Testimony for Hearing on
"Building Assets for Low-Income Families"
Subcommittee on Social Security and Family Policy
Senate Finance Committee
April 28, 2005

"*I Can Save*": A Savings Program for Children in Primary School

Dr. Victoria Gonzalez-Rubio, Principal
Delmar-Harvard Elementary School
University City, Missouri

Good morning, Senator Santorum and Members of the Subcommittee. I am here this morning to tell you about a program called *I Can Save*. *I Can Save* is a four-year demonstration program for young children based at Delmar-Harvard Elementary School in University City, where I am the Principal. *I Can Save* is one of 13 sites in the Saving for Education, Entrepreneurship, and Downpayment (SEED) Policy and Practice Initiative, a children's savings demonstration. *I Can Save,* now in its second year, provides savings accounts, financial education, and incentives to all children who entered kindergarten and first grade at Delmar-Harvard Elementary School. The purpose of *I Can Save* is to increase savings among children and their parents for post-secondary education and training. We believe that young students who are saving and learning financial concepts, and who know there is a nest egg for their college or training expenses, will engage more fully in their studies, and this in turn will contribute to higher academic achievement. Although we only started this program last year, we are hearing many positive comments from these young students and their families about saving and college.

I have been an educator for 31 years. Education is my passion. I wanted my own children to attend college, and I have these same dreams for every student at my school. The American Dream is not about *if* students go to college, but *when* and *where* they go to college. A college degree used to be a ticket to a better life. Now a college degree may only get you a place at the bus stop of opportunity, but often without it young poor adults are locked into low-paying jobs that don't lead to career advancement. Many of my students are not only poor, but also of color. These are double strikes that demand we support our greatest asset, our children, with programs like *I Can Save* so they can break the cycle of poverty and achieve academic success. As a second grade girl astutely said: "*Well, if you don't go to college, you don't have a really good job*."

Why do we think that it will make a difference if children have savings for college? In my school many parents did not have the opportunity to go to college. Savings for college could have made a big difference. They might have believed college was a real possibility. One of our students in *I Can Save* explained how money makes a difference. She said she thought it would be hard to get enough money for college because she would have to work so much. So we asked her if she wanted to go to college? She replied: "*To get smart, I do. But if it costs that much money, I think I don't want to go*."

If this young student had a nest egg with enough in it to help pay for college, she probably would have responded quite differently. In fact, another student in the program was more optimistic because she is saving for college: *"I think if I save a lot then it wouldn't be that hard [to go to college]."*

Some parents hesitated before joining *I Can Save*. Why? So many said "*it sounds too good to be true*." Some are skeptical of anything that sounds like it might be a 'scam' and others are too busy trying to survive financially to pay attention to all the information that comes home with their children.

But Tiffany (not her real name) and her mother helped us understand better. Tiffany had not enrolled in *I Can Save* by the second year of the program. Tiffany's teachers doubted that she would ever enroll because her mother, Darlene, is not good about returning papers to the school. When the program coordinator reached Darlene, she said she said she would ask her son to look at the papers, but she was not really interested. The next week she said her son told her to enroll Tiffany, but that someone would have help her fill out the paperwork because she cannot read. She said she was excited to have a chance to save for Tiffany's future so that she would not have to go through what she has endured in her lifetime, not knowing how to read. She said she was happy that Tiffany would have a better chance to succeed.

What are SEED and *I Can Save*?

> *"You get to learn how to count money and go to the bank…'cause we're saving up money for college."* (Jessie, 2nd grade)
>
> *"I love learning about money. It's pretty fun and you get real money sometimes. I like how we get the money. They pass out the money…we put in our little piggy banks. And there's some kind of tube that goes from the library to the bank. So you put it in…it sucks it up…it goes right down to the bank."*
> (Corey, 2nd grade)

SEED is a multi-year national initiative to develop, test, and promote the idea of matched savings accounts and financial education for children and youth. The initiative seeks to set the stage for inclusive American policy for asset building through children's savings.

I Can Save is the only SEED site that focuses on very young children in the public schools. All children in two grade cohorts in my school have a savings account at Commerce Bank, located across the street from the school. When the children open their *I Can Save* accounts, an initial deposit of $500 is made. Thereafter, all savings deposits are matched dollar-for-dollar. Deposits are made by students, their parents, and others who want to invest in the children's future education. Students earn money by participating once a week in the after-school *I Can Save* Club, where they learn financial concepts and entrepreneurship principles. Students take monthly trips to the bank where they deposit their "earnings" from the club and other deposits. This money is matched when they deposit it into their savings account. During the school day, teachers offer financial education to students. Parents also participate in financial education workshops where they sharpen their financial management skills and learn more about household asset building.

Over four years, *I Can Save* will provide up to $1500 per account in dollar-for-dollar matches and other incentives (in addition to the initial $500 deposit). If children and families participate fully in *I Can Save*, each child could have up to $3,500 saved for college.

At the end of the four years, the students' savings will be deposited into a MO$T account, Missouri's college savings (529) plan. Children and parents will be encouraged to continue depositing into the college savings plan throughout middle school and high school. If children and their parents participate fully in the program, and continue to deposit $50 per year into the account until they graduate from high school, they should have enough money in their account to pay for approximately two years of community college.

Several important principles guide our work at *I Can Save*, and at the other SEED demonstration sites:

- Children's saving should include all children. This is why we chose to include all of the children in the two cohorts.

- Children should receive an initial deposit to help get the savings started. Our students started with an initial deposit of $500. This attracted families to the program, and encouraged them to believe that it would be of real assistance.

- The accounts should be matched. All deposits into the accounts by family, friends, relatives and others, are matched dollar-for-dollar, up to a maximum. Many of the children at Delmar-Harvard Elementary School come from working poor families and are eligible for the free and reduced lunch program. This match provides an important incentive for additional deposits, and motivates families to put aside small amounts of money each week.

- The program should be simple so every child can have an account. Although the cost of a demonstration like this one is high, we are conducting research to understand what parts of the program are the most important, so that we can make it efficient and expand this program throughout the school district.

- The accounts should be viewed as long-term investment capital, but with opportunities to use the funds for related educational expenses during primary and secondary school years. Our students' accounts will be rolled over into Missouri MO$T accounts, our state's college savings plan. This will protect their savings and encourage further saving for education.

- Accounts should be held in secure private financial institutions that provide limited investment options. *I Can Save* is partnering with Commerce Bank to safeguard the students' savings and provide access to the formal banking system.

- Savings policy and programs should build financial aspirations, knowledge, and skills. Students are learning how to manage their money using *Financial Fitness for Life*®, *Wise Pockets World*®, Citigroup's financial education curricula, and other materials. Although school districts are not required to include financial education in their curricula, we believe this is an important part of lifelong saving and healthy financial management.

What are we learning?

In the first couple of years, we have learned a great deal about how this kind of program works. Thus far, we know that:

- Families will sign up for the program. By December 2004, 74 children out of a possible 75 total children in the two grades were enrolled in *I Can Save*. Children receive financial education in their classrooms once a week, and 49 children participate once a week in the after-school *I Can Save Club*. Parents have participated in seven financial education workshops on topics such as: budgeting and spending, debt and credit, and financial goals. Parents also have access to online financial education.

- Children and their families can save. Children have a total of $55,165 in their savings accounts, an average of $744 per child. The average reflects $122 of families' savings, $122 in match deposits, and an initial $500 program contribution. Some families have only been in the program a short time; they began signing up in November 2003 and the last ones joined in December 2004.

- Children, parents and teachers are enthusiastic about *I Can Save*. They like having a savings account, the matching deposits, visiting the bank, the financial education. One child in the *I Can Save After School Club* said: *"I love going to the bank. I get to put money in my account myself."* The children encourage their parents to give them additional money to put in their accounts on bank day, and one clever child asked if he could come more days to the After School Club so that he could get more money in his account. Another student said the best thing about *I Can Save* is "*if we get our little piggybank full, we get to make another one*." And one little boy talks about the goal at the end of the program: "*Like at the end of the whole thing…the whole I Can Save…you get to go to the bank in the Loop…and then they give you real, big dollars and stuff*."

- Financial education is important. Our experience shows that children can learn economic concepts. They are learning how to be entrepreneurial. Shaun, a shy boy in second grade, came into his own when the students created their own businesses. Shaun called his ice cream store "*Icestatic*." Everyone thought it was a great name, and after that Shaun began to get more involved. He listened better to instructions and began using the concepts he was learning, such as *"income," saving*," "*earning*," "*deposit*," "*withdrawal*," "*goods*," and "*services*."

- It would make more sense if all of the children in the school and the school district were in the program. Kids encourage each other to join and to save. Financial education can be incorporated into teachers' class plans. Children could transfer to another school without leaving the savings program.

- The program should be simple. Simple and straightforward rules will encourage people to sign up and help them understand what they need to do.

- The program should be operated by a trusted organization. Families are increasingly wary of unscrupulous financial schemes and it takes time to assure them that their money will be safe. It is very important that the financial institution is known and trusted.

- The biggest challenge is to get all parents involved in financial education. Our parents are very busy; many work more than one job. But once they participate, parents are enthusiastic. As one mother said: "*I wish someone had taught us about money growing up.*" Learning about the Earned Income Tax Credit was a popular topic and I was surprised that people still do not know about it. Interestingly, an indirect effect has been that at least one teacher now participates in Missouri MO$T as a result of information learned in the program.

Why is it important for young children to save?

For many young people, especially minority and low-income children, attending college is a genuinely desired but elusive goal. Among high school graduates, only 39 percent of African-Americans, 32 percent of Latinos, and 45 percent of whites enroll in college (U.S. Bureau of Census, 2001). Typical costs to attend a 2-year public college are below $2,000 per year; 4-year public college expenses are estimated to be just under $4,000 annually. Yet, two in five American children will never complete a single year of college. Thirty-nine percent of all children—54 percent of Hispanic and 52 percent of Black children—live in households with too few resources to survive for even three months in the event that income is interrupted. More than a third of the 4 million American children born each year—and more than half of minority children—are born into families with negligible savings to weather emergencies or invest in their futures. People with a bachelor's degree earn over 80 percent more, on average, than those with only a high school diploma.

Children understand that college costs a lot and that they might not have enough money to attend. One of our students explained: *"Some kids are poor and they don't have enough money to go [to college]."*

When we asked a second grader how easy or hard it would be to have enough money to go to college, he said: "*I think it'll be hard to save enough money, because your mom might be poor and your father might be too. I don't even have a father, and my mom's pretty poor, so I should know*."

Too often, an inability to afford college contributes to low expectations for higher education (Perna 2000, Cabrera & La Nara 2001). Too often, lack of opportunity to attend college leads young people to slowly give up their efforts to excel in school and to abandon plans to enter and complete college. It is important to get them invested in the idea while they are still young and enthusiastic about learning. When asked about staying in school, one young girl said: *"I want to learn extra. I want to learn very, extra, because…I want to be in school as long as I can."*

When we asked the children how we can help kids go to college, the children often talked about money. One student, Sara, said: "*You should help them save money…if they can't earn enough, and like you're earning more, then you should help them get more money*." Following up, she said: "*The people that have more money should teach the person that's not getting enough money…like how to get a lot of money*." Her classmate Ivan said: "*One day when you grow up, you should be like…the 'I Can Save' worker. . . and you should help kids save money*."

I Can Save is designed to intervene early with children and their parents to provide college savings, financial knowledge, and financial skills to make higher education a realistic and achievable option. What difference would it make if children grew up knowing they had a nest egg to go to college? Research suggests that financial education and asset building may begin to provide both the resources and the encouragement necessary for children and their parent to make a reasonable choice that leads toward academic achievement (Sherraden 1991). Research on academic achievement suggests that parental assets contribute to children's lower drop out rates (Green & White 1997), higher standardized test scores (Essen et al. 1977), greater educational attainment (Mayer 1997), and more planning for children's education (Moore et al. 2001; Sherraden, et al. 2004). Despite this evidence, more research is needed to analyze models of school-based financial education and college savings programs and to determine if financial education and asset building have positive effects on financial literacy, academic engagement and achievement, and expectations for college.

Many years ago, Eugene Lang proposed the idea through his program "*I Have a Dream,*" that securing college funds will motivate children to work harder in school. Nonetheless, most schools lack integrated financial education and college savings programs. Many children and their families who try to save for college often lack the financial knowledge and tools to maximize their efforts. They often do not know their financial options for higher education (Ikenberry et al. 1998). According to the National Council for Economic Education (NCEE), 31 states had economic education standards in 2002, but only 17 required implementation of the standards, and only four required students to complete a personal finance course before graduating from high school (NCEE 2003). The State of Missouri has personal finance standards for middle and high school grades, but districts are not required to implement them. Nonetheless, interest in financial education and college savings is high. According to the Jump$tart Coalition (Thomas 2004), 27 bills or resolutions concerning financial education were submitted in state legislatures in 2003. In 2004, the federal FACT Act was passed, establishing a Financial Literacy and Education Commission. It appears that more college savings programs are emerging.

We believe that our experience with *I Can Save* will provide evidence about the positive effects of financial education and savings on children's academic aspirations and achievement.

Who manages and supports *I Can Save*?

I Can Save is a project of a unique university-community partnership called University-Community Achievement Partnership (U-CAP), which is dedicated to enhancing savings and academic success among children in University City through improving schools, increasing financial assets in households, and supporting families. Beyond Housing/NHS in St. Louis manages *I Can Save*. Beyond Housing/NHS provides comprehensive family and community services though (a) creating and managing service-enriched, single-family rental housing, (b) organizing intensive community building in the St. Louis Metropolitan Community, and (c) asset building, including operating a region-wide Homeownership Center. Other partners include Commerce Bank, the University of Missouri in St. Louis, Washington University, and the Missouri State Treasurer's Office.

SEED is organized by CFED and funded by a consortium of foundations. It is an initiative aimed at testing the efficacy and impact of children's savings accounts as a tool to promote economic independence. SEED began full operation in 2003 and will span an additional five years. The first year was devoted to selecting community partners, ramping up individual programs, completing development of initiative systems and tools, and opening the first accounts. The following four years are dedicated to operation, communication, research, evaluation, innovation, and advocacy. The final year will focus on compiling, assessing, and communicating the lessons of the initiative.

CFED coordinates the initiative by raising funds; issuing a request for proposals for community partners; managing the selection of community partners; providing technical assistance; fostering on-going communication; sponsoring semiannual learning conferences; managing finances; developing and advocating policies; promoting public education; and disseminating emerging lessons from the initiative on-line, in newsletters, and other publications. Research on the initiative is designed and conducted by the Center for Social Development of Washington University and the School of Social Welfare at the University of Kansas. The Research Triangle Institute (RTI) is conducting an impact evaluation at a SEED site in Michigan.

Funders of SEED include the Ford Foundation, Jim Casey Youth Opportunity Initiative, Charles and Helen Schwab Foundation, Citigroup Foundation, Ewing Marion Kauffman Foundation, Charles Stewart Mott Foundation, MetLife Foundation, Richard and Rhoda Goldman Fund, Evelyn and Walter Haas, Jr. Fund, and Edwin Gould Foundation for Children. Local funders for *I Can Save* include the United Way of Greater St. Louis, and Parkview Gardens Neighborhood Association.

The Center for Social Development at Washington University, and the Schools of Social Welfare and Education and the Center for Entrepreneurship and Economic Education at the University of Missouri in St. Louis are supporting and conducting *I Can Save* research.

In conclusion

Parents tell me regularly that *I Can Save* is a great program. They ask other family members to help them put money away for their children's accounts. Students bring a few dollars to school each week to deposit at Commerce Bank, our *I Can Save* partner. A few dollars each week may not seem like much, but in time these small deposits add up.

It touches my heart when I see parents—hardworking parents of very limited means—putting aside money so their dream of a college education for their child can be realized. I wish that I had this program available for all my students and all the children in our district.

References

Cabrera, A.F. & La Nasa, S.M. (2001). On the path to college: Three critical tasks facing America's disadvantaged. *Research in Higher Education 42*, 2.

Green, R.K. & White, M.J. (1997.) Measuring the benefits of homeowning: Effects on children. *Journal of Urban Economics 41*, 441-461.

Essen, J. Fogelman, K. & Head, J. (1977). Childhood housing experiences and school attainment. *Child Care, Health and Development 4*, 41-58.

Ikenberry, S. & Hartle, T. (1998). Too little knowledge is a dangerous thing: What the public thinks and knows about paying for college. Washington, DC: American Council on Education.

Mayer, N. (1981). Rehabilitation decisions in rental housing. *Journal of Urban Economics 10*, 76-94.

Moore A.M, Beverly, S., Schreiner, M., Sherraden, M., Lombe, M., Cho, E. Johnson, L. & Vonderlack, R. (2001). Saving, IDA Programs, and Effects of IDAs: A Survey of Participants, research report. St. Louis: Center for Social Development, Washington University.

National Council on Economic Education (2003). Survey of the states: Economic and personal finance education in our nation's schools in 2002. Available: http://www.ncee.net

Perna, L. (2000). Differences in the decision to attend college among African Americans, Hispanics, and Whites. *Journal of Higher Education 71* (2), 117-130.

Sherraden, M., McBride, A., Johnson, E., & Hanson, S. (2004). Saving in low-income households: Evidence from interviews with participants in the American Dream Demonstration. Washington University, Center for Social Development, November.

Sherraden, M. (1991). *Assets and the Poor: A New American Welfare Policy*. Armonk, NY: ME Sharpe.

Thomas, K. (2004). Jump$tart sees surge in legislation promoting financial literacy. Jump$tart news release, March 2004. Available: http://www.jumpstartcoalition.org.

U.S. Bureau of the Census (2001). School enrollment in the United States—Social and economic characteristics of students, Population characteristics. [On-line] Available: http://www.census.gov/prod/2001pubs/p20-533.pdf