Immigrant Latina Families Saving in Children's Savings Account Program against Great Odds: The Case of Prosperity Kids

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Preface

By William Elliott

It seems clear from asset-building research that, while low-income families can save (Schreiner & Sherraden, 2007) they have limited disposable income and therefore are unlikely to save as much as their higher-income counterparts whether in traditional investment vehicles or Children's Savings Accounts (CSAs), even though CSAs are designed to build assets among lower income families (see Sherraden, 1991). So, while this report presents evidence on savings outcomes, to understand the success of the program examined here we need to understand the context in which families are being asked to save. This idea is contradictory to how we normally think. In part, what makes mainstream financial instruments unequitable is that they reward the amount of money people invest, an accounting which favors families with more money over families with less money. What makes this system even more punitive for lower income families is that American values connote the amount of money people have in financial instruments with their effort/success, or even their 'worth', in some non-financial sense. That is, in some weird way, amount saved serves as a proxy for effort or even merit, even if some families' greater accumulation requires less exertion to realize. From this perspective, financial success is a result of effort and hard work. This idea is embedded in the psyche of most Americans and shapes the way we collectively view individuals' financial successes or failures. However, amount saved as a proxy for effort does not take into account whether that money came from hard work, inheritance, or a legacy of wealth inequality. It does not consider the relative sacrifices exerted by some savers, incommensurate with the balances in their accounts. Therefore, I suggest in order to understand amount saved and make it a meaningful metric within the CSA field, we have to understand it within the families' current financial contexts.

This study explores saving by low-income Latino families within Prosperity Kids, most of whom are immigrants, within a CSA conceived and managed by Prosperity Works, a nonprofit organization in New Mexico. The 2016 Annie E. Casey Foundation 'KidsCount' rankings placed New Mexico 49th out of 50 states in overall child well-being (Annie E. Casey Foundation, 2016). The state has worsened in recent years on measures such as child poverty, which increased from 28% in 2012 to 30% in 2013. Latino New Mexicans face particular financial challenges; in 2014, 25% of Latino New Mexicans were poor. Locally, 36% of children in Bernalillo County (Albuquerque), where Prosperity Kids operates, live in households lacking full-time, year-round employment. More than 63% of students in the Albuquerque Public Schools qualified for free and reduced lunch in 2014 (New Mexico Voices for Children, 2015). New Mexico is one of the worst-faring states in the nation in financial exclusion (CFED, 2015), data which suggest that many New Mexicans lack access to the economic opportunities and financial products that could facilitate upward mobility. This landscape should help shape our understanding of whether the amount saved in Prosperity Kids' accounts and the effort it took to get that amount into the accounts are substantial or not. The questions that comes to mind most readily when thinking about populations like this is "can they save?" and "how?", not "how much?". With this context in mind, I think the preliminary results of Prosperity Kids are quite encouraging and paint a picture of a people putting forth extreme effort to save for their children's futures.

From my perspective, financial context is not the only way we should understand amount saved. It tells us something about whether the amount in the accounts is representative of high effort, but does not tell us whether this effort will translate into improved outcomes for low-income families. Therefore, another important way for the field to contextualize amount saved may be to put into context the potential impact small-dollar accounts can have for changing low-income children's outcomes. Small-dollar CSAs show real promise of improving socioemotional development among young, particularly, low-income children (Huang, Sherraden, Kim, & Clancy, 2014), competency which has been linked to improved educational outcomes (Durlak, Weissberg, Dymnicki, Taylor & Schellinger, 2011). Similarly, CSAs have been shown to improve parents' educational expectations (Kim, Sherraden, Huang, and Clancy, 2015), also linked to better educational outcomes for children (e.g., Beal & Crockett, 2010). Other evidence suggests that even having a small amount of money set aside for college is associated with greater odds of enrolling in and graduating from college (e.g., Elliott, 2013). In addition to improving educational outcomes, evidence suggests that being connected to financial institutions early on may be a gateway to asset accumulation through a more diversified asset portfolio. For example, Friedline et al. (2014) find that while owning a savings account as a young adult only contributed $50 toward liquid assets, the added contribution of combined stock and retirement accounts—themselves products of savings account ownership—was $5,283. This does not suggest that saving itself is not important; it just suggests that if people are not saving large sums of money, or enough money to pay for the full cost of college, for example, they may still be exerting a considerable amount of effort, and this effort may have value for changing outcomes.

I will close by saying that this perspective, which emphasizes the potential importance of even accounts small in absolute dollars, does place a lot of emphasis on inclusivity, particularly with regard to getting everyone an account. Automatic enrollment shows a lot of promise in this regard (Clancy, Beverly, Sherraden, Huang, 2016). Further, such an analysis implies that saving by itself may never lead to wealth equity, which is different than saying it has not already led to asset growth among low-income populations. It might sound strange in this report, which focuses on saving, to say that saving will not lead to wealth equity by itself. However, if low-income families have small amounts of money at their disposal to save and financial institutions reward the amount of money invested, higher-income families will in most cases be advantaged maintaining the equity gap. The same is true for CSAs. CSAs provide families with initial deposits, match, and other incentives to reward even small amounts of money saved. While these are important steps and truly increase the amount of money these families have available to them for college, they may do little to reduce wealth inequity. Savings success in CSAs may help to lay the foundation for more substantial asset transfers, however, by building momentum in the children’s savings field. To this end, I suspect that the move toward connecting CSA programs to Promise programs (i.e., programs that put money into CSAs that is traditionally designated for grants or scholarships) is the kind of step that is needed to sufficiently reward the effort of low-income families, to make college affordable, and to meaningfully reduce wealth inequality in America.

Sincerely,

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Executive Summary

This study uses administrative records from New Mexico's Prosperity Kids Children's Savings Account (CSA) program and in-depth interviews with a sample of participating parents and children to examine savings outcomes and experiences for these low-income Latino families. Prosperity Kids' model relies heavily on social networks to recruit participants, encourage savings, and foster college-saver identities. Parents participate in financial education sessions designed to increase their financial knowledge and equip them to transmit financial competencies to their children. Families who open Prosperity Kids Children's Savings Accounts with the local participating credit union receive a $100 initial seed and up to $200 in a 1:1 match for household savings per year, over ten years. These incentives are financed with a mix of philanthropic and public dollars. The total budget for Prosperity Kids contributed to the cap of 500 total Children's Savings Accounts, at least in this initial iteration of Prosperity Kids. In addition to savings matches, parents can earn benchmark deposits for completing activities associated with child development. Parents may also open emergency savings accounts to use for other purposes; these accounts are held in the same partner credit union and seeded with $10.[1] Children's Prosperity Kids accounts are custodial, held by nonprofit Prosperity Works. If not used for postsecondary education prior, young adults may withdraw the funds in their CSAs at age 23 to use for a 'stable transition to adulthood', to include homeownership, entrepreneurship, or other investment.

Prosperity Kids at a Glance

Program Elements	Funding	Administration
• Comprehensive, evidence-based curriculum (10 two-hour sessions) on child development, health, academic preparation, and families' rights • Financial capability training for parents • Custodial children's accounts, seeded with $100 • Emergency savings accounts for adults, seeded with $10 • Matches for family savings in the CSA up to $200/year for 10 years • Incentive deposits to the CSA for families' completion of specific activities associated with children's success • Allowable uses that include investments in a transition to stable adulthood, including entrepreneurship, homeownership, and/or retirement savings, in addition to postsecondary education	• Grant funding from Kellogg Foundation • $25,000 from City of Albuquerque • In-kind support from Prosperity Works, Partnership for Community Action, and other partners	• Account administration by local credit union (creation of account type, account opening, tracking of deposits for match) • Custodianship by Prosperity Works, including maintenance of the account from which incentives, matches, and seeds are drawn • Statements issued by Prosperity Works, pursuant to receiving financial data from the credit union

Results

Administrative Savings Data Results

This analysis considers account data, provided by the Prosperity Kids credit union partner, on 493 accountholders. The majority of children with accounts are Hispanic (99%), and among the subset of 298 children for whom demographic data were available through the Albuquerque Public Schools, slightly greater than one-half were English Language Learners (ELL) (57%), 84% qualified for Free/Reduced Lunch, and 11% received special education services of some kind. These values did not vary substantially when comparing savers to non-savers.

[1] This analysis is focused on the Children's Savings Accounts within Prosperity Kids, not the Emergency Savings Accounts owned by some participating parents.

- Savings Rate
    - 29% of Prosperity Kids accounts have seen deposits from families' saving.
- Savings Amount
    - Among savers (families who contributed their own deposits, in addition to match or incentives)
        - 54% have saved more than $100 in their account.
        - Median total account value for these saver families was $345 at the end of 2015 (mean, $394). The median amount of family deposits is $123 (mean, $155), with median match deposits of $124 (mean, $139).
- Average monthly contributions are $12 (ranging from <$1 to $220); average quarterly contributions are $31.
- Comparing savers and non-savers (those who had not yet made a deposit from family savings), savers have a longer tenure as Prosperity Kids accountholders, at an average of 13 months, compared to 7 months for non-savers. However, average family savings amounts, for savers, were comparable regardless of time enrolled.
    - Families who have been enrolled for six months or less have an average savings of $151, while savings averaged $152 for savers who have been enrolled for more than one year (ranged from $1 per month to $220 per month).
    - More savers (23%) also have Emergency Savings Accounts than non-savers (7%).

In-depth Qualitative Interview Results

Identity-Based Motivation, as extensively researched by Oyserman and colleagues, is understood to comprise three critical components that, together, help to explain why individuals act in ways consistent with a particular desired identity (Oyserman, 2007; Oyserman, 2013; Oyserman, 2015; Oyserman & Destin, 2010). As applied here to the concept of a college-saver identity, the dimension of salience connotes bringing college to the forefront of one's mind, prompting urgent preparation. Normalization of difficulty refers to framing college saving as a manageable, albeit still hard, task. Group congruence is implicated in activating individuals to behave in ways consistent with this college-saver identity, because they see doing so as consistent with their membership in key social groups. Identity-Based Motivation serves as the theoretical frame through which data gleaned from in-depth interviews with parents whose children have Prosperity Kids Children's Savings Accounts were analyzed.

Additional demographic information was gathered on the sample of parents (all of whom were mothers) interviewed. Interviewed mothers are financially disadvantaged, with the majority reporting average household incomes of $25,000 or less and 87% receiving Food Stamps and/or TANF. The majority were employed in non-professional industries such as housekeeping, childcare, and retail/food services. Most mothers reported some difficulty with paying bills each month. Nearly one-fifth found it very or extremely difficult to meet their financial obligations.

- Salience: Participation in Prosperity Kids may be making college saving a salient financial objective, something worth striving for, starting today.
    - As Luz, age 41 and earning less than $15,000 annually, underscores, *"in a way we would never have thought of forcing ourselves to open an account,"* without Prosperity Kids. Maria, age 30 and with two children in elementary school,

reiterates that, *"without the program I really wouldn't have thought about saving for college, for them."*

- Normalization of difficulty: The support of the Prosperity Kids program—including the initial seed, withdrawal restrictions, and match incentives— may help to make saving seem like a manageable, albeit still difficult, objective.
    - Sara, age 28, has an annual income between $25,001 and $35,000 and has saved $75 in each of her three children's accounts. She attributes her motivation to her realization of the challenges inherent in saving for college. Rather than being dissuaded by this bleak reality, she has seized the opportunity presented by Prosperity Kids. "*My children, when they grow up, I might not have enough money to pay for the university. I guess it is very expensive. And I know that this will help them."*
- Group congruence: The structure of Prosperity Kids, where parents recruit each other and are encouraged to hold each other accountable for adhering to savings goals, explicitly seeks to foster a shared commitment to saving.
    - Reflecting this, Maria is quick to assure the interviewer that she can always get needed information about Prosperity Kids, because, "*I have people I know that also get very involved in that…many times at my sons' schools there's a parent class and there we get together."* Rocio credits parents she knows with influencing her decision to open the account, and several parents describe their efforts to convince others to enroll, as well.

The qualitative interviews also examine parents' strategies for saving in Prosperity Kids and, in particular, contributions of elements of the Prosperity Kids design that parents see as shaping their savings outcomes.

- These parents describe saving primarily by reducing consumption, drawing on lessons from the financial education provided by Prosperity Kids.
    - Daniela, age 27 and earning between $15,001 and $25,000 per year, is among the most successful savers in the sample, having already deposited almost $1,000 of her own money into her two children's accounts. In addition to taking advantage of an opportunity to increase her hours at work, Daniela details new habits informed by education received through Prosperity Kids: "*Well now I make a shopping list. I didn't before. I used to bring money in the purse, and I'd just spend it in things that I didn't really need in the house you understand?...And whatever is left over instead of spending it I go to deposit it…And before we used to go to restaurants too often…now there's no fries, no juices, more savings."*
- Elements of the Prosperity Kids design may also support families' saving.
    - Adriana, age 32 and with a household income between $15,001 and $25,000 per year, has managed $280 in deposits into her child's account, a feat she attributes in part to the withdrawal restrictions. "*And the most important thing is that you can't touch that money; that's what I like because that money is there and we know we can't withdraw it or anything, it's just for them."*
- Prosperity Kids' model positions parents as children's first financial teachers, and there is early evidence that they may be assuming this role. All but one of the parents interviewed

described interactions with their children around saving. Children's interviews confirm these exchanges.

- Rocio, for example, takes advantage of frequent interactions with her children to inculcate these savings values. "*Well I always look for discount opportunities, of everything. I always tell them that if I can save a penny {laughter}. I will save it…I always tell them "well we have to look always where it's cheaper and save it and save it because one doesn't know what may happen tomorrow."*
- Parents in Prosperity Kids teach by example as well as through overt instruction. Elizabet reports that her son has learned about saving because *"he sees us, for example…not spending money in things that you don't need."* Isabel, whose daughter's Prosperity Kids account already has more than $575, includes her child in the entire process, from saving in the piggybank to depositing at the credit union.

Conclusion

The experiences of the disadvantaged families enrolled in New Mexico's Prosperity Kids Children's Savings Account program underscore what should now be accepted fact: poor people can save, although they need additional supports and appropriate opportunities in order to succeed (e.g., Schreiner & Sherraden, 2007). These parents' documented deposits, generated primarily by sacrificing consumption in order to stretch limited incomes, further illustrate the disproportionate effort required for disadvantaged households to achieve financial outcomes commensurate with those that more privileged Americans can realize with less exertion. This finding should provide further evidence of the need for progressive policies that change the distributional consequences of existing institutions. Pilot programs such as Prosperity Kids can demonstrate significant effects on the financial well-being and future child outcomes (see Elliott, 2015) for those who participate, but it will likely take national CSA policy (see, among others, Cramer, Black, & King, 2014) to create an infrastructure capable of providing universal opportunity and seeding accounts with a wealth transfer equal to the task of redressing inequity. Examination of Prosperity Kids further suggests, however, that a national, universal model may be most successful if local organizations are able to innovate unique features that align with populations' needs and to layer on culturally-relevant engagement strategies, rooted within existing programs and institutions. In this case, Prosperity Works carefully designed the Prosperity Kids Children's Savings Account program so that alternative documentation could be used to open accounts, entire families could enroll together, and parents would be given tools with which to improve their own financial positions. They also leveraged an existing—and funded—peer outreach program in order to facilitate efficient implementation. These parameters may have contributed to successful rollout and, these findings suggest, to meaningful savings outcomes for this population, as well.

The idea of using children's assets to catalyze transformative effects—on educational expectations and subsequent achievement (Elliott, 2013), on family finances, on overall well-being (Sherraden, 1991)—has captured the imaginations of program architects and philanthropists and the attention of policymakers. Communities around the country (CFED, undated), representing different sectors and institutions with influence over children's outcomes, have latched onto the promise of Children's Savings Accounts, innovating their own approaches, adding to the knowledge base, and, most importantly, tangibly improving children's chances. Prosperity Kids is a relatively small CSA program, working with a relatively select group of obviously motivated—if economically disadvantaged—families. Still, the distance between these households and financial security is arguably as great as in any community. That college saving can take root in this adverse environment and against these great odds further credentials the CSA concept. Building on the theoretical and empirical foundation undergirding progressive children's asset-building interventions, efforts such as Prosperity Kids continue to prove that savings can work, in a variety of contexts and on many fronts.