Child Savings Accounts:

Using incentives to encourage participation

Consumer Financial Protection Bureau

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1. Introduction and Overview

> Children's Savings Account (CSA) programs provide children and families with long-term savings or investment accounts, and incentives to build savings for their future. Although CSA programs vary in design, they all focus on helping children access post-secondary education by increasing financial capability and educational expectations of children, parents and caregivers.

Children's savings account (CSA) initiatives are spreading around the country with over 50 programs currently in operation and others in various stages of development. There are many similarities in the long-term goals of most programs, however, there are also great variations in design and implementation based on the populations they serve, the goals they are attempting to achieve, and the capital and human resources they have available. The primary goal of most CSA programs is to provide children and families with long-term savings or investment accounts and incentives to build savings for their future post-secondary education. Many programs also have secondary goals such as increasing the financial capability of children, parents, and caregivers participating in the program. The process for achieving these goals may involve establishing and maintaining a long-term relationship with children and families that could span 12 to 18 years.

One of the key features of many CSA programs is providing incentives to achieve three main objectives; 1) encourage enrollment; 2) encourage ongoing participation; and 3) provide some additional benefit to people with lower incomes who may have less money to save. Incentives used by CSA programs are typically financial and non-financial rewards designed to encourage participants to take certain actions that will help them be more successful in the program. The most common incentives are monetary deposits into a person's CSA, thus achieving the additional outcome of helping grow the balance of the account.[1]

This is one of four in-depth topic briefs prepared by the Consumer Financial Protection Bureau (CFPB or Bureau). The four topic briefs cover:

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[1] Some CSA programs focus on building the savings account balance, seeing the savings itself as a way to affect non-monetary outcomes such as increased expectations of attending college. Other CSA programs are more focused on immediate non-monetary outcomes such as school attendance incentivized by financial rewards.

- Engagement strategies to increase inclusion;
- Using incentives to encourage participation;
- Integrating financial education into children's savings account programs, and
- Using technology to engage participants and administer programs.

One of the Bureau's statutory directives under the Dodd-Frank Wall Street Reform and Consumer Protection Act[2] is to implement initiatives intended to "educate and empower consumers to make better informed financial decisions."[3] The Bureau seeks to enhance the financial knowledge and skills of all Americans and provide them with effective financial education, from childhood to later in life, so that they can establish and build a solid foundation of financial well-being.

The Bureau's Strategic Plan for Fiscal Year 2018-2022 outlines a strategy to "[a]ddress needs for inclusion and financial security of servicemembers, older Americans, traditionally underserved consumers and communities, and students."[4] The Office of Community Affairs,[5] within the Bureau's division of Consumer Engagement and Education, provides financial education, tools, resources and information to help traditionally underserved consumers become more financially stable and secure. One of the projects the Office of Community Affairs has pursued is the *Child Savings Account Initiative*. To advance inclusion of traditionally underserved consumers, the Bureau is engaged in building the capacity of child savings programs to provide savings opportunities to economically vulnerable children and families. Research has shown that having savings in a child's name will increase the likelihood that the child will be able to enroll in and complete a post-secondary education.

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[2] Public Law No. 111-203.

[3] 12 U.S.C. 5493(d)(1).

[4] The Bureau's Strategic Plan for FY 2018-2022 can be found on the agency's website, at www.consumerfinance.gov/about-us/budget-strategy.

[5] The Office of Community Affairs was formerly known as the Office of Financial Empowerment.

2. Methodology

This brief provides an overview of some of the key challenges and benefits of utilizing incentives in CSA programs. The Bureau gathered information[6][7] through key interviews with CSA program staff that have utilized and modified incentives in order to achieve their program goals. Some of the issues addressed in this brief related to incentive use in CSA programs include:

- The different kinds and structures of incentives used by CSA programs, categorizing them according to their program goals,
- What is known about incentive structures and strategies that are working,
- Preliminary evidence on inclusiveness in CSA program incentive structures, and
- Opportunities identified by CSA programs in refining CSA program incentives.

The CSA field is relatively young, and as a result limited information exists about the range of CSA program incentives and their relative success in achieving the dual goals of increasing desired participant behaviors and increasing CSA savings balances. This brief will:

- Document the different kinds and structures of incentives used by CSA programs, categorizing them according to their program goals,
- Review what is known about incentive structures and strategies that are working,
- Examine preliminary evidence on inclusiveness in CSA program incentive structures, and
- Discuss opportunities identified by CSA programs in refining CSA program incentives.

[6] Abt Associates, Inc. conducted interviews on behalf of the Bureau. Abt was selected through a competitive solicitation (contract number GS-10F-0086K). Prosperity Now is a subcontractor to Abt for this project.

[7] This brief includes links and references to third-party resources or content that consumers may find helpful. The Bureau does not control or guarantee the accuracy of this third-party information. By listing these links and references, the Bureau is not endorsing and has not vetted these third-parties, the views they express, or the products or services they offer. Other entities and resources also may meet your needs.

The observations discussed in this brief draw from three main data sources:

1. Unstructured, topic-based interviews with six CSA program staff and administrators representing a range of program types – small and large, those enrolling participants through opt-in and opt-out models,[8] those serving large and small geographic areas, those using low-touch engagement strategies and those using intensive, in-person engagement strategies. Interviews about client engagement were conducted with CSA program staff from The I Have a Dream Foundation in New York, Boston Saves, Educare in Washington DC, San Francisco's Kindergarten to College, Rhode Island's CollegeBound*baby*, St. Louis' College Kids, and Promise Indiana.

2. Information about additional CSA program from their websites, annual reports, and other program-related materials.

3. Field Scan survey data (2017 Field Scan) and interviews (2017 Field Scan interviews) conducted by Prosperity Now staff. Several of the Field Scan interviews included questions related to using incentives with clients, and respondent input informs this topic brief.

Although this topic brief describes information provided by a small sample of CSA programs, the experience of these programs provides insight into the choices, challenges, and successes involved in using incentives to engage program participants to meet the goal of expanding access to post-secondary education. This topic brief focuses on specific aspects of using incentives to engage participants, especially those with lower incomes and low wealth. However, other factors are also clearly important. Some of these factors are discussed in other topic briefs in this series.

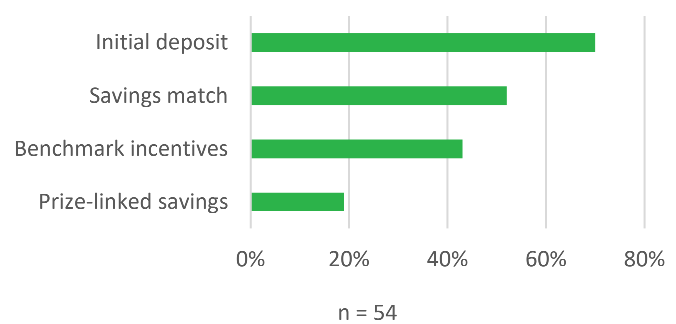
8 An "opt-out" model adopts a default of inclusion and the consumer has the choice to opt out and not participate. An "opt in" model requires the consumer to take an affirmative action to sign up or enroll in order to participate. Some researchers further divide opt-in programs between those that require simple action, such as checking a box on an unrelated form, and those that require participants to complete a task, such as linking a bank account or completing a financial literacy course. See, for example, Clarke, Brian, "Family Engagement Strategies in Children's Savings Accounts: Results from a 2017 Survey of Programs," Federal Reserve Bank of Boston, Issue Brief 2018-3, October 15, 2018.

3. Defining and measuring incentives

3.1 Deposit Incentives

Data from Prosperity Now's Field Scan (2017 Field Scan) show that 67 percent of CSA programs offer more than one type of incentive for a range of behavioral goals. The primary types of incentives provided by CSA programs to grow savings accounts are initial deposits, savings matches, benchmark incentives, and prize-linked savings. Figure 1 shows the percentage of CSA programs offering each type of incentive.

Figure 1. Types of Incentives Offered by Programs



3.1.1 Initial deposits:

Initial deposits, also known as seed deposits, are deposits placed into participant's accounts when they open them. Initial deposit incentives aim to encourage participation in the CSA program and provide all participants with a modest starter balance in their account. Initial deposits range from $5 to $500, with $50 being the most common level offered by programs surveyed in the 2017 Field Scan. Seventy percent of programs responding to the Field Scan employed an initial deposit incentive.

Research[9] shows that an initial deposit has a positive association with overall accumulation in the account because the seed deposit increases the account balance regardless of whether the participant also saves in the account. There is also some indication that the seed deposit

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[9] Mason, Lisa Reyes & Nam, Yunju & Clancy, Margaret & Kim, Youngmi & Loke, Vernon, 2010. "Child Development Accounts and saving for children's future: Do financial incentives matter?" Children and Youth Services Review, Elsevier, vol. 32(11), pages 1570-1576, November.

encourages savings behavior by participating families. [10] However, there is not yet sufficient evidence to say whether this saving is supplemental to other saving the family already does, or whether the family adjusts the destination of existing dollars allocated for savings into the CSA in order to take advantage of the savings incentives.[11] Researchers have not yet determined the most effective seed deposit amount to incentivize enrollment and engagement with the CSA program, or to create a shift in long-term college expectations. However, feedback from people participating in the programs can provide some initial insights at the program level. For example, the Boston Saves program evaluator heard from enrolled families that the $50 seed deposit provides a sufficient incentive to enroll in the program.

3.1.2 Savings matches

Fifty-two percent of surveyed programs in the Field Scan include savings matches. Some CSA programs match deposits made by people in the program and/or their families to the eligible accounts.[12] The programs interviewed reported that they typically provide an additional dollar of match for each dollar a person saves, capped at a certain amount each year. However the match amount and rate may vary. For example, one program limited total matching funds to $100 per participant for one year, while other programs might limit total matching funds to $200 per participant over the lifetime of their participation in the program.

Research about the effects of CSA program match is limited. Initial CSA research from the SEED Account Monitoring survey suggests a positive association between a higher match cap and higher participant savings.[13] This may be because the match limit sets a social norm for people

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[10] Ibid.

[11] Yunju, N., Kim, Y., Clancy, M., Zager, R. and Sherraden. M. 2013. “Do Child Development Accounts Promote Account Holding, Saving, and Asset Accumulation for Children’s Future? Evidence from a Statewide Randomized Experiment.” *Journal of Policy Analysis and Management* 32 (1): 6–33.

[12] Savings matches among programs responding to the Field Scan ranged from 50 cents to $2 deposited by the program for every dollar a participant saves.

[13] Reyes Mason, Lisa, Yunju Nam, Margaret Clancy, Vernon Loke, Youngmi Kim. March 2009. SEED Account Monitoring Research: Participants, Savings, and Accumulation, Center for Social Development, Washington University in St. Louis. SEED Account Monitoring research collected participant demographic data and tracked cash flow of SEED accounts for 1,171 children and youth participating in 10 SEED programs. Data were collected from September 2003 through December 2007.

about how much money they are expected to save over a given period.[14] Research on Individual Development Accounts (IDAs)–which are matched savings accounts for adults– and 401(k)'s offers potentially relevant insights. One study found that providing a savings match had a stronger effect on increasing the rate of savings as opposed to the size of the match, which varies from program to program. [15] The IDA research suggests that higher rates of match may lead to a decrease in the total amount the person saves. The research also suggests that people often have pre-calculated the total amount they aim to save for all purposes over a given period of time and adjust their own savings deposits into the matched account based on the amounts the program contributes. In 401(k)'s, match caps most often result in program participants saving up to the match limit.[16]

KEY TAKEAWAYS: 1) 70% of CSA programs use initial deposits to encourage participation with the common amount being $50; 2) 52% of CSA programs use savings matches, typically dollar for dollar match up to a fixed amount per year; 3) 43% of CSA programs use benchmark incentives, often based on academic performance or school attendance; and 4) 19% of CSA programs use prize-linked savings incentives to encourage saving.

3.1.3 Benchmark incentives:

Benchmark incentives are deposits into accounts made by CSA programs based on the program participant completing certain desired activities or reaching certain milestones. These incentives are often associated with academic success or preparing for higher education. Forty-three percent of CSA programs included in the 2017 Field Scan survey offer benchmark incentives. However, CSA programs interviewed reported that incentives based on benchmarks can be

[14] Conversation with Mariel Beasley from Common Cents Lab at CFPB CSA convening May 2, 2018.

[15] Schreiner, M. 2001. *Match Rates and Savings: Evidence from Individual Development Accounts* MicroFinance Risk Management and Center for Social Development, Washington University. June 2001 http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.197.9022&rep=rep1&type=pdf

[16] Madrian, B. 2012. "Matching Contributions and Savings Outcomes: A Behavioral Economics Perspective." NBER Working Paper No. 18220. July 2012 https://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Documents/w18220.pdf

time-consuming to track and distribute because each award depends on the achievement of certain goals by individual participants.

CSA programs make trade-offs in deciding which benchmarks to include. These trade-offs might include the cost of the benchmark incentives to the program, the frequency of the incentive and associated saving, and the size of the incentive. For example, in Boston, program administrators and designers considered whether families would be able to save enough every week or every month to earn an incentive. However, they also expressed concern that if the incentives were not provided with some frequency they may not have the desired effect of encouraging regular saving.

CSA programs interviewed often include benchmarks to align with program goals or that meet the needs of a partner in the program. St. Louis College Kids[17] provides a benchmark incentive for school attendance, in part at the request of the St. Louis school district. However, program administrators indicated that the informed consents needed from parents in order for the school district to share student attendance for this incentive created a large amount of administrative work. Program staff are considering the value of keeping this incentive given unclear benefits of the incentive in supporting school attendance.

Educare[18] in Washington, D.C., is a CSA program based in a Head Start program, includes an attendance benchmark incentive since this aligns closely with one of their Head Start program goals. Educare staff noted that the barriers that reduced student attendance were hard for the program to influence through incentives. Alexa Verme from Educare described an example of a family who had to find a new home further from the program where housing was more affordable. Getting their child to Educare became a logistical challenge for the family because to navigate more complicated public transit schedules along with the parents' work and other family commitments. Other families had more temporary challenges such as a car breakdown.

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[17] "Started in 2015 by the St. Louis Treasurer, the College Kids program encourages children to think about college from a young age. The program automatically opens CSAs at a local credit union for every kindergartener in St. Louis public and charter schools and seeds the accounts with $50. College Kids provides other incentives to grow savings, including matching parents' savings and an extra deposit for good school attendance. College Kids also connects participants' parents with financial capability services that help them become more financially secure." From the Prosperity Now website description of CSA programs. Accessed June 6, 2018: https://prosperitynow.org/about-csas

[18] Educare is an early learning organization based in Washington DC that has incorporated a CSA program into its model. All children are provided with a child savings account.

Program staff found that coaching the family through these challenges was more effective to overcoming these attendance barriers than the CSA attendance financial incentive.

3.1.4 Prize-linked Savings:

Prize-linked savings are sweepstakes incentives where cash prize winnings are deposited into a person's account. People are entered into the sweepstakes when they take a desired action such as depositing regularly into their savings account or meeting school attendance goals. Nineteen percent of CSA programs surveyed in the Field Scan incorporate prize-linked savings.

Limited research exists on the effect of prize-linked savings on CSA programmatic outcomes. However, CSA program administrators interviewed talked about the excitement generated in the community from prize-linked savings associated with CSA programs, suggesting it may be a powerful motivator.

Prize-linked savings are something families in some programs also requested. Feedback from families after the first year of Boston Saves pilot CSA program revealed that more families wanted short term prize incentives.[19] Kim Lucas from the City of Boston, which administers the Boston Saves program, said families wanted "the motivating factor, the enthusiasm factor of getting a small or large prize in the short term even if it's for a restricted set of things." This type of incentive may promote engagement with the program due to the money raised, and the social and community excitement it generates.

[19] Note that the sample for this research was small.

4. Program findings

4.1 Goals of CSA Incentives

CSA programs are interested in incentivizing a range of behaviors, each of which may be associated with monetary incentives deposited into a Child's Savings Account.[20] Interviews with CSA program administrators revealed four main types of goals:

1. **Program enrollment and administration**: The overarching goals for most CSA programs include a combination of educational attainment, engaging in saving, and increasing financial capability. However, program implementation challenges may mean that many incentives do not directly link to the goals but are designed to encourage families to do activities that facilitate the management of the CSA program. Examples include providing incentives for linking a bank account with the CSA program software (Boston Saves pays $50-$100 into the account), or providing an informed consent form that allows the school to provide attendance data to the CSA program (St. Louis College Kids pays $5).

2. **Saving:** CSA programs attach a variety of incentives to different desired savings behaviors such as setting up direct deposit and/or saving in a child savings account. For example, St. Louis College Kids matches every dollar saved up to $100 in a school year. Other programs like Educare and Inversant enter families that deposit money into their savings account into a prize-linked savings raffle.

3. **Educational Milestones**: The I Have a Dream Foundation provides incentives based on attaining "[research-proven]…milestones on the path to and through college. We make a deposit into a student's account based on when they complete what we call milestones on the path to and through college. There are grade-based, academic, and social milestones." Educare includes a number of age-appropriate educational milestones that align with the Head Start program goals. These milestones include a child maintaining a school attendance rate above 85 percent, adults or children making deposits into the savings account, and a parent reading to their child.

[20] The exception to this rule is Fund My Future which is experimenting with incentivizing behavior through gift cards that are not associated with CSA deposits.

4. **Financial Education**: Some programs that emphasize increasing financial capability of participants provide incentives for attendance and completion of financial education classes. St. Louis College Kids provides deposits into children's accounts when they attend financial education workshops, do financial quizzes, or watch a financial education video.

CSA programs often include several different kinds of these incentives in their program design. Table 1 reviews a sample of CSA programs interviewed for this brief and the goals of their incentives.

TABLE 1: SAMPLE OF CSA PROGRAMS AND BEHAVIORAL GOALS OF INCENTIVES

CSA Program	Enrollment and Administration: Linking account, signing consent form	Matches, rewards for savings deposits	Milestones: GPA, school attendance	Education: Classes, quiz
The "I Have A Dream Foundation"		X	X	
Boston Saves	X	X		
Educare		X	X	
Kindergarten to College	X	X		
College Bound*baby*		X		
College Kids	X	X	X	X
Promise Indiana		X	X	

4.2 Determining Amounts of Incentives

The Field Scan indicated that funding levels and assumptions about what might appeal to families usually determine the size of the incentive. No CSA program that responded to the Field Scan has conducted rigorous research to determine how effective certain kinds of incentives are in achieving their intended goals. Basic research is needed to test the effectiveness of different CSA programs' financial incentive amounts in motivating certain activities.

A few of the CSA programs conducted interviews with participants and stakeholders in order to get feedback about what amount and structure of incentives would work best.

Boston Saves worked with Commonwealth[21] and the Eos Foundation[22] to interview families who might participate in the CSA program, to find out what program structure would make most sense. Based on the feedback from families, Danny Green of Boston Saves indicated that the organization offer "a $50 seed deposit, then there is a $25 bonus for linking [a family's banking account or 529 account[23] to the Boston Saves online platform]. Then if they link before Dec. 31, there's another $25. Then if they save $25 per quarter, we throw in an additional $5. That's for the life of the program."

According to Laura Owens, the program administrator, the "I Have A Dream Foundation" is "a national network of local college access programs affiliates (or programs) focused on post-secondary completion working with students from under-resourced communities beginning in elementary school level through college." I Have A Dream Foundation offered different incentive amounts per year for different-aged children at pilot CSA sites: "We aim to have elementary school kids get $75 each year in their account … $150 a year in middle school, $300 a year in high school, and $175 in college."

Owens further described how they came up with those amounts.

> *We got to that number by meeting with a bunch of best-of-class (highly regarded) principals across the city and across some of our affiliate programs. We asked them, 'What is the amount you feel a kid would need by end of high school that would*

[21] Commonwealth collaborates "…with consumers, the financial services industry, policy makers, employers, and mission-driven organizations to discover ideas, pilot solutions, and drive innovations to scale so wealth can become possible for everyone." Commonwealth website Accessed August 14, 2018. https://buildcommonwealth.org/about

[22] "The Eos Foundation is a private philanthropic foundation committed to breaking the cycle of poverty by investing in children's futures." Eos Foundation website. Accessed August 14, 2018. http://eosfoundation.org/about/

[23] A 529 plan is a tax-advantaged savings plan designed to encourage saving for future post-secondary costs. https://www.sec.gov/reportspubs/investor publications/investorpubsintro529htm.html

> *motivate them and feel like it's real and helpful for them to go to college, but low enough that you could distribute it to as many kids as possible?*

The I Have a Dream Foundation recently adjusted the incentive amounts so that students can get more money in high school than elementary school since there are more educational milestones they needed to achieve to get to college.

San Francisco's Kindergarten to College (K2C) has six to seven years of data on the program's incentives. K2C started the program with $300 of incentives per person in total over thirteen years. In 2017, a review of program data showed families were not taking advantage of these incentives, and the program faced budget constraints. Drawing on some evidence from the data the program collected K2C determined that time limitations might increase participant engagement with incentives. Carol Lei, a K2C program administrator said:

> *We reduced the amount of incentives [because of program budget constraints] and we put time limits on them. Now [there is] $90 maximum in incentives [participants can receive, which will] … save the program money. To get $10 of the $90 incentive dollars, families have to make a contribution within the first two months. (They) can get [the] remaining $80 in the next year. Results are still early… that incentive had a little uptake. That caught some people's attention.*

If K2C's restructuring experiment is successful, it would suggest the behavior of people in the program is guided by more than just the lure of financial incentives. Financial incentive amounts may be less important than designing a CSA program to encourage desired actions through steps like setting deadlines and providing reminders.

4.3 Emerging research on factors influencing program participant savings

Research by the Common Cents Lab at Duke University[24] with both CSA programs and non-CSA savings programs has found that communication strategies and non-financial incentives might be alternative, lower cost, and effective ways to increase savings rates. For example, a financial services company called Digit ran a randomized control trial study with Common Cents Lab where some members were asked to pre-commit to saving a percentage of their tax return by text message (the treatment group) while others were not (the control group).[25] Common Sense Lab reported that those who pre-committed by text ended up saving more of their tax return than users asked at the time of receiving their refund. Those Digit members that responded positively to the text and wanted to save had a 27 percent savings rate, a 59 percent higher rate than those in the control condition, who saved 17 percent. This low-cost text intervention helped thousands of people save part of their tax refund, totaling more than $1 million in savings. The report indicates that three months after the intervention, roughly 85 percent of the savings were still in the savings accounts.

> "We're not necessarily convinced that financial incentives are the best way to do this. We've been trying to offer more tangible incentives, like social pressure and social incentives for parents to get involved. So that's things like, can we give people a money jar and every time they deposit we send them a coin. And they can tangibly see the amount of money going up, and there the incentive is more social than financial."
>
> Joseph Sherlock, Common Cents Lab

Another non-CSA savings program, the Community Empowerment Fund (CEF) and Common Cents Lab conducted an experiment to find ways to optimize savings goals. In the study, some CEF members were randomly selected to receive a punch card they could use to track their

[24] Common Cents Lab, 2017. Increasing Savings at Tax-Time (Digit). Center for Advanced Hindsight. Duke University. http://advanced-hindsight.com/archive/wp-content/uploads/2017/01/Increase-Savings-at-Tax-Time-Digit.pdf

[25] Common Sense Lab, 2017. How Pre-commitment Leads to Better Tax-time Savings https://advanced-hindsight.com/case-study/how-pre-committment-leads-to-better-tax-time-savings/

progress towards their savings goals. Participants who received the punch card had their cards marked each time they made a deposit. The participants in the control group, who did not receive punch cards, participated in CEF's normal savings program. The researchers found that members receiving punch cards achieved a higher percentage of their savings goals. On average, CEF members who received the punch cards achieved 49 percent of their savings goal, compared with 33 percent among control group members. Members who received punch cards were also more likely to achieve their savings milestone than the control group.[26]

These non-CSA savings program results point to the need to better understand how non-financial prompts and making use of non-financial incentives might influence saving by CSA program participants.

4.4 Experience of CSA Programs

Several CSA programs described the challenge of determining the appropriate size of the incentive for their CSA program. Promise Indiana provided $75 overall in incentives for certain program activities. Based on the advice of Common Cents Lab, they split this amount into three incentives of $25. Boston Saves interviewed people participating in the program to design the amount of the financial incentive and continued to hone this based on participant feedback.

[26] Common Cents Lab, 2016. End of Year Report: Using Goals to Boost Savings (Community Empowerment Fund). Center for Advanced Hindsight. Duke University. https://advanced-hindsight.com/archive/wp-content/uploads/2017/01/Using-Goals-to-Boost-Savings-Community-Empowerment-Fund.pdf

Examples exist of financial incentives working to help program engagement and desired actions by participants. However, CSA program administrators expressed concerns about how well financial incentives work to overcome more logistical and structural barriers. For example, people may not be saving in their child savings account because they do not have any available funds to save, or they have other priorities that are more urgent such as providing food for their family or paying to repair a broken down car. Some CSA program administrators interviewed expressed concern that their financial incentives might not be large enough to motivate families to overcome specific barriers to saving or program participation, especially when those barriers are beyond the control of the CSA program to influence.

> KEY TAKEAWAYS: CSA programs are constantly experimenting with incentive structures. They are wrestling with issues like: 1) understanding the most effective size of the financial incentive to encourage desired program actions; 2) Whether financial incentives can be effective at helping people overcome structural barriers to participating; 3) The role of non-financial incentives; and 4) How communication influences the effectiveness of the incentive structure.

Promise Indiana, an opt-in[27] CSA program, sees a relatively high percentage of eligible families enroll and qualify for the initial seed deposit of $25. However Phil Maurizi of Promise Indiana described the uptake of incentives:

> *The incentive that has the greatest impact on behavior is the enrollment incentive which includes an initial $25 deposit. We are seeing 60-70 percent of families take the important first step of enrolling their student into a college savings account. However, on-going contributions from families has been a difficult behavior to activate. Across all Promise Indiana counties, an average of 37 percent of accounts have regular deposits from families or champions. This is why we offer unique opportunities for students to earn additional incentives and scholarships. We are much more concerned about the frequency of deposits than we are with who is actually making them.*

Promise Indiana staff report that they do not know exactly what causes the lower deposit rates, but suspect that it might be related to limited relationships with banks, a lack of financial literacy and capability, and barriers to depositing money into 529 accounts. The team works with the 529 provider to lower barriers to depositing money in the 529 accounts where possible.

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[27] An "opt-in" model requires the consumer to take an affirmative action to sign up or enroll in order to participate.

For example, they successfully lowered the minimum initial deposit in a 529 account from $25 to $10. Promise Indiana staff have also created a bank partnership where participants can deposit at a bank in person and then have the Promise Indiana staff transfer the money to a 529 account.

Inversant reported that the combination of non-financial and financial incentives is important in increasing the amount saved and the frequency of saving. An evaluation Inversant conducted of its own CSA program[28] found that 38 percent of participants saved enough to receive the maximum match incentive of $1,500. However, the researchers found that while the $1,500 savings match motivated parents to save, the total amount saved seems to have been mostly influenced by length in the program and by the families' financial ability to save.[29]

Savings patterns suggest that instilling a regular savings habit over a long period resulted in a larger amount of savings accumulation. Inversant attempts to instill the regular savings habit by using social incentives such as peer encouragement, through their regular Learning Circle[30] gatherings of program participants. Inversant believes their combination of financial incentives and the social incentives from their Learning Circles motivated families to stay engaged.

The amount of the incentive might not influence the actions of participants as much as how the incentive is communicated. Boston Saves structured their incentives based on potential participants' advice and input. Despite this participant led design, an independent evaluation of a pilot program drawing on a small number of interviews with and observations of program participants revealed that Boston Saves families were confused about the incentive structure. Kim Lucas from Boston Saves said: "Our explanations of a quarterly incentive ended up being much more complex than they needed to be." To address this issue Boston Saves created a visual representation of one pile of money growing by increments of $25 and another pile growing by increments of $5. Their hope was that this approach would convey Boston Saves' incentive

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[28] Commonwealth, 2018. "Boston Saves – Pilot Learnings." February 2018. Not available publicly.

[29] Demographic factors such as race or income did not have a significant impact on the savings or attendance outcomes

[30] Inversant Learning Circles are intended to give parents the skills, knowledge, and confidence to support their children's quest for higher education. For more information see https://inversant.org/model/

structure more clearly to families than trying to explain in text that Boston Saves adds in $5 when a family contributes $25 in a given quarter.

4.5 Promoting inclusiveness in CSA program incentives

Families with higher incomes and more capacity to save are more likely to benefit from tax based incentives available to people who save in 529s.[31] According to a report by the Government Accountability Office, "Low-income families with low or no tax liability see less benefit from federal tax benefits and may see no benefit from nonrefundable state tax credits provided to 529 plan investors."[32] CSA program staff that were interviewed worried that their incentive structures might end up rewarding families and children who are already saving and have less need for incentives to achieve college-related milestones.

Some CSA incentives such as seed deposits are structured to be inclusive, providing equal amounts to all families enrolled in the program. Other incentives such as top-up deposits are structured to help families with fewer resources accumulate more assets in their accounts. However, only a handful of CSA programs in the U.S. currently have "top-up" incentives (which are typically extra deposits made to participants with lower incomes).[33] Some incentives like match and benchmark incentives have the potential to reward families who save more, save more often, and meet the benchmarks to receive the incentives. Those families are more likely to be well-resourced.

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[31] Contributions to a 529 plan are not deductible. However, earnings are not subject to federal tax and generally not subject to state tax when used for the qualified education expenses of the designated beneficiary, such as tuition, fees, books, as well as room and board at an eligible education institution and tuition at elementary or secondary schools. https://www.irs.gov/newsroom/529-plans-questions-and-answers

[32] HIGHER EDUCATION: A Small Percentage of Families Save in 529 Plans GAO-13-64: Published: Dec 12, 2012. Publicly Released: Dec 12, 2012. https://www.gao.gov/products/GAO-13-64

[33] Some international CSA programs provide extra deposits for lower-income families at key moments during the life of the savings account, including at account opening. Singapore provides periodic top-ups for its post-secondary education accounts. The U.K. child trust fund, while in existence, provided an extra seed deposit of two hundred and fifty pounds for low-income children. The U.K. government provided a second deposit for all children at the age of seven, providing twice the amount for low-income children.

Some of the longer-running programs are starting to look at how inclusive their incentive structures are in practice. Preliminary analysis of St. Louis College Kids program data shows that the schools where students take most advantage of the benchmark incentives and match tend to be schools with higher overall school performance and wealthier, more educated families. St. Louis College Kids is looking into the possibility of establishing additional incentives for families who receive free-and reduced-price lunch in an effort to create a more inclusive incentive structure.

Implementing these kinds of incentives can be challenging. San Francisco's K2C started off by targeting lower-income children to receive a larger seed deposit. Children receiving free- or reduced-price lunch got an extra $50 added to their initial seed deposit. However, administrative challenges between the school district and the mayor's office meant that the program gave this incentive up. Carol Lei of K2C described the challenge:

> *We [intended to give] $50 to people who qualify for free and reduced lunch. The problem is, we usually don't know if people qualify for free- and reduced-price lunch because the school district can't tell us unless people sign the consent. People didn't sign the consent. We got a collection rate of … less than half the people.*

Based on interviews, a challenge for CSA programs with a goal to provide additional support to lower income families is to find reliable ways to keep track of the socio-economic characteristics of those participants who are targeted to receive incentives. Since many CSA programs are not able to collect data on the demographics and incomes of their participants, this challenge may be difficult to overcome. School districts and CSA programs will need to establish functioning data-sharing agreements for the most effective means of tracking this data.

5. Summary and next steps

CSA program experiences and research on other savings programs demonstrate a need for more rigorous documentation, research and testing of the effectiveness of a range of financial and non-financial incentives. Testing will necessitate controlling other implementation factors such as communication, in order to truly understand the effectiveness of incentive structures and amounts in leading to desired program outcomes. Questions that emerge from this brief as ones for future study include:

- What specific incentive dollar amounts increase savings rates? Where does the savings rate plateau?
- Do incentives result in intended behaviors?
- Do the intended behaviors result in a greater likelihood of attending post-secondary education or increasing savings for post-secondary education?
- Are non-financial incentives as effective at inducing intended behaviors as financial incentives?
- What are the barriers preventing participants from enrolling in a CSA?
- Once enrolled, what are the barriers preventing participants from depositing into CSA accounts?
- What role can incentive structures play, if any, in helping participants overcome these barriers?
- How equitable are different incentives in practice?

Specific demographic groups may also respond differently. People's experiences are particularly important to include in this research, since they may provide greater understanding about barriers some families face in achieving desired program behaviors. People's experiences will also reveal how well desired program behaviors and incentives are aligned with family priorities.

In order to answer these questions, CSA programs will need sufficient funding and knowledgeable partners conducting research on CSAs such as the Common Cents Lab, ideas42,[34] the Center for Social Development at Washington University and the University of Michigan School of Social Work to rigorously test the effectiveness of incentive structures. As the field grows other researchers may also begin conducting rigorous research into the use of incentives. Where socio-economic and demographic data on the children participating in CSA programs are critical components of CSA programs, research partnerships with school districts will need to be included and perhaps funded since the districts often hold the data.

[34] Ideas42 is a "non-profit design and consulting firm that uses insights from the behavioral sciences to address complex social problems." Website accessed August 14, 2018: www.ideas42.org/

Maintaining and sharing sufficiently accurate data can be expensive, but it is critical to answering these questions. CSA program partners and stakeholders will need to work together to provide the necessary level of detailed and accurate data so that CSA programs can better understand the outcomes of their incentives.