accounts or for account disbursements to participants.
- ◆ Data collection and evaluation.
- ◆ Supplies and materials.
- ◆ Marketing.
- ◆ Local travel.



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When developing cost estimates for program delivery, consider the timing of when expenses will be incurred and the variability in expenses over the lifetime of the program. Some costs, such as salaries, are likely to be fairly consistent or rise slightly over time. Other expenses, such as purchasing a data management system, may be concentrated at the beginning of the program. You can use the **Budget Calculator** to help you estimate program delivery costs by year for your program, as well as for the other two components of your program budget.

Savings Incentives

The overall cost of your savings incentives depends on several key design decisions, including:

- ◆ The size of your target population.
- ◆ Whether the incentives will be universally and uniformly available or whether incentives will be different for subsets of your target population (e.g., providing a higher initial deposit for children receiving free- or reduced-price lunch).
- ◆ The types of savings incentives offered (i.e., initial deposits, savings matches or benchmark incentives).
- ◆ The amount of incentives offered and the limitations on them, such as annual or lifetime match caps.
- ◆ The number of years during which participants are eligible to receive incentives.

Once you decide on your target population and initial deposit amount, the cost of providing initial deposits can be estimated with relative precision. However, budgeting for savings matches or benchmark incentives is trickier, because the amount of incentives

that participants will “draw down” can be difficult to predict, especially for a brand new program. In the SEED initiative, the first large-scale demonstration of CSAs, families drew down an average of 55% of the maximum savings match available each year. In other words, on average, families saved \$55 for every \$100 of matching funds for which they were eligible.⁵⁴ While this experience provides a good rule of thumb, additional analysis of the participant demographics and local context should be carefully considered when deciding on an estimate of the **draw-down rate** (i.e., incentive uptake) for your program.

In addition, you should carefully consider your organization’s risk tolerance (and that of your funders and key partners) when projecting the draw-down rate for incentives. If your organization is risk averse, you may want to make a conservative estimate; however, this will raise the overall budget for your program. If your organization is less risk averse, you may decide to opt for a less conservative projection, which entails some risk of falling short on match commitments if participants save more than expected. The **Budget Calculator** will help you estimate the cost of savings incentives using different projections and scenarios.

Putting it All Together

The **Budget Calculator** can help you put together an overall program budget. It contains sections for estimating both components of your budget—program delivery and savings incentives—over a five year period. This budget will help you identify the amount you need to raise to start your program and can be used to show potential funders the cost breakdown of your program.

⁵⁴ Lisa Reyes Mason, Yunju Nam, Margaret Clancy, Vernon Loke and Youngmi Kim, *Research Brief: SEED Account Monitoring Research* (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2009), <http://csd.wustl.edu/Publications/Documents/RB09-11.pdf>.



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In addition to thinking through your multi-year budget, you should also think about the minimum amount of that budget you need to raise before beginning your program. As a general rule, we recommend that before your program launches, you raise *at least* enough funding to meet all of your commitments to the first cohort of children enrolled. This ensures that if, for some reason, you cannot raise enough funds for a second cohort, you at least will have enough funding to provide the promised incentives to the first cohort of children. Different organizations have different levels of risk tolerance, so your organization may want to raise more before launching. However, raising enough money to cover the first cohort ensures that you will not face the worst-case scenario in which you cannot keep your promises to children already enrolled in your program. Keep in mind that you not only need enough money to cover savings incentives for participants; you also need to cover administrative costs for the program and the costs of maintaining the accounts until the children are ready to use them. Figure 9.1 shows a sample calculation of the minimum amount of money a sample CSA program would need to support one cohort of children through program completion.

Of course, having the minimum amount of funding to cover one cohort is only the beginning of your efforts to raise money for your CSA program. You will also want to develop a plan to sustain your program financially over the long term. The next chapter discusses how to raise those funds.



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Figure 9.1: Example—Minimum Funding Needed to Support One CSA Cohort

A new CSA program is trying to determine the minimum amount of funding it needs to raise in order to launch the program. Before starting, the program wants to ensure that it at least has enough funding to keep its commitments to the first cohort of children. The program plans to enroll 1,000 kindergartners in the first cohort using automatic enrollment, and it will provide each participant with a \$100 initial deposit and the opportunity to earn up to \$100 in savings matches for the first two years of the program. The program expects to spend \$100,000 on program delivery in the first year and \$100,000 in the second year. If no new participants are enrolled beyond year 1, the program delivery costs for years 3 through 15 (the expected year by which all participant money will be drawn down) will consist of \$15,000 per year for ongoing maintenance of participant accounts. (Note: The program plans to enroll additional children after year 1, but for the purposes of calculating the minimum amount needed to launch, it is only considering costs for the first cohort.) Under this scenario, the minimum amount the program should raise before starting is \$655,000, as shown in the calculations below.

| | Year 1 | Year 2 | Years 3-15 | Total |
|---|--|-----------------------------------|--|------------------|
| Program Delivery | \$150,000 | \$100,000 | \$195,000 (\$15,000/year for ongoing costs of maintaining participant accounts) | \$445,000 |
| Initial Deposits | \$100,000 (\$100 initial deposit each for 1,000 participants) | \$0 (no new children enrolled) | \$0 (no new children enrolled) | \$100,000 |
| Projected Savings Matches (with 55% draw-down rate) ⁵⁵ | \$55,000 | \$55,000 | \$0 (savings match only offered for 2 years) | \$110,000 |
| Total | \$305,000 | \$155,000 | \$120,000 | \$655,000 |

Minimum amount needed to support first cohort

⁵⁵ A draw-down rate of 55% means that participants will take up 55% of the total available match funds. In this case, the total available match funds are \$100,000 per year (\$100 maximum each for 1,000 children), so the projected savings match draw down is 55% of \$100,000, or \$55,000.



Chapter 10: Raising the Money

IN THIS CHAPTER YOU WILL:

- ◆ Learn about different types of potential funding sources for CSA programs.
- ◆ Begin creating a strategy to raise money from philanthropic and corporate sources.
- ◆ Consider whether and how to pursue individual donor fundraising.

One of the most critical—and often most challenging—steps in launching a CSA initiative is securing a commitment of resources from those willing and able to fund such an effort. CSAs have one clear advantage when it comes to fundraising: because they advance a number of philanthropic goals, funders and donors with varying interests may be attracted to such programs. This includes funders with an interest in:

- ◆ Children’s issues.
- ◆ Supporting access to higher education.
- ◆ Financial capability.
- ◆ Promoting financial security.
- ◆ Economic mobility.
- ◆ Two-generation strategies for addressing the needs of vulnerable children and parents simultaneously.

Indeed, CSA programs are not just charitable causes; organizations, communities and families stand to benefit tremendously from the immediate and long-term implications of asset building for children, through future generations of better educated citizens and a more skilled workforce. It is worth noting, however, that while CSAs are gaining visibility, they may not yet be a universally recognized strategy or tool for many funders. Therefore, securing resources for a CSA initiative may require you to engage in more funder education than usual.

Another challenge in fundraising is that key program outcomes, such as college enrollment, are usually long-term, so you are asking funders to invest in a program in which they may not be able to see results for many years. **Chapter 12** discusses short- and medium-term results you can document to show funders that you are on track to meet your long-term goals.

Funding Sources

Current CSA programs receive direct funding and in-kind support from a variety of sources including the **public sector**, **philanthropy**, **the corporate sector** and **individuals**. The **public sector** (at the city, county, state and federal government levels⁵⁶) is well-positioned to fund initial deposits and underwrite operations. In particular, public sector support is critical to creating and maintaining large-scale CSA programs. Nearly all existing large programs receive funding from the public sector. Even the one noteworthy exception—the **Harold Alfond**

⁵⁶ Federal funds are not currently available to support CSA programs.



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College Challenge, which is entirely privately funded—utilizes in-kind operational support from the Finance Authority of Maine. In addition to providing funding and in-kind support, the public sector can also leverage its assets and relationships to incent the participation of private sector actors, such as financial institutions, in CSA programs. For example, if a local government is putting its overall banking contract out for bid (i.e., to select a financial institution to hold the government’s funds), it can include a clause in the request for proposals requiring that the selected financial institution provide accounts for a CSA program.

While legislative appropriations (whether from a state legislature or city council) are an obvious route to obtaining public money for CSA programs, public officials in several locations have come up with innovative funding solutions that do not require a lengthy appropriations process. For example, the Nevada Treasurer’s Office uses funds paid to it by 529 plan providers to fund the **Nevada College Kick Start** program. The St. Louis College Kids program will be funded by using parking fees collected by the Treasurer’s Office.

It is important to note that, as with all types of funding, relying on public funding for a CSA program also has potential drawbacks. One potential challenge is that political changes, such as a switch in party control in the legislature or election of a new state treasurer, could lead to a loss in support for the program. In addition, a shortfall in the local or state government’s budget could mean funding cuts for the CSA program. While no program is immune from changes in the political or budgetary situations, these concerns can be mitigated through strong advocacy upfront and continued cultivation of support while the program is running. For example, advocating for the program with politicians across the political spectrum from the start and continually supporting bipartisan political champions can prevent it from being heavily

identified with a particular political figure or party. This helps ensure that support for the program among public officials remains even as some of those officials leave office. In addition, cultivating broad-based public support for the program from diverse families across the income spectrum can help avoid the program from being labeled as a social service program for low-income families—the types of programs that are often first on the chopping block when government budgets are tight.

Philanthropic support is particularly important for launching programs, as corporate and individual donors do not tend to provide startup money for new programs. In addition, foundations are more likely than individual or corporate donors to provide operating funding for programs. As discussed earlier in this section, CSAs can be attractive to funders interested in a wide range of issues. Foundations that fund asset-building projects are a clear first target for fundraising efforts. Other potential sources of philanthropic support include education-focused foundations, foundations focused on children’s issues, community foundations, and funders focused on economic mobility and inequality issues. Scholarship funders are a particularly ripe source for support. The mission of these organizations is already to provide funds for students to attend postsecondary education. By making the case that giving funds earlier in the form of a CSA can help create a **college-bound identity** in a broader range of children and improve college attendance and attainment, you may be able to convince scholarship funders to divert some funds into a CSA program. For example, the St. Louis Scholarship Foundation provides a \$500 initial deposit and additional match opportunities for eighth-grade students in some St. Louis middle schools. See **Appendix I** for more information on research supporting the impact of children’s savings that can help you make the case to potential funders.



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CSA programs most commonly use **corporate donations** to fund matching incentives. Corporate social responsibility (CSR)⁵⁷ is increasingly important to companies and consumers alike, and CSAs fall into the sweet spot for CSR by encompassing two popular causes: children and education. Corporations choose to partner with charitable causes that elevate their brand while advancing their CSR goals. For that reason, when approaching a corporation to support a public campaign, whether it's to raise awareness or funds, it's important to propose creative ways to showcase the CSA program *and* the company. One way to work with corporations is through creating partnerships to hold matching-gift campaigns with employees.

Finally, **individual donors** are a relatively untapped potential market for raising funds for CSA programs. Individuals may be particularly attracted to the idea of providing match funding to support the aspirations of children in their own community. There are a number of ways to engage individual donors, such as with fundraising events, online campaigns, membership programs with monthly giving options and volunteerism. Regardless of which approach works best for your organization, it is vital to make sure your plan includes ways to thank donors and celebrate your program's successes with them. Crowdsourcing—soliciting funding from a large community of online donors—also holds promise as a vehicle to connect smaller, more diverse donors with savings programs across the country.

As you consider these different sources of money, bear in mind that the most successful large-scale programs leverage a combination of funding sources to support their work. For

example, **Kindergarten to College** uses city government money for administration and seed deposits, while matching incentives are funded through a variety of sources, including community foundations, corporate donations and individual donations bundled through the **I:I Fund's** online platform. (More information on the I:I Fund is provided later in this chapter.)

Developing Your Fundraising Strategy

Raising Philanthropic and Corporate Funds

The first step to developing a strategy for raising philanthropic and corporate funds is to identify how the goals of your CSA program align with the missions of potential funders. Start by making a list of all the potential local and national philanthropic organizations and businesses with these interests. Then, research each of the organizations to obtain information on:

- ◆ Mission.
- ◆ Funding history (i.e., what types of organizations and activities they fund).
- ◆ Specific interests and funding priorities.
- ◆ Giving capacity.
- ◆ Existing or past connections to your organization.

Once you have obtained information on each organization or business, determine the most promising prospects and prioritize your outreach to those organizations. You will need to create a customized pitch for each that resonates with the mission and funding priorities of the potential funder. For example, if a foundation's mission is to increase college access for low-income

⁵⁷ Corporate social responsibility refers to the idea that companies should incorporate social and environmental concerns into their operations and decision-making. More information is available at: <http://www.unido.org/en/what-we-do/trade/csr/what-is-csr.html>.



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students, you can focus on how CSAs boost college aspirations and attainment. Refer to the research on the impact of CSAs cited in **Appendix I** to support your pitch.

Before approaching stakeholders, think through the following:

- ◆ In what specific ways would supporting a CSA program advance the funder’s mission?
- ◆ How do CSAs fit into the funder’s interest areas/funding priorities?
- ◆ How will the funder’s support impact the child savers you are serving? How will their support impact the sustainability of your program and your ability to reach more child and parent savers over time?
- ◆ What types of information and data would resonate most with the funder (e.g., research reports, family success stories, program evaluations)?
- ◆ What concerns do you anticipate the funder might raise about supporting CSAs?

All of this should inform your specific ask—how much money or in-kind support you are requesting from the funder and for what purposes—which you should have prepared before any donor meeting.

When you are ready to submit a concept note or proposal, use the answers to these questions to help draft your pitch. Be sure to articulate:

- ◆ **The problem:** What problem or need is the CSA program addressing? Why should the funder care about it? Why is your organization well-positioned to address the problem?
- ◆ **The solution:** What are the goals of your CSA program and how does it address the identified problem?

- ◆ **The impact:** What will your CSA program achieve during the proposed period of funding? Specifically, how many children will you reach and how will their lives improve as a direct result of your work?
- ◆ **The action:** How can the funder support children’s savings through your program?

Cultivating Individual Donor Support

As discussed earlier, individual donors are a large and relatively untapped source of funding. Several CSA programs, such as those run by **FUEL** and **“I Have a Dream” Foundation**, have successfully raised funds from individual supporters in their communities. However, cultivating individual donors and creating a robust donor program takes significant time and effort. Before deciding whether to pursue this strategy, your organization should assess whether it has the bandwidth to develop such a program, and it should weigh the potential return from individual fundraising efforts against the potential return from using those resources to pursue other funding options.

As part of an individual donor strategy, creating a focused, time-limited fundraising campaign can help create urgency among potential donors, raise the profile of your program and galvanize support. Whether conducting a time-limited campaign or a longer-term one, the key steps to creating a successful campaign are:

- ◆ **Know your audience:** Your best donor prospects will be people and institutions who you are already connected to in some way—whether directly (e.g., donors, volunteers, other supporters already on your email or mailing list, or those who follow you on social media) or indirectly (e.g., their friends, contacts and networks). Give significant thought upfront to who your ideal target donors are, what motivates them to give



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and what the best ways are to reach them. Doing so will help you shape your story and outreach strategies.

- ◆ **Write your story:** A great appeal or campaign has a story—a compelling need that the donor can help fill, a clear and specific goal to address that need, and an urgent reason why the campaign needs support now.
- ◆ **Think through outreach strategies:** Once your story is set and your audience is identified, you need to think through the best way to get the story out to target audiences. Obvious places to start include through your email listserv, your website and your social media networks, but you will need to go beyond the obvious to raise significant amounts of money. Consider the following questions to help you broaden your reach:
 - Where else can you promote the program, besides online (e.g., text messages, posters, in-person events in the community)?
 - How can you tie the campaign into things you're already doing (e.g., talk about the program at an event, add a promotion to a regular email or print newsletter, promote the program in email signatures)?
 - What partners or community leaders could share your message on your behalf? This is especially important if you don't have a big email list of your own. Examples of partners include corporate partners, volunteer groups, faith-based organizations, government offices and local media.
- ◆ **Make a schedule and assign owners:** Scheduling outreach, and assigning owners for different parts of the campaign, can be critical to staying focused. Components can include:
 - Email outreach development.
 - Social media outreach.
 - Developing images and graphics for outreach materials.
 - Partner and press outreach.
 - Event coordination.
- ◆ **Stay in touch with, and thank, your donors and supporters:** Thank your donors and supporters and keep them updated on the progress of your CSA program. This is vital to maintaining long-term relationships with your donors. In fact, not being thanked or updated before being asked to give again is the number-one reason donors stop giving to an organization. Be sure to thank donors promptly and highlight specific child and family successes in your updates to make the impact of your program more tangible. This will help inspire donors to give more and encourage their friends and family to do the same.
- ◆ **Learn from your successes and mistakes:** After conducting a time-limited campaign or focused outreach, create space to reflect and learn from your prior campaign. Track your performance against fundraising and outreach goals, and ask yourself questions such as:
 - What was most successful?
 - What was least successful?
 - What surprised you?
 - What did you spend the most time on during the campaign, and was it worth it?
 - What would you do again next time?
 - What would you avoid next time?



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IN ACTION: TAPPING INTO THE INDIVIDUAL DONOR MARKET

Recognizing that individual donors could be a powerful source of funding for CSA programs, CFED launched the **I:I Fund** in 2012 to help programs facilitate individual fundraising. The I:I Fund is an online platform that enables CSA programs to collect contributions from donors large and small, both locally and across the country, to provide savings matches to participants. Each partner program is provided with a customizable webpage on the I:I Fund website on which to launch its fundraising efforts. Partners also receive tools, templates and technical assistance to make fundraising campaigns more effective.

In its first three years of operation, the I:I Fund's nine partners raised nearly \$850,000 in funding from over 440 donors to match participants' savings.

This chapter helped you to think through the sources you will pursue for raising funds to support your program. The next step—as described in the following chapter—is to plan for how you will manage your program, such as tracking account activity, collecting data and developing policies and procedures.



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Chapter 11: Managing Your Program

IN THIS CHAPTER YOU WILL:

- ◆ Learn about the essential activities involved in operating and managing a CSA program.
- ◆ Consider which program management roles to delegate to partners.

Accurate and effective program management is essential for maintaining the trust and confidence of accountholders, properly tracking saving incentives, ensuring the integrity of the program, and providing targeted support and encouragement to families. The work of managing a CSA program may be exclusively carried out by the [program coordinator](#), or it may be delegated to partners. This chapter covers the key activities involved in managing a CSA program in depth, as well as discussing how to establish partnerships for carrying out some of the tasks.

The key activities involved in operating and managing a CSA program are:

- ◆ **Account management:** Working with the financial institution partner, tracking account activity and managing incentives.
- ◆ **Data management and reporting:** Using a database system to track key individual information and aggregate outcome data; reporting to funders, organization leadership, partners and other stakeholders on program outcomes.

- ◆ **Savings distribution:** Coordinating participants' savings withdrawals when they are ready to use them for a qualified purchase or when they leave the program.
- ◆ **Family engagement:** Facilitating outreach and activities to engage participants and their families in the program, including financial education and other financial capability services (as discussed in [Chapter 7](#)).
- ◆ **Enrollment:** Facilitating ongoing participant enrollment and account opening (as discussed in [Chapter 3](#)).
- ◆ **Partner management:** Recruiting partner organizations and delegating program activities to them; coordinating and overseeing these activities.
- ◆ **Policies and procedures:** Developing and enforcing program rules, as well as determining procedures for carrying out program operations.

The sections below describe these activities in more detail. See [Section A](#) for more information on engagement and enrollment.

Account Management

Accounts are central to CSA programs, and effective management of them is critically important for CSA program success. The main components of account management are *tracking account activity*, *managing incentives* and *reporting account balances* to participants.

Tracking Account Activity

Your program will need to have a system in place to monitor all account activities, including deposits, withdrawals, interest earnings and any fees assessed to the account. 529 college savings



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accounts may be subject to performance gains and losses, affecting the account balance and, depending on the calculation method, the amount of match funds accrued by participants. To facilitate tracking account activity, the partnership agreement or Memorandum of Understanding (MOU) with your financial institution partner should include information on how it will share account data with your program. As discussed in **Chapter 5**, the information should be sent to the program coordinator electronically. Preferably, the information would be sent on a daily or weekly basis, though some financial institutions may only be willing to send it on a monthly basis. Your program will need to have a data management system to collect the account activity data (as discussed in the following section). Ideally, the electronic account data from the financial institution would feed directly into your data management system automatically, or easily uploaded into the system, rather than having to use a time- and resource-intensive manual input process.

Managing Saving Incentives

In addition to tracking account activity, your CSA program will need to have processes to manage incentives. Each type of savings incentive requires a different management process:

- ◆ **Initial Deposits** are the most straightforward to manage, as each child receives a set amount at the time of enrollment.
- ◆ **Savings Matches** require that you create a system to monitor deposits into participant accounts, track how much each participant has earned in matched savings and distribute earned savings matches. If your program has [match caps](#), you will also need to have a way to track when participants have reached the cap.

- ◆ **Benchmark incentives** require collecting data, either from participants or from a third party, about completion of certain activities or achievements, as well as close tracking of what participants have earned and whether it has been paid out.

A robust data management system will help with tracking these incentives, as discussed in the *Data Management* section later in the chapter.

In addition, depending on how your program holds participants' incentive funds, you may need a system to report total balances—including both incentives and participant deposits—to participants and their families. As discussed in Chapter 5, incentives can be held in a separate account from participant deposits—such as in a pooled incentive account or an individual mirror account—or they can be commingled in the same account as the participant contributions. If the funds are commingled, participants can simply look at their account statement or an online account portal to see their total balance. However, if you hold participants' incentives in a pooled incentive account, you will need an account tracking system that allows you to communicate to participants about the total amount of savings they have accrued, since the balances in their accounts (i.e., the accounts into which they make deposits) will not reflect the incentives. A good data management system will help you to track this and create customized account statements, or will enable participants to see both their own contributions and accrued incentives through an online portal. In the case of a mirror account, many financial institution partners will be able to link the mirror account with the account into which participants make deposits, so that the total balance between the two accounts can be shown together.



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Data Management and Reporting

Developing and using a quality data management tool—a system that helps you electronically store and track key program data points—is invaluable in running a CSA program. The two key purposes of a data management system are to:

- ◆ Collect individual participant level data for account management and savings distribution purposes.
- ◆ Track aggregate data on program outcomes to assess if your program is meeting its goals and to report to key stakeholders on program progress.

It is critical to plan your data collection processes before you start your CSA program, including what data you need to track for account management, reporting and evaluation purposes; which database software you will use; and who is responsible for inputting and analyzing data. You will also need to account for the costs associated with data management, such as purchasing and maintaining the data management system and staff training, in your program budget estimates. Several providers of data management systems in the marketplace offer software programs that can be customized for CSA programs. For example, Outcome Tracker by VistaShare works with a number of CSA programs (as well as IDA programs), and Efforts to Outcomes provides software for nonprofit and government organizations that has similar capabilities for capturing and managing data.

For account management and distribution purposes, key data points to track for each individual participant include:

- ◆ Name, date of birth, address and other personally identifiable information, such as student identification number.

- ◆ The amount of participant contributions in the account.
- ◆ The amount of each type of incentives earned.
- ◆ [Qualified withdrawals](#) made and remaining savings balances, if any.
- ◆ [Unqualified withdrawals](#) made (more information on unqualified withdrawals is provided later in the chapter).

Examples of the aggregate program data that you may want to track for reporting and evaluation purposes include:

- ◆ Number of participants and accounts.
- ◆ Participant demographics.
- ◆ Total participant savings contributions.
- ◆ Total incentives earned.
- ◆ Patterns of savings behavior (e.g., amounts being saved, regularity of deposits).
- ◆ Number of participants using savings for qualified and unqualified purposes.

More information on tracking and assessing program outcomes and data collection is in [Chapter 12](#).

Distribution

Distribution refers to coordinating participants' savings withdrawals when they are ready to use them. Although this step may seem very far away when enrolling your first cohort of young children, it is important to start planning for distribution from the start. In particular, custodial accounts require advance planning to ensure that the account custodian will be available to authorize withdrawals when participants are ready for them.



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The exact manner of distributing funds to participants to use for higher education or other qualified purpose will differ depending on the set-up of your accounts:

- ◆ **Savings accounts with custodians**, whether pooled or individual, require that the account custodian authorize withdrawals. One way to set this up is for the account custodian to withdraw the money on behalf of participants and then write a check or electronically transfer the money, either to the participant or directly towards the purchase, such as by sending the funds directly to their postsecondary educational institution.
- ◆ For **omnibus 529 accounts**, the funds are held on behalf of participants, but they do not have subaccounts. Therefore, participants cannot make withdrawals themselves. As participants request their funds, the program coordinator will need to distribute the savings via check or electronic transfer, either to the participant or directly towards the purchase.
- ◆ For **parent-/guardian-owned 529 accounts**, parents/guardians or participants can make withdrawals at their discretion according to the rules of the 529 plan. If incentives are held in a separate mirror or pooled account (which is advisable in this structure), the program coordinator will need to distribute these funds, similar to the methods described above for distributing funds from an omnibus 529 account.

Unqualified Withdrawals

In addition to withdrawing funds for qualified purposes, participants or their families may request unqualified withdrawals for emergency purposes. You may also need to distribute

family account contributions if a participant exits early from the program, such as if the participant moves.⁵⁸ The process for withdrawing funds from each type of account is similar to those described in the previous section. However, in these cases, families would only be able to withdraw their own contributions into the accounts, not any earned incentives.⁵⁹

It is essential to set up rules from the start about unqualified withdrawals, such as whether withdrawals are allowed for emergencies and what situations qualify as emergencies. The *Policies and Procedures* section in this chapter provides additional guidance on creating policies around unqualified withdrawals.

Partner Management

The program coordinator is responsible for coordinating all program activities, but some of those activities can be delegated to a partner or multiple partners. Key reasons for working with partners include:

- ◆ *Partners may have more access to the target population than the program coordinator.* For example, a city government agency serving as program coordinator may create a partnership with the school system to conduct child and family engagement activities, since the schools have more frequent contact with participants and their families.
- ◆ *Partners may have certain expertise that the program coordinator lacks.* For example, a school system serving as program coordinator may create a partnership with a community-based organization to provide financial education and other financial capability services to parents.

⁵⁸ Some programs allow participants to keep accounts open even if they move. See the Frequently Asked Questions box later in this chapter for more on what to do with accounts when children move.

⁵⁹ In the case of parent- or guardian-owned 529 accounts, families can withdraw their own contributions to the account at any time for any purpose, but they will incur a tax penalty if the funds are not used for a qualified postsecondary education expense.



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- ◆ *Partners can help increase program reach and effectiveness.* For example, having multiple partners conduct family and child engagement, such as community-based organizations and faith-based institutions, expands outreach to families.
- ◆ *Partners may be able to supply data and other vital information.* For example, a state social service agency serving as administrator could partner with the state department of vital statistics to obtain information about all newborns in the state in order to automatically open accounts.

Several existing CSA programs have established partnerships with schools, local or state government agencies, or social service agencies. Examples of various CSA partnerships can be found in Figure 11.1.

Effective Partnerships

While partnerships can be helpful tools for running a successful program, you will need to put in significant effort both upfront and throughout program operations to ensure that they are effective. An important step to building a successful partnership is to create an MOU or formal contract. The MOU should contain the following:

- ◆ Mutually agreed-upon goals for the partnership.
- ◆ Roles and responsibilities for each organization.
- ◆ A management structure that ensures that each organization is meeting its stated goals and responsibilities.
- ◆ A plan for communicating regularly to check in on progress and troubleshoot issues.
- ◆ Financial details, such as any fees, in-kind donations, or other monetary and non-monetary support provided to partners.

The list above is not meant to be comprehensive, but rather to give you an idea of the key items to put in a partnership MOU or contract. It is advisable to engage legal counsel when creating agreements with partners, especially with the financial institution partner or with others with whom you will share data (e.g., a school system) to ensure that you are in compliance with federal, state and local regulations. Once the MOU is in place and implementation has begun, the program coordinator is responsible for ensuring that partners meet the expectations laid out in the MOU and that all operations are running smoothly.



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IN ACTION: SCHOOLS AS CSA PARTNERS

The partnership between the San Francisco Office of Financial Empowerment (SFOFE) and the San Francisco Unified School District (SFUSD) is essential to the **Kindergarten to College (K2C)** program's success. SFOFE serves as program coordinator and custodian, responsible for coordinating the overall implementation and operations of the CSA program. SFUSD is heavily involved in several pieces of program management, including:

- ◆ **Enrollment.** SFUSD supplies the student data used to enroll children in the K2C program, which automatically opens accounts for them. SFUSD also supplies other data, such as identifying students who qualify for the National School Lunch bonus and address changes.
- ◆ **Child and family engagement.** SFUSD distributes K2C information and materials directly through school-based channels, such as enrollment and registration packets, mailings, newsletters and robo-calls. In addition, principals, teachers and other school staff act as direct promoters of K2C to families. Schools also host K2C representatives at kindergarten orientation, back-to-school nights, kindergarten graduations, PTA meetings and other events attended by parents.
- ◆ **Financial education.** Teachers may incorporate the accounts into classroom lessons, including integrating a tailored financial education curriculum for participants. Schools also coordinate classroom field trips to the bank, which include a short financial lesson, bank tour and an opportunity for each student to make a deposit into his or her account.

The partnership with SFUSD is vital to the program because the schools have daily interactions with children and regular communication with parents that SFOFE does not have. Moreover, school staff members are ideal messengers for K2C; a 2013 research study of parents of K2C participants found that parents consider teachers and principals the most trusted sources of information about the program.⁶⁰ Program results confirm the effectiveness of this strategy. Overall, the program has found that the schools with teachers and principals that are actively engaged with the program, including having K2C presence at school events, tend to be the ones with the highest savings participation rates.

⁶⁰ Jade Shipman Bevens, Children's Education Savings Accounts: A Case Study of San Francisco's K2C Program (San Francisco, CA: EARN Research Center, 2013), http://sfofe.org/wp-content/uploads/2011/09/K2C_Practitioners_Report_March-2013.pdf.



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Figure 11.1: CSA Partnerships

| Program Name | Program Coordinator | Key Partners and Roles |
|--|---|--|
| Kindergarten to College | San Francisco Office of Financial Empowerment | <ul style="list-style-type: none"> San Francisco Unified School District – implementation, data sharing (kindergarten enrollment), child and family engagement, financial education I:I Fund – fundraising |
| Harold Alfond College Challenge | Alfond Scholarship Foundation | <ul style="list-style-type: none"> Finance Authority of Maine – enrollment (assists with account opening), child and family engagement |
| CAS College Savers | Children’s Aid Society | <ul style="list-style-type: none"> Juma Ventures – account custodian, account management I:I Fund – fundraising |
| Nevada College Kick Start | Nevada State Treasurer’s Office | <ul style="list-style-type: none"> Nevada public schools districts – data sharing (kindergarten enrollment), child and family engagement I:I Fund – fundraising |

Policies and Procedures

As with any program, it is important to create a robust set of policies and procedures before launching your CSA program. Participants and their families need a clear set of program rules that are readily accessible, such as through a document made available on your website. The program coordinator and partner organizations also need an internal document outlining program procedures and processes to ensure that they are all on the same page about how the program works.

Each program’s policies and procedures will differ depending on its program design. However, the basic categories of information they should contain are the same across programs, including:

- ◆ **Eligibility**
 - Who is eligible?
 - How is eligibility determined (if it’s not universal)?



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◆ Enrollment

- For an automatic enrollment program, what is the process for opting out?
- For a self-enrollment program, how do participants sign up and open accounts?

◆ Account

- What type of account is used for the program, and how does it work?
- What financial institution holds the accounts?
- What minimum deposit amounts, fees or minimum balance requirements do the accounts have, if any?
- Are accounts protected, such as through FDIC insurance?
- What are the options for making deposits into the accounts?
- Who can make deposits into the accounts?
- How do participants obtain account balance information, including incentives?

◆ Incentives

- What types of incentives are offered, and what are the amounts of the incentives?
- How do participants earn incentives?
- What are the restrictions on earning incentives, such as match caps?
- If offering benchmark incentives, what processes are in place to collect the data?⁶¹

◆ Qualified withdrawals

- What are the allowable uses of account funds?
- How do participants request a withdrawal for a qualified expense?
- What type of documentation of the eligible expense, if any, is required?
- What is the approximate turnaround time for receiving the funds?
- Will the funds be given to participants, or must they go directly toward the qualified expense (e.g., sent directly to an educational institution)?
- Can participants request multiple withdrawals, or does all the money need to be withdrawn at once?
- Is there an age by which all account funds have to be spent?
- If yes, what happens to funds left in the account at that point?

◆ Unqualified withdrawals

- Can participants or their families request withdrawals for emergency situations?
 - If yes, how are determinations made about what situations qualify as emergencies?
 - What is the process for making emergency withdrawal requests?



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⁶¹ Collecting certain data points about children, particularly from schools, may require written permission from parents. Be sure to engage legal counsel to ensure that your data collection procedures are in compliance with federal, state and local regulations.

- What happens to earned savings matches when funds are withdrawn?
 - Is there a time limit for replacing the funds in order to keep earned savings matches?
 - How do participants or their families request participant contributions if they leave the program?
- ◆ **Financial aid, benefits and taxes**
 - How will the account affect participants' eligibility for financial aid for postsecondary education?
 - Will the account affect families' eligibility for federal or state benefit programs?⁶²
 - Do participants or their families need to pay taxes on incentives or interest earned in accounts?
- ◆ **Other considerations**
 - Can participants continue to stay in the program if they move out of the area or change schools?
 - If yes, can they continue to earn incentives or keep the incentives they've already earned?
 - What happens to the money in the account in the unlikely event of a participant's death or incapacitation?



FREQUENTLY ASKED QUESTIONS

Q: *What should our CSA program do with the money in a participant's account if he or she moves out of the school district/city/state?*

A: Current programs have different policies on this issue. In K2C, for example, if the family has put some of its own savings into the account, the account remains open and can be used by the family. The child retains any incentives (including seed deposit) accrued while living in San Francisco, but cannot receive any additional incentives. Additional details of K2C's rules can be found [here](#). Unlike K2C, in Nevada's College Kick Start program, if the participant moves out of state, the account is closed and the initial deposit reverts back to the program (see question 21 [here](#) for more details).

⁶² You can find more information about asset limits for key state-administered benefits in CFED's [Assets & Opportunity Scorecard](#). CFED actively supports lifting federal and state asset limits that create disincentives for families to save and build assets. Learn more [here](#).



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Chapter 12: Tracking Success

IN THIS CHAPTER YOU WILL:

- ◆ Consider how you will define and evaluate success for your CSA program.
- ◆ Learn about how to set target outcomes and develop a logic model for your CSA program.
- ◆ Think about how you can collect data to show progress towards key outcomes.

Another key step to launching your CSA program is to determine how you will define and evaluate success. Since it can take many years to achieve key outcomes (e.g., college attendance), it can be difficult to know if a CSA program is attaining its intended results and to demonstrate impact to funders, policymakers and other key stakeholders. Given that you are asking stakeholders to make a long-term investment in your CSA program, it is very important to identify and track short- and medium-term target outcomes from the start, and to be able to show interim progress toward long-term outcomes. In addition to tracking your program's impact, you also need to assess the efficacy of your program's operations early to determine which aspects of the program are most effective and which policies, processes and procedures need to be revised in order to achieve better results.

One option for tracking success is to undertake a rigorous evaluation of the impact of your program in conjunction with a

researcher. However, even without a formal evaluation, you can still track key indicators to assess your program and report to funders and other stakeholders on your progress towards your intended outcomes. This chapter discusses how to set target outcomes for your program, build a logic model, and collect and track data.

Setting Targets

Outputs

The first step in evaluating success is to determine your expected program **outputs**. Outputs are the direct results of your program activities, such as the number of children receiving accounts. Tracking outputs will help you determine if your program processes are running smoothly. For example, your target output may be that every incoming kindergartner receives an account automatically within the first three months of the school year. If not all children receive an account or if the process takes longer than three months, that is an indicator that your processes are not working as expected and that you may need to change them. Examples of outputs that you can track for a CSA program include:

- ◆ The percentage of your target population enrolled in the program (or, if using automatic enrollment, the percentage of families who opt-out).
- ◆ A target date by which all accounts will be open.
- ◆ The percentage of parents and children who complete financial education or receive other financial capability services.



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Outcomes

The next step is to establish your projected [outcomes](#).

Outcomes are the changes in the conditions of your participants and their families that you hope will occur due to participation in your program. Your target outcomes directly tie back to the overall goals of your program set in **Chapter 2**. For example, if your goal is to increase college attendance among participants, one of your target outcomes may be to increase the percentage of participants taking college prep courses.

In the early years of your initiative, you will not be able to assess your programs' impact on longer-term outcomes, such as increasing children's attainment of higher education or forming of savings habits, but you can begin to measure short-term outcomes around academic achievements (such as improvements on standardized test scores) and financial indicators (such as regular deposit behavior), showing that children and their families are on a trajectory towards meeting those long-term goals. Below are examples of potential outcomes that you may want to track for your CSA programs:

◆ Short-term outcomes

- Frequency and amount of deposits into CSAs
- Early changes in families' expectations for children's futures
- Formation of a [college-bound identity](#) in children
- Impact of [financial capability](#) services on children and parents' financial knowledge and skills

◆ Intermediate-term outcomes

- Children's scores on assessment tests and/or meeting the requirements to move up to the next grade
- Percentage of children who graduate high school
- Percentage of children who are accepted into and enroll in postsecondary education or training
- Increased financial capability of children and families

◆ Long-term outcomes

- Changes in the families' financial standing, including new bank accounts, emergency savings and lower debt levels
- Percentage of children who complete postsecondary education or training
- Reductions in the accumulations of student loan debt
- Development of savings habits for children or families
- Improved financial well-being of children and families

As you identify your outcomes, bear in mind the feasibility of tracking the outcomes. You may need to prioritize among potential outcomes to keep data collection and tracking reasonable. Building a [logic model](#), as described in the next section, can help you determine which short- and medium-term outcomes are critical to achieving your most important long-term outcomes. In addition, be sure to keep your targeted outcomes reasonable. For example, when using an automatic enrollment model, it may be unrealistic to expect that 50% of families will



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make their own contributions. Be sure to conduct research and talk with other programs to determine reasonable expectations. You can find additional information on setting and prioritizing outcomes in the first brief in the *Tracking Financial Capability* series, **Identify and Prioritize Your Expected Outcomes**.⁶³

Building a Logic Model

Once you have identified your outputs and outcomes, your next step is to create a logic model. A logic model is a visual tool that tells the story of your program—how you use resources to implement a program and the impact of that program on participants. It can help lay out your program's processes, connect them to your desired program outcomes and prioritize the most important outcomes for your program. Used in project planning and throughout implementation, it can also be a useful tool for deciding how to monitor progress, evaluating results, and communicating about your program clearly and succinctly to your funders and stakeholders.

The first part of a logic model shows your program process, including:

- ◆ **Inputs:** the resources you will use to develop and implement your CSA program, such as your program staff, your financial institution partner and funding.
- ◆ **Activities:** what your program does to reach your target outcomes, such as opening accounts for participants, tracking account balances and providing financial capability services.

- ◆ **Outputs:** as described earlier, outputs are the direct result of your program activities, such as the number of accounts opened or the percentage of participants receiving financial capability services.

The second part of the logic model shows your short-, medium- and long-term outcomes, as discussed earlier in this chapter. The outcomes should reflect the changes you expect to see in participants' lives as a result of successfully implementing the program activities described in the first part of the logic model. Figure 12.1 provides a sample logic model for a CSA program. More information on building logic models is available in the second brief in the *Tracking Financial Capability* series, **Build Your Logic Model**.⁶⁴



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⁶³ Pamela Chan, Kori Hattermer, Emily Hoagland and Elizabeth McGuinness, "Identify and Prioritize Your Expected Outcomes" (Washington, DC: CFED, 2015), http://cfed.org/assets/pdfs/Identify_and_Prioritize_Your_Outcomes.pdf.

⁶⁴ Pamela Chan, Parker Cohen, Kori Hattermer, Emily Hoagland and Elizabeth McGuinness, "Build Your Logic Model" (Washington, DC: CFED, 2015), http://cfed.org/assets/pdfs/Build_Your_Logic_Model.pdf.



Figure 12.1: CSA Program Logic Model

This is a sample logic model for the Kids Save CSA program. (Kids Save is a fictional program that is based on a composite of real-world examples.) Kids Save automatically enrolls all kindergarten students attending Franklin Public Schools in the program by seeding an account with a \$100 deposit. In an effort to improve college access for low-income children in Franklin, a mid-sized city with 20% of families living at or below the poverty line, Kids Save offers an additional \$100 initial deposit for all kindergarteners receiving federal free or reduced-price lunch. The primary goals of Kids Save are to increase college savings and affordability, and to foster a college-bound identity in children. To achieve these goals, Kids Save partners with Franklin Public Schools to offer experiential financial education, including field trips to banks for students to make deposits into their accounts. (Note: This logic model is an example only. The outcomes listed may not apply to your program’s goals, or they may not be feasible for your program to track given resource constraints.)

| Inputs | Activities | Outputs | Short-term Outcomes | Intermediate Outcomes | Long-term Outcomes |
|-------------------------------|--------------------------------------|--|--|---|---|
| Program staff | Program administration | Number of accounts opened | Participants learn to set personal goals and plan for the future | Participants achieve better grades in school | Participants graduate from an institute of higher education |
| Community partners | Account management | Number or percentage of participants who engage in financial education | Participants develop a working relationship with a financial institution | Participants graduate high school | Participants reduce college debt owed |
| Financial institution partner | Incentives management | Percentage of families receiving outreach materials | Participants gain an improved understanding of financial concepts | Participants are enrolled in and attend a postsecondary educational institution | Participants improve financial well-being |
| Savings product | Experiential financial education | | Participants form a college-bound identity | Participants maintain financial accounts | Participants acquire savings habits |
| Funding | Participant engagement | | | Participants increase financial capability | |
| Database system | Field trips to financial institution | | | | |



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Data Collection

Once you determine your target outcomes and set up your logic model, the final step is to develop a data collection strategy. You will need to plan how you will gather the data needed to show progress toward your outcomes, including the source of the data, when it will be collected and who will be responsible for pulling together the data. The types of data you will need to gather depend on your program's target outcomes. Figure 12.2 provides examples of data sources for common CSA outcomes.

Some data will be easier to collect than others. For example, your program will already have access to information on account activity as part of your account management process. Other data will require developing data-sharing agreements and protocols with outside entities. For example, if you plan to track measures of academic achievement, you will need to work with schools to obtain that information. Keep in mind that local, state or federal laws may affect your ability to obtain certain information about children, such as grades or test scores, without parental consent.

Once you know where your data will come from, it's important to note how often the data will be collected (e.g., daily, monthly, annually, ad hoc, etc.) and reported. For example, schools may only provide daily attendance records to you on a monthly or quarterly basis. Make sure you establish data-sharing expectations with your financial partner and other community partners in your MOUs or partnership agreements. Determine who will be responsible for data collection, and ensure they are

properly trained on how to collect and record data accurately and how to use your data management system. Finally, you'll want to track your ongoing performance, so make sure you have a plan specifying when and how frequently you will want to check in on your program's progress. More information on data collection is available in the third brief in the *Tracking Financial Capability* series, **Selecting and Collecting Indicator Data**.⁶⁵



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⁶⁵ Pamela Chan, Parker Cohen, Kori Hattemer, Emily Hoagland and Elizabeth McGuinness, "Select and Collect Indicator Data" (Washington, DC: CFED, 2015), http://cfed.org/assets/pdfs/Select_and_Collect_Indicator_Data.pdf.

Figure 12.2: Data Sources for Common CSA Outcomes

| Outcome | Data Source(s) |
|--|---|
| The frequency and amount of deposits into the CSAs | Bank/529 account statements or electronic data from financial institution partner |
| Early changes in families' expectations for children's futures | Interviews with parents |
| Improvements in participants' academic achievement | Schools grades, standardized test results |
| The percentage of participants who graduate high school | School records |
| The percentage of participants who enroll in postsecondary education | Records from local colleges/universities, interviews with participants |



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Section C: TOOLS & RESOURCES

This section provides access to tools and resources that may be helpful for designing your CSA program including:

- ◆ **Program Design Blueprint**
- ◆ **Resource Guide**
- ◆ **Frequently Asked Questions**
- ◆ **Glossary**





Program Design Blueprint



PROGRAM DESIGN BLUEPRINTS

COMPLETE SET OF PROGRAM DESIGN BLUEPRINTS

Program Design Blueprint 1: Building the Design Team

Program Design Blueprint 2: Setting Program Goals

Program Design Blueprint 3: Selecting and Enrolling Your Target Population

Program Design Blueprint 4: Deciding on a Program Coordinator

Program Design Blueprint 5: Choosing an Account and Financial Partner

Program Design Blueprint 6: Determining Incentives to Grow Savings

Program Design Blueprint 7: Fostering Family and Child Engagement

Program Design Blueprint 8: Building Financial Capability



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Resource Guide

General Information

CFED CSA webpage

This page contains links to CFED's research, tools and publications on CSAs.

Account Information

Saving for College

A compendium of information about 529 plans and tax rules in each state.

Guidance on Youth Savings

Joint federal agency guidance for financial institutions that addresses frequently asked questions about rules and regulations pertaining to accounts for children and youth.

CSA Program Budget & Fundraising

I:I Fund

The I:I Fund supports the college dreams of low-income children by ensuring that those dreams are matched with savings in the bank.

Association of Fundraising Professionals

The Association of Fundraising Professionals' resource center contains a wealth of information on various fundraising topics.

CSA Budget Calculator

The budget calculator helps you put together an overall budget for your CSA program. The various sections of the calculator will help you estimate program delivery costs and savings incentives for a one to five year period.

Foundation Directory Online

Foundation Directory Online (FDO) provides resources and contact information for funding opportunities.

The Chronicle of Philanthropy

The Chronicle of Philanthropy is an independent news organization that helps individuals involved in the philanthropic enterprise. It offers a robust advice section to help nonprofit workers do their jobs and provide funding for many opportunities.

The Grantsmanship Center

The Grantsmanship Center provides resources, tools and training to write grants and provides a good database to browse opportunities and potential funding streams.

Financial Capability Resources

Building Financial Capability:

A Planning Guide for Integrated Services

This interactive guide is designed to help a wide range of community-based and social service organizations integrate financial capability services into their existing programs.

CFPB Youth Financial Education

The Consumer Financial Protection Bureau (CFPB) supports teachers, administrators, policymakers and leaders who help students build financial knowledge, skills and habits by hosting a number of tools and resources of recommended policies and practices for K-12 financial education.



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Jump\$tart

Jump\$tart is a coalition of diverse financial education stakeholders that work together to educate and prepare the nation's youth for life-long financial success. Its website contains a number of resources, guides and curricula for promoting financial education for youth.

Junior Achievement

Junior Achievement inspires and prepares young people to succeed in a global economy by providing an online portal and programs geared to help prepare young people for the real world.

National Endowment for Financial Education

The National Endowment for Financial Education (NEFE) is a leading nonprofit national foundation dedicated to inspiring empowered financial decision making. Its webpage includes useful financial education resources for youth, as well as training tools and surveys.

Join the Campaign

Campaign for Every Kids' Future

Every kid deserves a shot at a brighter future. Learn more about how you can join our Campaign to connect 1.4 million kids with a savings account for higher education by 2020.

Learn About CSA Programs

Children's Savings Directory

The directory is a tool for practitioners, researchers, policymakers and others to learn more about existing and planned children's savings initiatives and connect with other programs.

Harold Alfond College Challenge

The Harold Alfond College Challenge provides \$500 in a 529 account for every baby born as a Maine resident. The website contains more information about how the program works.

Kindergarten to College (K2C)

K2C provides a seeded CSA to every public school kindergartner in the San Francisco Unified School District. The program's website contains information on program rules, the financial education curriculum, frequently asked questions and more.

Nevada College Kick Start

College Kick Start provides \$50 in a 529 account for every public school kindergartner in Nevada. The website has useful information about program policies and procedures, forms and a financial education curriculum.

Program Comparison Matrix

The Program Comparison Matrix is useful to compare features between various programs, including the enrollment type, account type, incentives provided and other key characteristics.

SEED

The Saving for Education, Entrepreneurship and Downpayment (SEED) Policy and Practice Initiative was a multi-year national policy, practice and research endeavor that developed, tested and implemented matched savings accounts and financial education for more than 1,300 low-income children and youth across the country.

Make the Case to Key Stakeholders

Assets & Opportunity Scorecard

The Assets & Opportunity Scorecard is the leading source for data on household financial security and policy solutions.

Assets & Opportunity Local Data Center

The Local Data Center provides local-level household financial security data, including estimates of household wealth and financial access for thousands of cities and counties in the United States, as well as more in-depth data profiles for some cities.



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Making the Case tool

This tool walks you through the process of crafting a powerful message to convince individuals or organizations to support your CSA program.

Measuring Success

Tracking Financial Capability Series

- ◆ **Identify and Prioritize Your Expected Outcomes**
- ◆ **Build Your Logic Model**
- ◆ **Selecting and Collecting Indicator Data**

This series helps organizations establish processes to track programs to ensure they are being implemented successfully and that they are achieving planned outcomes.

Policy & Research

Ascend at the Aspen Institute

Ascend at the Aspen Institute is the hub for breakthrough ideas and collaborations that move children and their parents toward educational success and economic security.

Center on Assets, Education, and Inclusion at the University of Kansas (AEDI)

AEDI seeks to advance knowledge, inform policy and spark critical conversations. These efforts include original research, notably in investigations into CSA programs operating around the country.

Center for Social Development at Washington University in St. Louis (CSD)

CSD informs inclusive asset-building policy by designing, implementing and studying large-scale demonstrations of asset-building policy strategies, such as the SEED for Oklahoma Kids experiment.

D2D Fund

D2D works with a wide range of groups and organizations to generate promising ideas, pilot test financial products and services, build awareness of the needs and potential of low-income communities, and advocate inclusive social and economic policies.

New America Foundation

New America Foundation's Asset Building Program, which includes work on children's savings, seeks to significantly broaden access to economic resources through increased savings and asset ownership.

Publications

Demonstrating Opportunity: A Compendium of Practical Experience and Lessons Learned from the SEED Initiative

A comprehensive summary of the work completed by the community partners in SEED and lessons learned from the community practice aspects of the SEED initiative.

Scholarly Research on Children's Savings Accounts

This Fact File summarizes key research on children's savings over the past decade.

Additional resources and publications can be found on **CFED's CSA Resource Directory**.



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Account Product, Custodians & Financial Institution Partners

Q: *Does the program coordinator have to also serve as account custodian? If not, what other types of organizations can serve as account custodians?*

A: In many programs the program coordinator also serves as the account custodian, but this is not required. Some programs partner with an outside organization to act as custodian. For example, Children’s Aid Society is the program coordinator for the **College Savers** program and its nonprofit partner Juma Ventures is the account custodian. Juma is a national youth development organization that has experience managing custodial accounts through its youth Individual Development Account (IDA) program.

Regardless of whether the program coordinator or a separate organization is the custodian, the most important characteristics of the organization fulfilling the account custodian role is that they are well-known and trusted in the communities served by the CSA program and have the sustainability and commitment to hold the accounts until the children are ready to use their account funds. A wide range of organizations can be suited to this role, such as local or state governments, nonprofits, educational institutions or foundations. For example, in San Francisco’s **Kindergarten to College** (K2C) program, the City and County of San Francisco serve as the account custodian.

Q: *Is automatic account opening legal under the USA PATRIOT Act? What about Know Your Customer Requirements?*

A: The USA PATRIOT Act requires that financial institutions affirmatively verify the identity of accountholders; this requirement is commonly known as “Know Your Customer” (KYC).⁶⁶ Some financial institutions have raised concerns about automatic account opening, because they cannot check the identity of the individual CSA participants. Using a custodial savings account structure for automatic account opening avoids this issue. The account (whether it be individual custodial accounts or pooled accounts) is owned by the account custodian, which is considered to be the “customer,” with the children who hold the subaccounts considered beneficiaries. Thus, once the financial institution has verified the identity of the account custodian “customer,” it does not need the Social Security numbers or other identifying documentation for the CSA participants to identify them, because they are not considered customers. Additional information on this issue is provided in **question 10 of the guidance** jointly issued by several federal financial regulatory agencies.

⁶⁶ These requirements are found in Section 326 of the **PATRIOT Act**, and the final rules are published in the Federal register as 31 C.F.R. § 103.121.



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Q: What is a 529 college savings plan?

A: A 529 plan—named for section 529 of the Internal Revenue Service code that authorizes it—is a tax-advantaged investment account designed for saving towards postsecondary education for a specific beneficiary. Earnings in 529 accounts are not subject to federal income taxes when they are used to cover eligible postsecondary education expenses, such as tuition, fees and books at eligible universities, colleges or vocational programs.⁶⁷ While accounts are generally opened by a parent or grandparent, most states allow nonprofit organizations and government entities to open a 529 account for a designated beneficiary. In addition, nonprofits and government entities can make contributions into parent-opened accounts.

Each state administers its own 529 plans—through state agencies, quasi-state agencies or educational institutions—and decides which investment providers to work with and which investment plan options to offer. For example, Massachusetts' 529 plan is administered by the Massachusetts Educational Financing Authority (MEFA); it offers one plan option provided and managed by Fidelity Investments.⁶⁸ In addition to federal tax advantages, many states provide tax credits or deductions for contributing to 529 accounts. A few states offer a limited amount of savings matches for households under certain income limits.⁶⁹

Q: Can our program partner with a 529 plan in another state?

A: Yes. Just as families are not limited to only using their state's 529 plans, CSA programs can work with 529 plans across state lines. For example, **“I Have a Dream” Foundation’s CSA program**—with locations in New York, Oregon and Iowa—partners with Utah’s 529 plan provider, the Utah Educational Savings Plan. An important caveat is that, in most cases, families saving in 529 plans from other states will not receive tax benefits in their state of residence.

Q: What are the advantages and disadvantages of using 529 accounts versus savings accounts for a CSA program?

A: A major advantage of 529s over savings accounts is that they generally have a significantly higher rate of return over savings accounts, which often have an interest rate near zero. In addition, since federal regulation dictates that 529s are specifically for saving for higher education, they already align with the purpose of most CSA programs. This means that, unlike with savings accounts, CSA programs using 529s do not need to find a financial institution willing to set up a new product for the program, which can be very difficult.

At the same time, 529s are often more complicated and generally not as well understood by families as savings accounts. Many 529 plans require filling out lengthy enrollment

⁶⁷ Eligible institutions are those that participate in student aid programs run by the U.S. Department of Education. A list of eligible institutions is available at the [FAFSA website](#).

⁶⁸ Information on the 529 plans offered in each state are available at the [Saving for College website](#).

⁶⁹ CFED’s [Assets and Opportunity Scorecard](#) provides information on which states offer tax advantages and savings matches for 529 accounts.



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forms and signing complicated disclosure agreements, though some states have flexibility that allows them to work with providers to simplify enrollment. Parents with less financial savvy or those with limited English proficiency may find the process difficult; even for those with more financial knowledge, the process of opening a 529 can be cumbersome. This difficulty can be partly alleviated through using automatic enrollment with omnibus or entity-owned 529 accounts, though families still need to go through the process to open their own 529 accounts to make contributions.

On balance, both 529s and savings accounts have advantages and disadvantages, and no perfect product exists for CSA programs. As you weigh different account options, prioritize the account features that are most critical to serving your target population, reaching the desired scale of your program, meeting the goals of your program and working within your funding constraints. Then consider which account type best meets those criteria.

Eligibility, Enrollment and Target Population

Q: *Is there an optimal program size for a CSA program?*

A: The ideal program size will differ for each CSA program depending on a number of factors, such as its objectives, the number of children in the targeted geographic area, administrative capacity and fundraising ability. However, large programs generally have economies of scale (i.e. cost efficiencies based on size) that smaller programs do not. Setting up a CSA program requires investments in infrastructure and partnership development—such as purchasing a data tracking system and creating a partnership with a financial institution—whether the

program serves 100 children or 10,000 children. Given the significant investment of time and resources to create this infrastructure, it will generally be more cost efficient to set up a large program. If the prospect of starting with a large number of children is daunting or if funding does not allow for that, you may choose to use a phased rollout approach, in which you begin your program with a smaller cohort of children and over a few years build up to the full number of children you want to enroll. This approach may help you to demonstrate initial outcomes and secure funds for expansion, as well as to make sure that the program is operating smoothly before enrolling a large number of children. If you choose to use a phased rollout approach, make sure that you are setting up your program design and processes—such as your account opening process and incentives tracking system—in a way that makes them easily scalable when you expand your program.

Q: *What is the ideal age for enrolling participants in a CSA program?*

A: The ideal age at enrollment will vary for each CSA program depending on the goals of the program and the point of entry during enrollment. CSAs can be established as early as birth, such as in Maine's **Harold Alfond College Challenge** program, or later when children are in middle or high school. Elementary schools provide an easy point of entry for many programs, such as San Francisco's **Kindergarten to College (K2C)** program, where children are enrolled in a CSA upon enrollment in kindergarten. The advantage to enrolling children at an earlier age is that participants have more time to save and build a nest egg for college, allowing them to take advantage of incentives that boost their savings.



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Budget and Fundraising

Q: What is the minimum amount of funding a program should raise before launching?

A: As a general rule, we recommend that before your program launches, you raise at least enough funding to meet all of your commitments to the first cohort of children enrolled. This ensures that if for some reason you cannot raise enough funds for a second cohort, you at least will have enough funding to provide the promised incentives to the first cohort of children. Different organizations have different levels of risk tolerance, so your organization may want to raise more before launching. However, raising enough money to cover the first cohort ensures that you will not face the worst-case scenario in which you cannot keep your promises to children already enrolled in your program. Keep in mind that you not only need enough money to cover incentives for participants; you also need to cover administrative costs for the program and the costs of maintaining the accounts until the children are ready to use them.

Q: What are the various ways that programs fund the seed or match dollars?

A: Current CSA programs receive direct funding and in-kind support from a variety of sources, including the public sector, philanthropy, the corporate sector and individuals. The public sector (at the city, county and state levels) is well-positioned to fund initial deposits and underwrite operations. Nearly all existing large programs receive funding from the public sector. Philanthropic support is particularly important for launching programs, as corporate and individual donors do not tend to provide start-up money for new programs. In addition, foundations are more likely than

individual or corporate donors to provide operating funding for programs. CSA programs most commonly use corporate donations to fund matching incentives. Finally, individual donors may be particularly attracted to the idea of providing match funding to support the aspirations of children in their own community.

Program Rules

Q: What should our CSA program do with the money in a participant's account if he or she moves out of the school district/city/state?

A: Current programs have different policies on this issue. In San Francisco's **Kindergarten to College** (K2C) program, for example, if the family has put some of its own savings into the account, the account remains open and can be used by the family. The child retains any incentives (including seed deposit) accrued while living in the city but cannot receive any additional incentives. Additional details of K2C's rules can be found [here](#). Unlike K2C, in Nevada's **College Kick Start** program, the account is closed and the initial deposit reverts to the program (see question 21 [here](#) for more details).



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Research

Q: *I've seen various statistics linking savings and college attendance with statistics ranging from college savings making it seven times more likely youth will attend college to four times more likely to graduate. Where do these data points come from, and which ones should we cite in making our case?*

A: The most recent data supporting the link between savings and college attendance comes from this [report](#) by the Center on Assets, Education, and Inclusion (AEDI). That analysis found that low- and moderate-income (LMI) youth with an account designated for college are three times more likely to enroll in college and four times more likely to graduate.⁷⁰ Another statistic frequently cited comes from an earlier report published by the Center for Social Development (CSD). It states that among youth who expect to graduate from college, those with an account are seven times more likely to attend college.

Both sets of statistics are valid but measure slightly different things. The statistics from the CSD report pertain specifically to “wilt”, i.e. youth who expect to go to college but don't end up enrolling. That study stated that youth *who expect to graduate from college* and have an account are seven times more likely to attend college than their counterparts without an account. The AEDI data more generally states that LMI youth with an account designated for college are more likely to attend and graduate, so it applies to a wider group than just those who expect to complete college. The distinction between the two sets of findings is nuanced but important.

In CFED's more recent materials, we have generally used the AEDI statistics, because they are more generalizable and specifically relate to the population of low- and moderate-income children that we are targeting.

Incentives

Q: *What is the ideal amount for an initial deposit?*

A: No specific research has been done to determine the ideal amount of initial deposits for a CSA program. Research on the SEED program did find that the larger the initial deposit into SEED participant accounts, the higher the total accumulation of funds in the account. However, the *amount* of the initial incentive did not appear to affect the amount of savings contributions participants made.⁷¹ In most cases, the amount of programs' initial deposits are based on programs' goals and local conditions, particularly the availability of funding. The initial deposit amounts for current programs generally range from \$50 to \$100, with \$50 being the most common. A few programs have generous funding and offer significantly higher seed amounts, such as Maine's **Harold Alfond College Challenge**, which is able to provide \$500 for each child. In addition, some programs offer different seed amounts depending on household income. For example, San Francisco's **Kindergarten to College (K2C)** program provides a \$50 seed deposit to all participants and an additional \$50 to participants receiving free or reduced-price lunch.

⁷⁰ This data comes from analysis of secondary data, not a direct test of CSA programs.

⁷¹ Mason, L.R., Nam, Y., Clancy, M., Loke, V., and Kim, Y. (2009). *SEED account monitoring research: Participants, savings, and accumulation* (CSD Research Report 09-05). St. Louis, MO: Washington University, Center for Social Development.



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Below are key terms you will find in this guide. These words are defined specifically in the context of CSAs, and may have different meanings in other contexts.

529 college savings plan – an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs.⁷²

Account custodian – a third-party entity, such as a nonprofit organization or government agency, that opens and owns the accounts on behalf of minor children participating in a CSA program.

Asset building – a strategy to help families move out of poverty by attaining tangible and intangible assets like savings, a home or a college education.⁷³

Automatic enrollment – a type of enrollment in which all children in a CSA program’s target population receive an account unless they or their parents take action to “opt-out” of the program.

Benchmark incentives – a type of savings incentive that participants and their families can earn for reaching goals, such as completing financial education, earning certain grades or making consistent deposits.

Children’s Savings Accounts (CSAs) – long-term, restricted savings or investment accounts established for children and youth (ages 0-18) that are intended for an asset-building purpose, most often postsecondary education. CSA programs usually provide an initial “seed” deposit to start accounts—along with other incentives to grow accounts—and accounts are also built through contributions from family, friends and the children themselves.

College-bound identity – refers to a child’s perception of him or herself as someone who will go to college. Children are more likely to have a college-bound identity if they believe that they will benefit from attending college and that the costs will be manageable.⁷⁴

Commingling – a method of managing incentives in which incentive funds are deposited directly into participants’ accounts. Programs using commingling need to set up their account structure to ensure that participants cannot withdraw incentives for unqualified purposes. This can be accomplished by using custodial accounts or omnibus 529 accounts.

Draw-down rate – the percentage of total available incentives for all CSA participants that are actually taken up by participants. For example, if a program has 1,000 participants eligible for \$100 in savings matches each, draw down rate refers to the percentage of the potential \$100,000 in savings matches that the children actually receive.

⁷² Saving for College, http://www.savingforcollege.com/intro_to_529s/what-is-a-529-plan.php

⁷³ CFED, “Why Assets Matter.” http://cfed.org/assets/pdfs/WhyAssetsMatter_2013updates.pdf.

⁷⁴ Sondra G. Beverly, William Elliott, and Michael Sherraden (2013). Child Development Accounts and College Success: Accounts, Assets, Expectations, and Achievements. Center for Social Development, <http://csd.wustl.edu/Publications/Documents/PI3-27.pdf>



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Economies of scale – refers to cost efficiencies based on the size of a program. It is generally more cost efficient to set up a larger CSA program than a smaller one, as both require similar infrastructure and partnership development.

Entity-owned 529 account – a 529 account owned by an account custodian on behalf of a CSA program participant; unlike an omnibus 529 account, this is a separate account opened for each participant.

Financial capability – the capacity—based on knowledge, skills and access—to manage financial resources effectively.⁷⁵

Financial capability integration – incorporating financial capability discussions, resources and tools directly into other existing program services.⁷⁶

Financial education – workshops and classes on financial topics, offered in a series or standalone sessions.

High-touch engagement – refers to CSA programs that foster regular engagement with participants and their families through multiple touch points (e.g., school events, classroom workshops and financial capability services).

Incentives – monetary incentives provided by a third party to help CSA participants build account balances, encourage families to save and help them accrue savings more quickly.

Individual custodial savings account – a type of account used by CSA programs in which an individual savings account is opened and “owned” on behalf of each participant by a third-party custodian.

Individual Development Accounts – incentivized savings accounts in which individuals’ savings are matched by government or private sources to enable asset accumulation by low-income families.

Initial deposits – a type of CSA savings incentive in which participants receive a deposit into their accounts from the program coordinator or other third-party upon account opening; also referred to as “seed” deposits.

Logic model – a visual tool showing the connections between the activities and resources used to implement a program and the expected outputs and outcomes of the program; it can be used to help assess program success.

Low-touch engagement – refers to CSA programs that have limited communications or touch points with participants and their families.

Mirror incentive account – an individual account that is set up separately from the account into which a participant makes contributions in order to hold incentive funds on behalf of the participant. Mirror incentive accounts are owned by the program coordinator or a custodian and are often used by programs using individual parent-/guardian-owned 529 accounts to safeguard against families withdrawing incentive funds for unqualified purposes.

Omnibus 529 account – an omnibus, or collective, 529 account opened and owned by the CSA program coordinator or designated third-party custodian. Money is invested for each participating child within the omnibus account, but children do not have separate accounts or subaccounts.

⁷⁵ Amended Charter: President’s Advisory Council on Financial Capability. Washington, DC: Department of the Treasury, 2010. Available at: <http://www.treasury.gov/resource-center/financial-education/Documents/PACFC%202010%20Amended%20Charter.pdf>.

⁷⁶ To learn more about integration strategies see *Building Financial Capability: A Planning Guide for Integrated Services*.



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Opt-in – see “Self-enrollment”

Opt-out – see “Automatic enrollment”

Outputs – the direct results of program activities (e.g. the number of accounts opened for participants).

Outcomes – changes in the lives or conditions of program participants as a result of the program.

Parent-/guardian-owned 529 account – an individual 529 account opened and owned by a parent or guardian on behalf of a participating child in a CSA program, into which the account administrator or other third-parties may be able to make deposits.

Pooled incentive account – an account owned by the program coordinator, in which all participants’ incentive funds are held collectively and distributed to individuals only when they withdraw their account funds for a qualified purpose.

Pooled savings account – a collective savings account owned by the program coordinator or custodian with subaccounts for each of the CSA participants; it’s often referred to as a master account/subaccount structure.

Prize-linked savings – refers to offering prizes, such as opportunities to win money through a raffle drawing, to incentivize participant savings.⁷⁷

Program coordinator – the organization responsible for running a CSA program and providing oversight to ensure that all responsibilities (e.g. managing enrollment, account opening, tracking incentives, etc.) are met.

Program delivery costs – refer to all expenses incurred in managing, operating and marketing a CSA program.

Program reach – refers to the area (e.g. state, county or school district) or institution (e.g. an elementary school) that a program coordinator targets for its CSA program.

Qualified withdrawals – distributions taken from accounts for purposes allowed by the program (e.g. withdrawing money from a CSA to pay for college tuition).

Refundable tax credits – credits that are subtracted from the amount of taxes a person owes. If the amount of a refundable tax credit is more than the amount of taxes due, the difference is returned as a tax refund.⁷⁸

Savings matches – a type of savings incentive that matches deposits made by participants and/or their families to their accounts (e.g. matching each dollar deposited by a participant into a CSA with a dollar from a third party).

Savings participation rate – refers to the percentage of enrolled children who have made (or whose families have made) deposits into their accounts beyond the initial deposits or other incentives provided by the CSA program.

⁷⁷ For more on prize-linked savings, visit Doorways to Dream’s website: http://www.d2dfund.org/prize_linked_savings.

⁷⁸ US Tax Center, “Refundable vs. Non-refundable Tax Credits.” Available online at <http://www.irs.com/articles/refundable-vs-non-refundable-tax-credits>.



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Self-enrollment – a type of enrollment requiring children or parents to take proactive steps to sign up for a CSA program.

Social proof – a strategy from behavioral science that encourages specific behaviors—such as saving in the context of a CSA program—by showing that most of an individual’s peers are performing that behavior.⁷⁹

Target population – refers to the group of children served by a CSA program. The three components of a target population are participant age at enrollment, eligibility and program reach.

Two-generation approach – refers to addressing the needs of both vulnerable children and parents together.⁸⁰

Universal eligibility – means that all children of an identified age in a specified area (e.g. a state, city or school district) are eligible to participate in a CSA program, regardless of income or other criteria.

Unqualified withdrawals – any withdrawal of funds from a CSA participants’ account for purposes other than the program’s allowable asset purchases.



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⁷⁹ Owain Service, Michael Hallsworth, David Halpern, et al. “EAST Four simple ways to apply behavioral insights.” Behavioral Insights Ltd. Available online at <http://www.behaviouralinsights.co.uk/publications/east-four-simple-ways-to-apply-behavioural-insights/>.

⁸⁰ To learn more about the two-generation approach, visit <http://ascend.aspeninstitute.org/pages/the-two-generation-approach>.

Appendix I: Making the Case for CSAs

To design and launch a CSA program, you will need gain the support of both internal and external stakeholders. CSAs appeal to a variety of stakeholders—including funders, community-based organizations and schools—because of their focus on children, education and **financial capability**. Additionally, children’s savings aligns with growing national interest in addressing economic inequality and expanding opportunity, particularly college access for low-income young people. In order to make the case for CSAs, it is important to understand both the empirical evidence supporting children’s savings and the process for appealing to a variety of stakeholders.

The Empirical Evidence for Children’s Savings

The CSA field is an evidence-based field that grew out of Professor Michael Sherraden’s 1991 book, *Assets and the Poor*.⁸¹ Since then, the research base has been bolstered by dozens of academic articles, pilot programs and research initiatives throughout the country. In 2003, the national SEED⁸² (Savings for Education, Entrepreneurship and Downpayment) demonstration project was designed to develop, test, inform and promote matched savings accounts for children and youth. Over the

course of ten years, the SEED initiative succeeded in showing the promise of CSAs to not only promote financial security for low- and moderate-income children, but also to raise the hopes and aspirations for the future for both children and adults.

SEED was only the beginning for CSAs. Over the past decade, dozens of academic papers have delved into various questions surrounding children’s savings and CSAs. These papers have found that children’s savings is positively associated with college access and success, long-term financial capability and economic mobility. Some of the key arguments in support of CSAs from the research include:⁸³

- ◆ **Children’s savings improve college enrollment and completion.** Children with college savings of as little as \$1-499 are three times more likely to attend college and four times more likely to graduate.⁸⁴
- ◆ **Children with college savings have greater college expectations.** Research shows that children develop ideas about their higher education plans early on, and college savings help children think of themselves as college-bound. CSAs also help children build a financial plan around paying for college.⁸⁵

⁸¹ Read more about Michael Sherraden’s and his colleagues at the Center for Social Development’s work on children’s savings at the [Center for Social Development website](#).

⁸² Deborah Adams, et al., *Lessons from SEED: A National Demonstration of Child Development Accounts* (Washington, DC: CFED, 2010).

⁸³ More information on CSA research is in CFED’s review of 27 academic studies relating to CSAs: *Fact File: Scholarly Research on Children’s Savings* (Washington, DC: CFED, 2014), http://cfed.org/assets/pdfs/FactFile_-_Scholarly_Research_On_Childrens_Savings_Accounts.pdf.

⁸⁴ Emily Rauscher and William Elliott, *Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education* (Lawrence, KS: Center on Assets, Education and Inclusion, University of Kansas, 2013), <http://aedi.ku.edu/publication/report/building-expectations-delivering-results-asset-based-financial-aid-and-future>.

⁸⁵ *Fact File*, 1.



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Appendix I: Making the Case for CSAs

Appendix II: Comparison of Account Features

- ◆ **Children with college savings do better academically.** Children with savings have better math and reading scores and higher rates of college enrollment and completion.⁸⁶
- ◆ **Children's savings provide financial benefits.** Families with children who are provided a savings account with an initial deposit and matched savings at birth save significantly more for college than families with children who do not receive these accounts⁸⁷ and accumulate less college-related debt.⁸⁸

In addition, rigorous research from the SEED for Oklahoma Kids randomized control trial demonstrates that CSAs have several positive impacts on young children and their mothers, including:

- ◆ **Improving mothers' educational expectations for their children.** Over the first four years of the experiment, mothers of children with CSAs were more likely to maintain or raise their educational expectations for their children than those whose children did not have CSAs.⁸⁹

- ◆ **Increasing college planning behavior.** Mothers whose children had a CSA were more likely than those without a CSA to have taken steps to save for their child's postsecondary education.⁹⁰
- ◆ **Boosting mothers' mental health.** Mothers of children with CSAs had reduced symptoms of depression compared to mothers in the control group. This effect was particularly strong for low-income and less-educated mothers.⁹¹
- ◆ **Improving early child development.** CSAs had a positive impact on children's social-emotional development at age four, and the impact was greater for low-income children and children with less educated mothers.⁹²

These compelling research findings help provide a strong foundation for making the case to key stakeholders.

⁸⁶ William Elliott, Hyunzee Jung and Terri Friedline, "Raising Math Scores among Children in Low-Wealth Households: Potential Benefit of Children's School Savings," *Journal of Income Distribution* 20, no. 2 (2011): 72-91; William Elliott, Hyunzee Jung and Terri Friedline, "Math Achievement and Children's Savings: Implications for Child Development Accounts," *Journal of Family and Economic Issues* 31 no. 2 (2010): 171-184.

⁸⁷ Yungu Nam, Youngmi Kim, Margaret Clancy, Robert Zager and Michael Sherraden, *Do Child Development Accounts Promote Account Holding, Saving and Asset Accumulation for Children's Future? Evidence from a Statewide Randomized Experiment* (St. Louis, MO: Center for Social Development, Washington University in St. Louis, 2011), <http://csd.wustl.edu/Publications/Documents/WPII-33.pdf>.

⁸⁸ William Elliott, Melinda Lewis, Michal Grinstein-Weiss and IISung Nam, "Student Loan Debt: Can Parental College Savings Help," *Federal Reserve Bank of St. Louis Review* 96, no. 4 (2014): 331-57.

⁸⁹ Youngmi Kim, Michael Sherraden, Jin Huang and Margaret Clancy, "Child Development Accounts and Parental Educational Expectations for Young Children: Early Evidence from a Statewide Social Experiment," *Social Service Review* 89, no. 1 (2015): 99-137, http://www.jstor.org/stable/10.1086/680014?seq=1#page_scan_tab_contents.

⁹⁰ Nam, Kim, Clancy, Zager and Sherraden, *Do Child Development Accounts Promote Account Holding*.

⁹¹ Jin Huang, Michael Sherraden Jason Purnell, "Impacts of Child Development Accounts on Maternal Depressive Symptoms: Evidence from a Randomized Statewide Policy Experiment," *Social Science & Medicine* 112, no. 1 (2014): 30-38.

⁹² Jin Huang, Michael Sherraden, Youngmi Kim, and Margaret Clancy, "Effects of Child Development Accounts on Early Social-Emotional Development: An Experimental Test," *JAMA Pediatrics* 168, no. 3 (2013): 265-271.



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Process for Making the Case

To garner support for a new CSA program you will likely need to make the case to a variety of stakeholders, which may include staff leadership, board members, community partners, local or state government leaders, or legislators. Making a strong case for your CSA program requires *understanding the priorities and perspectives of your audience, developing messages that will resonate with them and gathering information about CSA programs* to bolster your message.

The four primary steps in the process are:

- 1. Know your audience.** Identify the individuals or organizations whose support you need and consider why they may or may not support CSAs. Identify what each of their agenda/priorities are and how you might appeal to them; then determine specifically what you will ask them to do.
- 2. Craft your message.** Determine which messages you think would resonate most with each of your identified audiences, and which may not be as well-received.
- 3. Gather your background information.** Decide what empirical research, qualitative information or stories about CSAs would be most compelling to each audience.
- 4. Make the ask.** Create a customized “pitch” for each prospect, including the specific “ask” you want to make and a fact, figure or story that illustrates your point.

The Making the Case tool can help you to craft your message when making the case to a variety of stakeholders.



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Appendix II: Comparison of Account Features

KEY = Always = Usually = Sometimes = Rarely = Never **N/A** = Not applicable

| Ideal Account Feature | Pooled Savings Account | Individual Custodial Savings Account | Omnibus 529 Account | Entity-owned 529 Account | Parent-/Guardian-owned 529 Account |
|---|------------------------|--------------------------------------|---------------------|--------------------------|------------------------------------|
| For Participants | | | | | |
| Social Security Number (SSN) not required | | | | | |
| Multiple deposit options | | | | | |
| Convenient financial institution branches | | | N/A | N/A | |
| Ability for families to track accounts and incentives | | | | | |
| No/low fees & no/low minimum balance & minimum deposit requirements | | | | | |
| Account funds do not count towards asset limits for benefits | | | | | |

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|--|------------------------|--------------------------------------|---------------------|--------------------------|------------------------------------|
| For Program Coordinators | | | | | |
| Ability to open large number of accounts at a time | | | | | |
| Ability to provide account activity data | | | | | |
| Ability to differentiate between participant deposits and incentive funds | | | N/A | N/A | |
| Allows for third-party custodial account | | | | | |
| Withdrawals must be approved by the account custodian or program coordinator | | | | | |
| No or low fees for the CSA program | | | | | N/A |



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ABOUT CFED

CFED is a national nonprofit organization that empowers low- and moderate-income households to build and preserve assets by advancing policies and programs that help them achieve the American Dream, including buying a home, pursuing higher education, starting a business and saving for the future. As a leading source for data about household financial security and policy solutions, CFED understands what families need to succeed. We promote programs on the ground and invest in social enterprises that create pathways to financial security and opportunity for millions of people.



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