Children’s Savings and Educational Outcomes

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Why savings: short-term access

- Forty-five percent of low or moderate-income students with no account, 49% of students with only basic savings not designated for college, 71% with school savings <$1, 65% with school savings from $1 to $499, and 72% of students with school savings of $500+ <u>enroll in college</u>.
- Opening an account turns college into an important, not an impossible, goal, with a clear strategy for how to overcome cost barriers.

Why savings: medium-term outcomes

- Five percent of students with no account, eight percent with only basic savings, 13% who have school savings but less than $1 saved, 25% who have school savings from $1 to $499, and 33% of students who have school savings of $500+ <u>graduate from college</u>.
- Seventy-four percent of students with college savings are on course, compared to 41% of students with no savings, a gap of 33%.

Why savings: long-term preparation

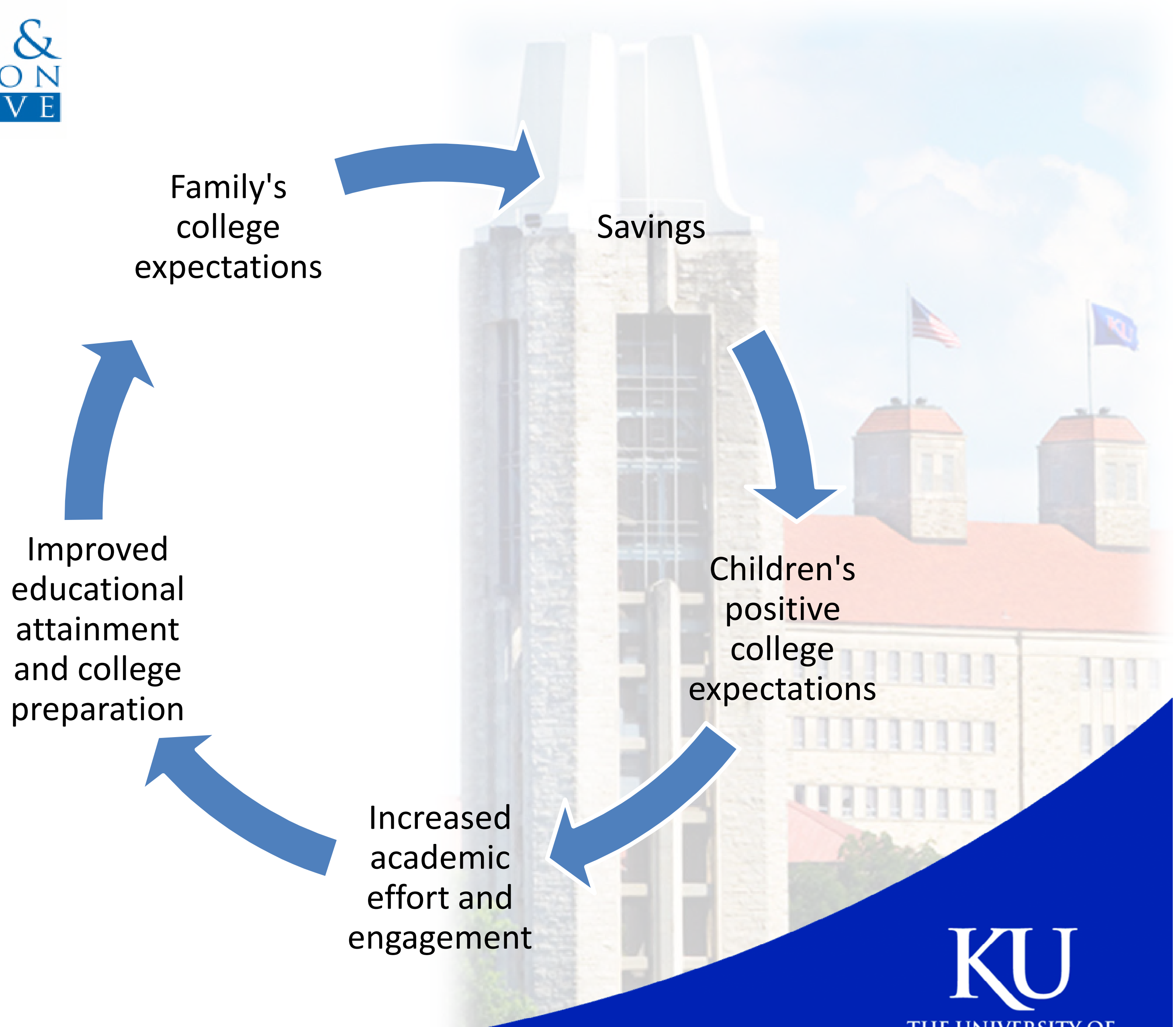
- Spells of asset poverty prior to age 11 have a negative effect on academic achievement scores.
- When families save for college, they reinforce a college-bound identity.
- The presence of such resources can bolster expectations. These expectations influence parents’ interactions and, then, students’ academic behaviors.

Why savings: longer-term financial foundation

- Helping children accumulate assets prior to college can strengthen students' financial foundation post-graduation, by instilling habits of savings, reducing the long-term cost of financing, and connecting young adults to financial institutions. Compared to children without accounts, those who save are:
  - More likely to own accounts
  - Hold more diversified asset holdings
  - Have higher net worth

Can they save enough to make a difference?

- Children's Savings Accounts have both asset accumulation and account ownership effects.
  - Assets change the way children think about college, and about their futures. These attitude, expectation, and behavior effects may be just as important as the money in charting educational trajectories.
  - Transfers and matches are needed to build sizable balances, but even $1 can develop an identity as a "college saver".


Family's college expectations
Savings
Children's positive college expectations
Increased academic effort and engagement
Improved educational attainment and college preparation