

Family Assets and Child Outcomes: Evidence and Directions

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Over the past 20 years, scholars have noted that assets have benefits beyond those associated with income and that asset policy in the United States disproportionately benefits advantaged families. Advocates, practitioners, researchers, and policy makers have created initiatives to help low-income families save and build assets. Some large-scale programs have been rigorously evaluated. In this chapter, we consider the evidence on two points: (1) whether family assets improve child wellbeing, and (2) whether asset-building programs increase savings and assets, leading to improvements in the wellbeing of children from low-income families. Evidence strongly suggests that children who grow up in families with assets are better off than counterparts who grow up in families without them. But more research is needed to determine how much of this pattern is due to asset-holding and how much is due to family and other characteristics that typically accompany asset-holding. Evidence also indicates that asset-building programs can increase family assets. However, much more evidence is needed before we could confidently assert that asset-building programs improve child outcomes. If future research confirms that asset-building programs improve child outcomes, it seems clear that initiatives will need to have automatic, universal features—e.g., automatic account opening and automatic deposits—if low-income children are to benefit.

In the following section, we describe assets as financial resources that differ from income and present some statistics on the distribution of assets in the United States. Then, we turn our attention to theory and consider four different pathways by which assets may improve child outcomes, particularly by impacting parents. Next, we consider evidence from national data sets regarding the relationship between assets and child outcomes then evidence from large programs or policy demonstrations about the impact of asset-building initiatives like Individual

Development Accounts and Child Development Accounts. Finally, we summarize our assessment about the effects of assets and asset-building programs.

<1>Background

A central premise of asset-building research is that poverty and wellbeing are not determined solely by income.¹ Although many families spend much of their income on short-term consumption, assets are a stock of resources for *future* consumption. They provide a personal safety net and the security that comes with having one. Assets can also finance investments that improve future conditions, such as investments in education, a home, or a small business. Those investments can be difficult to make out of income flows alone but can help families attain improved class status.² Thomas Shapiro observes that assets “feed dreams of a better life, offer hope for the future, and are the key resources for launching upward mobility.”³

<2>Measuring Assets

Assets come in different forms and can be measured in a variety of ways.⁴ Researchers sometimes examine asset ownership (i.e., whether a family holds a particular asset) but consider the *value* of assets if data allow. To measure total assets, researchers combine the value of financial assets (e.g., of bank accounts, stocks, and pensions) with the value of tangible, nonfinancial assets (e.g., of homes, businesses, and vehicles). Net worth, an assessment of both assets and liabilities, is typically measured as the value of assets less that of debts. Some examine narrower measures of “liquid” assets to capture immediately available resources. This chapter considers assets in a variety of forms but focuses on special savings accounts and funds held there. Liabilities are not typically considered in this context (though doing so might improve insight).

The distinction between “savings” and “saving” is worthy of note. Savings are a type of asset (usually liquid, though the terms “savings” and “assets” are sometimes used interchangeably), but saving is an act: setting aside money for future use. Many asset-building programs encourage people to save, but this is usually not the only goal or even the primary goal. In fact, some programs generously subsidize asset accumulation by matching the personal deposits of low-income families or by providing deposits that are not tied to personal saving.

<2>Distribution of Assets

In the United States, the distribution of assets is highly skewed by income and by race. For example, in 2004, median net worth was more than \$294,000 for households in the highest income quintile and less than \$6,300 for households in the lowest income quintile.⁵ In 2009, median net worth for white households was 18 times that of Hispanic households and 20 times that of African American households.⁶

Many families have few or no assets. The notion of “asset poverty,” which emphasizes the value of assets as a “cushion,” represents a family’s inability to sustain itself at the poverty level for 3 months without additional income (e.g., because of illness, job loss, divorce, or other unforeseen events). Recent studies estimate that the US asset-poverty rate is between 22 percent and 33 percent—much higher than the income-poverty rate.⁷ Rates of asset poverty are higher than average among minority families and families with children.⁸ If measured only with liquid assets, the asset-poverty rate for families with children is 52 percent.⁹ This means that over half of US families with children would have trouble supporting themselves at the poverty level for 3 months if the source of family income were lost.

Recognizing the value of assets for families (and for society as a whole), state and federal governments have created policies that promote asset building. The federal government spends

over \$500 billion per year on asset-building policies that are extremely regressive.¹⁰ Because the benefits of these programs come largely through the income tax system (e.g., home-mortgage interest deduction, 401(k) retirement plans), they primarily help those with sufficient assets and income to benefit from reducing their tax liability.¹¹ The pattern of federal asset-building expenditures takes the shape of an inverse pyramid: the greatest share of benefits goes to those at the top of the income distribution. The bottom 60 percent of taxpayers received only 4 percent of the federal budget in 2009 for asset-building programs.¹²

<2>Asset-Building Programs for Low-Income Families

In response to growing wealth inequality and policies that disproportionately benefit advantaged families—and recognizing the value of assets for all families—researchers, practitioners, and others have developed programs to help Low and Moderate Income (LMI) families build assets. These programs are intended to complement, not replace, traditional income-based programs. Some facilitate home ownership, some facilitate saving out of tax refunds, some encourage short-term saving for targeted purposes like education or small business development, some encourage families to set aside emergency savings, and some encourage lifelong saving for life course needs.

<1>Pathways: How Assets May Help Parents Improve Child Outcomes

In this section, we discuss ways that family assets may have a two-generational impact, affecting children directly and also through impacts on parents. We do not claim that assets are the most powerful predictor of child development. As other chapters demonstrate, development is a complex process influenced by many, often highly related factors. The cumulative effect of multiple factors seems more important than that of any single one, even persistent income poverty or asset poverty.¹³ Still, the influence of assets, and asset poverty, may have been

understudied and underestimated by many. To provide a theoretical foundation for the discussion below, we suggest four pathways by which assets may affect child outcomes.

<2>Pathway 1: Assets May Provide a Cushion

A cushion is something that lessens the impact of hardship or distress. Assets, especially liquid assets, commonly serve this purpose. For families without a cushion, a financial crisis may trigger a series of negative events. For example, if a vehicle breaks down and the family cannot afford the repair, lack of transportation may lead to job loss. Financial crises of many kinds may force families to use expensive alternative financial services (e.g., payday loans and subprime credit cards) that solve the short-run crisis but create a vicious cycle of debt.¹⁴ Financial crises also can make it difficult for families to pay rent and can force them to move. The family is likely to experience real stress in the process. Moving children to new neighborhoods and schools is a disruptive and potentially negative experience. Even a minor crisis can trigger substantial reductions in a family's standard of living. These experiences may negatively affect child outcomes, either directly or by reducing the quality of parent-child interaction. Children in families with assets are much more likely to be protected from the most severe consequences of financial crisis.¹⁵

<2>Pathway 2: Assets May Reduce Parental Stress

Even families that have not encountered a financial crisis may experience economic pressure.¹⁶ Parents may worry, for example, about not having enough money to pay current expenses, being unable to meet a child's basic needs, increasing levels of debt, or impending bills. Parents try but sometimes fail to minimize the effects of stress; children may bear the brunt. Family stress models highlight the effects of economic pressure on parents' emotional stress, which can increase marital conflict, decrease marital warmth, limit parental involvement, and reduce

parental nurturing. These conditions can lead to poor cognitive development, poor social interactions, poor health, and poor academic performance.¹⁷ As Jack Shonkoff's chapter describes, high levels of daily stress can disrupt a child's brain architecture and hamper development. We theorize that assets offer a sense of security and limit the effects of parental stress. Such security may check economic pressure and stress, thereby facilitating positive household interactions.

Home ownership can also play a role in the relationship between assets and stress. Some families can afford to purchase homes in safe neighborhoods with good schools and municipal services. Others own or rent in neighborhoods with high crime rates, inadequate schools, and poor services. Families in the latter neighborhoods are more likely to experience stress.¹⁸

<2>Pathway 3: Assets May Help Parents Invest in Children

While the first two pathways highlight the value of emergency or contingency savings and the economic security that assets can provide, we also theorize that assets facilitate investments in children by enabling parents to respond to or create transformative opportunities. For example, low-income families with a small stock of assets may be able to pay for a summer camp experience that is out of other families' reach. In several countries, parental wealth is shown to influence educational and occupational opportunity.¹⁹ Families with greater wealth might do even more to invest in their children. In particular, families that can afford to purchase homes in "good" neighborhoods can give children access to good schools and other desirable resources. These influences have large, lasting effects on mobility and life chances.²⁰

<2>Pathway 4: Assets May Change Attitudes and Expectations

In early theoretical work, Michael Sherraden proposes that assets change attitudes, creating an orientation toward the future and increasing personal efficacy.²¹ Marcia Shobe and Deborah

Page-Adams suggest that assets “provide people with otherwise unattainable opportunities to hope, plan, and dream about the future for themselves and their children.”²² Daphna Oyserman argues that “having assets may make imagining a future easier.”²³ The opportunity to imagine a future may seem especially powerful for low-income families forced by resource constraints to focus on day-to-day living. Envisioning, working toward, and achieving a goal may increase hope and future orientation, effecting other attitudinal and behavioral changes.²⁴ Also, the basic financial knowledge and skills associated with owning simple accounts and assets may affect financial attitudes (e.g., about banks and budgeting) and even expectations about financial futures.

Early empirical work suggests that assets increase personal efficacy and future orientation (so too, personal efficacy and future orientation are found to affect asset holding).²⁵ Recent research shows that expectations for children’s education are higher among parents with assets than among counterparts without them.²⁶ We theorize that parents who are hopeful and thoughtful about the future interact with children and others differently than do parents with other outlooks. For example, parents who have higher expectations for their children’s education are probably more likely to support children’s academic development, to talk more about higher education, and to engage more with teachers and schools. Asset-building research touches upon the relationships suggested in these four pathways. This literature also suggests important areas for future exploration.

<1>Evidence from National Data Sets

National data sets began to collect reliable data on assets in the early 1980s (see Caroline Ratcliffe and associates for an assessment of available asset data).²⁷ It is important to note that results from these data sets provide only correlational evidence on the effect of assets. Identified

relationships should not be interpreted as causal. Thus, family assets are plausibly linked to child outcomes, but the evidence is not definitive. Elsewhere in this chapter, we summarize evidence from experimental interventions that intentionally test causality.

<2>Wealth and Child Outcomes

Early studies find that incomes from investments and assets, respectively, are better predictors of test scores and of years of education than are incomes from other sources.²⁸ Dalton Conley tests the hypothesis that most of the racial disparities in child outcomes are actually class differences defined primarily by wealth. Using Panel Study of Income Dynamics (PSID) data to measure the relationship between childhood wealth and adult outcomes, he finds that parents' net worth is a significant predictor of the young adult's net worth. He also finds that parental education is the single strongest predictor of the adult youth's education level but that parental liquid assets and the net value of parental businesses are also strong predictors. The value of equity in the parents' primary residence and that of parental liquid assets are both important predictors of college education.²⁹

Subsequent studies confirm that household assets are associated with academic performance and educational outcomes. Data from the PSID show that parental net worth is positively associated with applied problem (math) scores for youth aged 3–12.³⁰ Research using data from the National Longitudinal Survey of Youth finds a similar relationship between household assets and math achievement scores.³¹ Children in households with assets score better on a verbal achievement test than do similar children in households with no assets.³² In a subsequent study, Conley finds that family net worth is significantly associated with the total number of years of schooling; a doubling of assets increases by 8.3 percentage points the child's chances of going to college after graduating from high school. If the youth is enrolled, a doubling

of family assets increases the chances of college graduation by 5.6 percentage points.³³

Analyzing PSID data on a group of African American young adults, Trina Williams Shanks and Mesmin Destin find that household net worth is a significant predictor of both high school graduation and college enrollment.³⁴

Although the majority of evidence supports the idea that household assets influence educational outcomes, a few studies suggest that wealth might also play a role in health and socioemotional outcomes. Williams Shanks uses the PSID Child Development Supplement to examine the effect of assets on a combination of externalizing and internalizing outcomes measured with the Behavior Problem Index.³⁵ She finds that the number of behavior problems declines as family net worth grows but that the number grows with increases in family credit-card and other unsecured debt. Others find a positive and significant association between parental saving for the college expenses of 1-year-old children and the children's self-esteem at age 23.³⁶

Some research considers the ways in which wealth might influence children, including possible explanations for the role of parental expectations in the relationship between household assets and academic outcomes.³⁷ Researchers find that wealth correlates with the quality of the physical home environment, access to cognitively stimulating materials, with parental warmth, and parents' activities with the child. These factors, in turn, are found to influence cognitive ability.³⁸

<2>Home Ownership and Child Outcomes

Some research specifically considers the effects of family home ownership on children. Multiple studies find that home ownership is positively associated with high school graduation rates, academic performance, and staying in school and negatively associated with the probability of

teenage pregnancy and chances of premarital childbearing.³⁹ Home ownership also is negatively associated with emotional and behavioral problems, including depression.⁴⁰ Acknowledging that children of home owners have fewer behavioral issues than do children of renters, others explain that the duration of home owning (or residential stability) is a more relevant predictor of behavioral issues than is whether parents own or rent.⁴¹

Some recent studies question the benefits of home ownership. Acknowledging the social benefits of home ownership, William Rohe and colleagues note that few studies recognize such potential risks as neighborhood selection, difficulty in meeting mortgage payments, and mortgage default.⁴² Some argue that home-ownership studies may be biased by unobserved differences between home owners and renters.⁴³

Home ownership looks very different for low-income whites than for low-income African Americans and, to some extent, for low-income Hispanics. Scott Holupka and Sandra Newman find that home ownership is positively associated with academic outcomes for low-income white children and reading comprehension scores for low-income Hispanic children, but they find neither association for African American children.⁴⁴ One can argue that children benefit when their family owns its home, but one might also conclude that researchers should routinely consider who benefits from home ownership and under what circumstances.

Regardless of home ownership's effects on child outcomes, assisting adult children with a first-time home purchase is a common way for parents to transfer wealth to the next generation. Termed "the intergenerational transmission of home-ownership" by Clara Mulder and Jeroen Smits, gift-giving towards housing is known to significantly influence transition to home ownership.⁴⁵ Four percent of first-time home buyers finance all of their down payment with funds from relatives, and 20 percent receive some help from relatives. These gifts account for 50

percent of the average down payment.⁴⁶ Another study finds that 14 percent of youths receive a parental gift in the year of home purchase. That gift is, on average, 16 percent of the value of the house being purchased; such a gift is close to the typical size of the down payment.⁴⁷

<2>College Savings and Child Outcomes

Secondary data sets allow researchers to examine a specific type of household asset: college savings. Such research distinguishes overall household wealth from money that is set aside in the child's name for future schooling. Money set aside in this way raises child and parental college expectations and helps to affirm a college-bound identity (i.e., to affirm that the child expects college as a future possibility). Such savings can link current activity to a future goal, making college seem relevant and important and perhaps improving persistence in school activities.⁴⁸

Research using the PSID finds that 81 percent of adolescents with college savings expect to graduate from college but only 39 percent of those without college savings expect this.⁴⁹ Parents' and youth's college savings in adolescence are predictive of whether young adults are "on course" (either attending or finished with college), and the relationship seems to work via educational expectations.⁵⁰ Furthermore, for those young adults who have not yet attended college, having college savings in adolescence is associated with high educational expectations and predicts the persistence of those expectations in young adulthood.⁵¹

An exploration of the joint effects of college savings and educational expectations finds that adolescents who have college savings and high expectations are significantly more likely than others to attend college. Neither college savings nor high expectations, alone, have any effect on college attendance, yet college savings and a college-bound identity are together effective in increasing college attendance.⁵² Furthermore, college savings and expectations may work in a virtuous cycle: the presence of one increases the other over time.⁵³

There are some questions about whether “small-dollar” savings accounts affect college outcomes? Research that controls for the amount of savings in an account shows that adolescents with college savings are more likely than those without such savings to expect to go to college. Having any such savings, even less than \$1, significantly increases the likelihood of college enrollment, and having at least \$1 (up to \$499) significantly increases the likelihood of college graduation. Because college savings under \$500 cannot substantially defray the cost of a degree, the author concludes that the effects of college savings are likely psychological.⁵⁴

Although evidence from these national data sets demonstrates only correlations, it provides information on the potential ways that assets might affect child outcomes. We now turn to empirical evidence concerning the impact of programs that aim to increase assets in low-income families.

<1>Evidence from Short-Term Asset-Building Programs

Evidence summarized just above suggests a plausible link between assets and child outcomes, but the studies summarized in the next three sections provide stronger evidence because most have a comparison group, and some of these groups were formed through random assignment. The groups serve as the counterfactual, allowing researchers to estimate what would have happened in the absence of the programs.

<2>Individual Development Accounts

Developed in response to asset-building policy that favors high-income households, the Individual Development Account (IDA) was the first asset-building program in the United States targeted to low-income individuals. Originally proposed as universal, progressive, lifelong savings plans that would begin as early as birth, IDAs have been implemented in the United States as short-term savings programs for low-income adults and, sometimes, youth.⁵⁵ They aim

to help low-income individuals accumulate assets as a way to increase long-term wellbeing and financial self-sufficiency.⁵⁶ Participants are encouraged to save in IDAs, and they receive matching funds when they withdraw their savings to purchase a qualifying asset. In most IDA programs, participants receive matching funds if they use their savings to purchase a home, to pay for college classes or job training, or to invest in microenterprise. The programs usually require participants to attend financial-education classes. They also offer case-management services, providing access to other supports that help participants to clear debt, build or repair credit, and claim tax credits (e.g., the Earned Income Tax Credit). Match rates vary across programs but are typically 1:1 or 2:1 (i.e., \$1 or \$2 matched for every \$1 saved); grants from the federal government and foundations provide the matching funds.

Over the last 2 decades, the popularity of IDAs has grown rapidly. Several countries have implemented IDA demonstrations.⁵⁷ In 1998, Congress adopted the Assets for Independence Act, which established the Assets for Independence Program (AFI).⁵⁸ From 1999 through 2010, the US Department of Health and Human Services awarded approximately \$190 million in grants to community-based organizations and local governments for 664 AFI projects. The grants funded more than 68,000 IDAs.⁵⁹

<2>American Dream Demonstration

The American Dream Demonstration (ADD) was the first large-scale test of IDAs in the United States. Between 1998 and 2002, over 2,000 LMI individuals participated in 14 privately funded local IDA programs. The demonstration used a variety of research methods, including a random-assignment experiment with over 1,100 individuals at the IDA program in Tulsa, Oklahoma.

Members of the control group were not eligible to participate in the IDA program at the Tulsa ADD site for the 4 years of the study. If they requested it, control-group members could

receive home-ownership counseling at the site and referrals to other agencies. After 2003, they regained eligibility for programs managed by the Community Action Project of Tulsa County.

In contrast, treatment-group members were eligible to receive an IDA, financial education, and case management. Those who opened IDAs earned matches on deposits at a 2:1 rate for home purchase and a 1:1 rate for home repair, small business investment, postsecondary education, or retirement savings. Account holders could make unmatched withdrawals at any time. Over the 3 years of the program, participants who saved enough to earn the maximum match could accumulate \$6,750 (plus interest) for a home purchase or \$4,500 (plus interest) for the other qualified uses. Treatment- and control-group members completed four surveys: at baseline (before random assignment, 1998 and 1999), about 18 months later (2000 and 2001), 48 months after random assignment (2003), and 10 years later.

<2>Do IDA Programs Increase Savings and Wealth?

Most studies on the impact of ADD examine asset purchases. This focus is appropriate because IDA programs support short-term savings for particular purchases, but it is also informative to look at data on saving in IDAs. Many assume that low-income people cannot save, but ADD data show that many can and do save in IDAs. The available evidence is for 2,350 IDA account holders across all 14 ADD sites. It comes from financial institutions and is very likely to be accurate. The average ADD participant deposited \$16.60 (net of withdrawals) per month, saved about 42 cents for every dollar that was eligible for a match, and deposited money into the IDA account in about 1 of every 2 months. A little more than half of the participants had at least \$100 in net IDA savings and average monthly net deposits of \$32.44.⁶⁰

Evidence suggests that saving in IDAs is explained mostly by such program characteristics as the match cap (the amount eligible for match each month), the availability of

direct deposit, and financial education, not by individual characteristics (e.g., education, employment, and welfare receipt).⁶¹ It is important to note that all ADD IDA account holders were probably especially motivated to save in IDAs and so probably saved more than the typical low-income person would.

Three studies from the from Tulsa ADD experiment examine the impact of the Tulsa IDA program on wealth, which they measure as net worth (assets less debt), not just savings in IDAs. Findings are mixed: One study finds that IDA does not increase wealth.⁶² After adjusting for outliers (cases with very unusual asset and liability values), two studies find that IDA may increase wealth.⁶³ Other studies do not. A common limitation of studies that examine net worth is that errors in the reporting of assets and liabilities are very common, and this measurement error makes it difficult to detect a change in net worth,

Two additional studies examine the impact of IDAs on various measures of household wealth. The largest IDA experiment, the Canadian *learn\$ave* demonstration, randomly assigned nearly 5,000 individuals to treatment or control groups in ten locations across Canada. Evidence suggests that *learn\$ave* did not increase net worth or total savings but did affect the overall composition of financial assets. Treatment-group members had higher average bank account balances and lower retirement savings than did control-group members. The program also positively affected financial goal setting, ongoing saving activities, and budgeting.⁶⁴ Comparing AFI IDA participants with a comparison group drawn from the 2001 Survey of Income and Program Participation, another study suggests that the AFI IDA program did not affect savings, home equity, or consumer debt.⁶⁵

In sum, the studies do not suggest that short-term IDA programs increase savings or wealth, but survey data on wealth may be quite flawed. And, because IDA programs aim to

support short-term saving *for asset purchases*, one would not expect large increases in savings or wealth. It is noteworthy that the average ADD IDA participant saved about \$200 a year, despite low income. Also noteworthy are the findings that an IDA program increases financial goal setting, ongoing saving activities, and budgeting.

<2>Do IDAs Increase Asset Purchases?

Three studies find that, by the end of the Tulsa IDA program, home ownership increased among those who rented at baseline.⁶⁶ Among households that rented at baseline, home-ownership rates rose by 7–11 percentage points more for treatment-group members than for control-group members.

In addition, experimental data from *learn\$ave* indicate that the Canadian IDA program increased enrollment in training and education programs.⁶⁷ Data from the AFI study indicate that IDA program participants have higher rates of home ownership, business ownership, and enrollment in postsecondary education than members of a comparison group.⁶⁸ Finally, there is evidence that IDA home buyers receive better loans and have better loan performance than other low-income home buyers.⁶⁹

Ten years after random assignment, and 6 years after the ADD IDA program ended, long-term follow-up survey data were collected from study participants at the Tulsa site (Wave 4). Both the treatment and control groups experienced large increases in home ownership between baseline and Wave 4 and continued to increase home ownership even into the housing crises. However, the control group caught up after the experiment ended, and there was no longer a statistically significant impact of treatment on home-ownership rates at the 10-year follow-up. The IDA program increased both home-ownership rates and duration of home ownership among participants with above-median income at baseline (median annual income of \$15,480—still a

very low income), although other subgroup analyses identify no differences, so it could be a random result. Among baseline home owners, IDA treatment-group members experienced greater housing-price appreciation than did control-group members. Treatment members were less likely to forgo needed repairs and reported a significantly lower estimated cost of unmade repairs.⁷⁰

The ADD results on education spending are also noteworthy. At the 10-year follow-up, the treatment group's enrollment rates were higher than those for the control group, even though only 7.6 percent of the treatment group reported using an IDA for education.⁷¹ In the full sample, the IDA program did not affect level of education or degree completion. But among those who reported high-school education or less at baseline, the IDA program increased the likelihood of gaining some college. In addition, the positive impact on several education outcomes (likelihood of enrollment, acquisition of degree or certificate, increase of educational level) is larger for males than for females. Given the declining educational attainment of low-income males and the growing attainment gap between low-income males and low-income females, this is an important finding.

<2>Do IDA Programs Impact Parents and Children?

To date, there is no experimental evidence concerning the impact of IDAs on parents and children. However, some tentative insight may be gained from IDA participants who completed a cross-sectional survey or in-depth interview in ADD. About 300 IDA participants completed a survey on perceptions of IDA participation, and results were quite positive: large percentages said that they felt more confident about their futures (93 percent), felt more in control of their lives (85 percent), or felt more economically secure (84 percent) because they had IDAs. In addition, 60 percent said that IDAs made them more likely to plan for their children's education,

and 54 percent said that IDAs made them more likely to have good family relationships.⁷² Yet these results may overestimate the positive effects of IDAs because survey respondents tend to give answers that they expect will please researchers and because those who completed the survey *chose* to open an IDA—presumably because they expected positive outcomes.

Qualitative research offers clarity and detail, yielding insights that are not obtainable through survey methods and have much stronger validity. In in-depth interviews, IDA participants reported several positive psychological, cognitive, behavioral, and economic effects.⁷³ They indicated that participation increased feelings of short- and long-term security, self-confidence, hope for the future, ability to set and achieve goals, sense of responsibility. They also reported that participation heightened civic attitudes and reduced levels of stress. Over 40 percent of IDA participants with children reported feeling reassured that their savings would benefit their children. They mentioned paying for their children’s education, improving their living environment, and generally providing for their children’s future. Some reported that participation reduced arguments between couples because both partners agreed on savings goals. Others indicated that participation enabled them to teach good money-management habits and to show children how to save. The need to balance providing for children’s current consumption and saving for their future welfare weighed heavily on parents, especially those in very poor families. Evidence from these interviews suggests that families prioritize children’s basic needs and then focus on saving.⁷⁴ However, these effects have not been systematically tested in investigations that use rigorous, randomized, experimental designs and well-established measures.

Overall, there is little doubt that participants have positive feelings about IDAs. Setting and achieving financial goals can be a powerful experience. Building assets can help individuals

to see themselves differently and others to view them with respect. Short-term evidence shows that participants do save and purchase assets, particularly homes. Long-term follow-up evidence (several years after the IDA program ended) is not as favorable. It is important to continue researching outcomes for parents and their children as IDA policies and programs become more common and are extended for longer duration.

<1>Evidence from LMI Home Ownership Programs

<2>*Community Advantage Program*

In 1998, close to the time when ADD began, another demonstration launched with the goal of making the American Dream of home ownership possible for LMI households. This policy demonstration, the Community Advantage Program (CAP), provides evidence concerning the impact of LMI home ownership on a host of individual and family outcomes. A secondary mortgage-market program, CAP seeks to help increase home ownership among LMI households by underwriting 30-year fixed-rate mortgages for borrowers who would have otherwise received a subprime mortgage or been unable to purchase a home. Borrowers paid low or no down payments and received near-prime interest rates. To qualify, CAP applicants met at least one of three criteria: (1) they had income less than 80 percent of the area median income; (2) they were members of a racial or ethnic minority and had income below 115 percent of the area median income; or (3) they planned to purchase a home in a census tract in which minorities comprise more than 30 percent of the population or in a tract with income that was less than 80 percent of the area median income, and they had personal income less than 115 percent of the area median. Since its inception, CAP has helped more than 46,000 LMI households to become home owners.⁷⁵ Because most of the available research focuses on home ownership's benefits for

middle- and higher-income home owners, CAP provides one of the first opportunities to study the impact of home ownership in the lives of LMI households.⁷⁶

The Center for Community Capital evaluated the CAP program, initiating interviews with 3,700 CAP home owners in 1998, shortly after they purchased the homes, and interviews have continued over a 10-year period (conducted annually since 2003). To identify the effects of home ownership and to closely examine the transition from renting to ownership, the center also interviews a comparison group of nearly 1,500 renters who met CAP income guidelines and lived in the same neighborhoods as CAP home owners. The use of a comparison group helps researchers to isolate the effect of home ownership and more closely examine the transition from renting to ownership. However, the center did not randomly assign participants to a treatment or comparison group, and important differences probably remain between the groups. In many of the CAP analysis a statistical technique that attempts to compensate for preexisting differences between CAP home owners and renters was employed. These are the best available data on the impact of LMI home-ownership programs.

<> *Do Low-and-Moderate Home Ownership Program Increase Assets?*

Evidence on the financial gains of CAP home owners is quite positive. They generally fared well even during the housing crisis. As of the fourth quarter of 2012, the median annualized house-price appreciation among CAP homes was 1 percent. This corresponds to a median annualized return on equity of 22 percent. In absolute terms, CAP home owners have experienced a median total increase in equity of about \$18,000 since loan origination.⁷⁷ Most also demonstrate good loan performance: rates of delinquency and default were 10–20 percentage points lower than the delinquency and default rates for subprime loans in the same period.⁷⁸ Comparing the financial outcomes of CAP home owners and renters, Michal Grinstein-Weiss and colleagues find that,

between 2005 and 2008, CAP home owners experienced a greater short-term increase in net worth, assets, and nonhousing net worth.⁷⁹ Allison Freeman and Janneke Ratcliffe extend the analysis to compare the 2010 net worth of owners and renters who were in the same income categories in 2005.⁸⁰ In each income group, net worth at the end of the 5-year period was significantly higher for home owners than for renters. One obtains the same results by dividing the two groups into wealth categories. This suggests that the housing investment protected the wealth of CAP home owners through the financial crisis better than renting protected the wealth of CAP renters.

<2> Do LMI Home-Ownership Program Affect Parents and Children?

Three studies examine differences in parental behaviors and child outcomes between CAP home owners and renters. The results are mixed. Using early data, Grinstein-Weiss and colleagues examine differences on measures of parental supervision, parental involvement in volunteer activities, and parental expectations for their children, finding that home ownership is not associated with parental attitudes and behavior.⁸¹

Analyzing a later wave of CAP data, Grinstein-Weiss and associates investigate the relationship between LMI home ownership and engaged parenting behaviors, finding that children of CAP home owners are more likely than children of renters to participate in organized activities and spend less time watching television or playing video games. However, CAP renters are more likely than owners to read to their children. Home ownership seems to have no effect on parental involvement with the child's school.⁸²

The third study examines the association between CAP participation and child outcomes, which are assessed with the Child Behavior Checklist. Specifically, the study investigates the relationships between home ownership and neighborhood characteristics as well as the ways in

which home ownership and neighborhood characteristics interact to affect the positive behavior of children from LMI households. The study finds that neither home ownership nor neighborhood characteristics has an independent effect on children's positive behavior, but home ownership's effect on children's behavior grows as neighborhood population density increases (i.e., as neighborhoods become more urban in nature); in neighborhoods with approximately 4,000 persons per square mile, home ownership is associated with significant increases in children's overall scores. This suggests that the urban–nonurban differences in home ownership's effects can be attributed to such factors as home environment, quality of housing, type of dwelling unit, and residential stability.⁸³

Additional evidence from CAP suggests that LMI home ownership may be associated with several individual- and community-level benefits. Therefore, home ownership may indirectly affect child outcomes. Studies indicate that CAP home owners have greater access to social capital than CAP renters do; CAP home owners belong to more neighborhood groups and are connected to more people who can help them in a time of need.⁸⁴ In addition, research suggests that CAP home owners are less likely to experience mental health problems and to live in neighborhoods where crime is seen as a problem.⁸⁵

In summary, early evidence from CAP research does not provide strong evidence that CAP home owners have better parenting behaviors than counterparts who rent. Nor is there strong evidence that CAP participation leads to better child outcomes. One possible explanation is that the benefits of home ownership are not immediate and take time to accrue. At the time of these studies, CAP panel members had been home owners for no more than 6–7 years. Just as home equity builds over time, so might social benefits.⁸⁶

<1>Evidence from Long-Term Asset-Building Programs

In addition to programs designed to support short-term asset-building and home ownership, Child Development Account (CDA) programs are designed to support long-term, even lifelong, asset building. Like IDAs, CDAs are special savings or investment accounts for developmental purposes such as supplemental education in childhood, postsecondary education for youth, and home ownership and enterprise development in adulthood. However, the CDA vision differs in important ways from existing IDAs programs.

Advocates for CDAs envision special accounts that are opened early, opened automatically, and opened with a sizeable initial deposit. For example, accounts could be opened automatically at birth for every child born in the United States, and accounts could automatically receive an initial deposit of \$500 - \$1,000. Opening accounts automatically makes CDAs universal and thus quite different from existing IDAs. In addition, CDAs are meant to be a tool for lifelong development, a tool that is held and used for multiple purposes throughout the life course. (In fact, CDAs are sometimes called Lifetime Savings Accounts. They have also been called Children's Savings Accounts.) Like IDAs, CDAs are designed to be progressive. In some CDA programs, low-income individuals receive initial deposits, matches on deposits, and/or deposits at certain benchmarks, such as when the youth enters kindergarten or graduates from high school.⁸⁷

Thus far, most CDA programs focus on saving for postsecondary education, and many make use of existing state 529 college-savings plans (i.e., special tax-favored investment accounts for higher education).⁸⁸ This early focus is valuable because educational decisions are often the first major milestone in the transition to young adulthood, and early CDA withdrawals are likely to be for education or training.

Child Development Accounts are expected to influence education-related attitudes and behaviors of parents and children. These attitudes and behaviors are in turn expected to influence educational outcomes, including postsecondary education and training. Sondra Beverly, William Elliott, and Michael Sherraden suggest several reasons CDAs may shape education-related attitudes and behaviors. First, CDAs may communicate to parents and children that college is important and expected. Second, they may communicate that planning and saving for college are important. Third, CDAs may provide parents and children with a place to deposit money when they are motivated and able to save for college.⁸⁹ (That is, having an account likely creates a “channel” that makes saving easier and so increases the chances that parents do so.⁹⁰) Fourth, CDAs may make parents and children more hopeful and thoughtful about the future. Fifth, if some or all of the first four pathways exist, CDAs may encourage parents and children to view children as “college bound.”⁹¹

Several of the observations by Beverly and colleagues are of note. First, consistent with the emphasis here on two-generational programs, all of the proposed pathways may directly influence youth or may work indirectly through parents. Second, the pathways do not operate solely through asset accumulation. Simply owning a college-savings account is an important early outcome because it “puts the plumbing in place” for future saving and asset accumulation. (And, as noted above, some secondary analysis suggests that account holding may affect later educational outcomes, regardless of savings amount.) Third, the pathways do not operate solely through individual behavior: the pathways exist even if accounts are opened and assets deposited automatically, as long as parents and children are cognizant of the account and assets.

In addition, Williams Shanks and colleagues describe how a CDA might be viewed and used *over time* as a child ages. This work highlights, for example, how parents might use a CDA

to model goal setting, budgeting, and saving for children. It also considers how children might later take ownership of the account.⁹²

Child Development Account programs have been created by cities, states, and several countries.⁹³ The America Saving for Personal Investment, Retirement, and Education (ASPIRE) Act, which would create a Lifetime Savings Account for every newborn in the United States, has been introduced multiple times in Congress.⁹⁴ There have been two large-scale demonstrations of CDAs in the United States: the Saving for Education, Entrepreneurship, and Downpayment (SEED) national initiative and SEED for Oklahoma Kids (SEED OK).

<2>The SEED National Initiative

A multimethod test of asset-building accounts for children and youth, the SEED national initiative was implemented through 12 community-based organizations. The initiative selected SEED sites in a competitive process, gave them flexibility in the design of their IDA programs, and targeted groups of children and youth that were diverse in terms of age, race, ethnicity, and region.⁹⁵

One SEED site in the Detroit area was selected for a large study called Michigan SEED (MI SEED). The site included 14 Head Start centers. Researchers identified the demographic characteristics of families in each center and matched centers with similar characteristics to create seven matched pairs. They randomly assigned one center in each pair to the treatment group and the other to the comparison group. Parents of children enrolled in the treatment centers were encouraged to open a CDA, specifically, a Michigan 529 college-savings account (called a “SEED account” in program materials). SEED provided an \$800 initial deposit, which immediately made the child’s account eligible for a \$200 match from the state of Michigan. The state also provided a 1:1 match (up to \$1,200) for any personal deposits into the account. If the

family saved up to the \$1,200 match cap, the account would hold at total of \$3,400 at the end of the 4-year intervention. Treatment parents were also offered financial education sessions and offered case management. Families in the comparison group received no outreach concerning 529 accounts, were not eligible for the initial deposit or the savings match, and were not offered financial education or case management. Data come from quarterly account information provided by the Michigan 529 plan for all SEED (treatment) accounts and telephone surveys completed by parents in both the treatment and comparison group at baseline (fall 2004) and 4 years later. Because they were enrolled in Head Start programs, the vast majority of MI SEED families had low incomes.

<2>SEED OK

The SEED OK initiative differs from the SEED national initiative in important ways. Most importantly, CDAs were opened for newborns and CDAs were opened automatically unless parents opted out. (That is, the intervention was universal.) In addition, families that were invited to participate in the study were selected from the population of families with newborns in Oklahoma, and individuals (N=2,704), not centers, were randomly assigned to the treatment or the control group.⁹⁶

For every child in the treatment group, SEED OK opened an Oklahoma College Savings Plan account and deposited \$1,000. This special Oklahoma 529 account—the “SEED OK account”—holds all deposits from SEED OK and is owned by the state of Oklahoma; withdrawals must be used for the named beneficiary’s postsecondary education. Treatment mothers were also encouraged to open their own Oklahoma 529 account for the infant and to save for college. This encouragement came in the form of promotional materials, a time-limited \$100 account-opening incentive, and, for LMI families, a 1:1 or 0.5:1 savings match on personal

deposits into the Oklahoma 529 accounts owned by mothers. Mothers in the control group received no information from SEED OK about Oklahoma 529 accounts, were not eligible for the special SEED OK account or initial deposit, and were offered no SEED OK financial incentive. However, they could open their own Oklahoma 529 accounts, as can any individual not participating in the study. Data to evaluate the SEED OK intervention come from Oklahoma 529 account records (for both treatment and control groups), birth certificates, three waves of telephone surveys (baseline, year 4, and year 7), and in-depth qualitative interviews with a subsample. Over two-thirds of SEED OK participants had household income below 200 percent of the federal poverty guideline.⁹⁷

<2>Do CDA Programs Increase Account Holding?

We first ask whether CDA programs increase the holding of college savings accounts. As we note above, simply owning a college-savings account may shape the education-related attitudes and behaviors of parents and children for several reasons—and may do so even if accounts are opened automatically. First, evidence suggests that CDA programs can encourage parents to open college-savings accounts for their young children. In both MI SEED and SEED OK, treatment families were more likely than comparison families to have 529 accounts. For example, in SEED OK, about 15 months after the intervention began, 16 percent of treatment mothers and 1 percent of control mothers had opened their own Oklahoma 529 account for their child.⁹⁸

Second, advantaged parents are more likely than disadvantaged parents to open 529 accounts. In SEED OK, for example, about 30 months after the intervention began, high-income mothers in the treatment group were 4.5 times more likely than low-income treatment mothers to own an Oklahoma 529 account for their child. The difference is even greater among control parents, who were not eligible for SEED OK incentives.⁹⁹ In MI SEED, where all families had

low incomes, case managers had to meet one-on-one with parents to encourage account opening, and take-up was slow—despite the fact that opening an account automatically triggered a \$1,000 deposit.¹⁰⁰

Third, automatic account opening dramatically increases account holding. In SEED OK, all but one family accepted the automatic SEED OK account. The mother who opted out cited religious reasons. Automatic opening also eliminates variation by socioeconomic status in access to accounts. Although these observations seem obvious, they have important ramifications: a CDA program with automatic account opening brings the potential benefits of CDAs to all families. It does so without the expense of outreach and account-opening incentives.

<2>Do CDA Programs Increase Saving and Asset Accumulation?

Evidence concerning the impact of CDAs on personal saving (i.e., saving by individuals, excluding deposits from MI SEED or SEED OK) is incomplete for at least three reasons. First, information on parent saving often includes only saving in 529 accounts (specifically, Michigan or Oklahoma 529 accounts). To the extent that parents save for college in other vehicles, there is bias in findings on personal saving and the impact of CDA programs on such saving. We believe that parents who saved were quite likely to choose to save in 529 accounts because there were incentives (e.g., state tax breaks in both states and savings matches for LMI treatment families), but we have no data to support this assumption. Second, information on saving for children's education by individuals besides parents (e.g., grandparents and other relatives) is only sometimes available. Third, the data measure very early saving for college because children were younger than 10 years old. Personal saving behavior—and the impact of CDA programs—may change as children age and college becomes more salient.

Still, the available evidence—from both MI SEED and SEED OK—suggests that personal saving for the future college expenses of young children was quite modest. Over the 4 years when the MI SEED savings match was available, 31 percent of SEED accounts received personal deposits. Across all 495 MI SEED accounts, the average net contribution per quarter ranged from -\$67 to \$1,500. (Negative values indicate that participants withdrew some of the initial deposit.) The mean quarterly contribution was \$16.¹⁰¹ This information on savings comes from the Michigan 529 plan. It is very likely to be accurate but is available only for SEED (treatment) accounts. A second source of data—parents’ responses to telephone survey questions—is probably much less accurate, but those data are available for both treatment and comparison groups. They include savings set aside by parents and others. Survey responses suggest that the MI SEED program increased by \$484 (on average) the savings that parents set aside but decreased by \$188 the savings that others set aside. When survey responses about parents’ and others’ savings are combined, it is not clear that the MI SEED intervention increased the amount of personal savings for children’s future college expenses.¹⁰²

In SEED OK, about 30 months after the intervention began (when SEED OK children were younger than age 4), treatment mothers were 4 times more likely than control mothers to have some personal savings in their own OK 529 account (8.5 percent vs. 2.1 percent), and this pattern holds across diverse socioeconomic subgroups. However, the average *amount* of personal 529 savings by the treatment group was modest (\$109) and not clearly larger than savings set aside by the control group (\$76).¹⁰³

In our view, modest saving is to be expected—even in the treatment groups—because many parents had low incomes and because college probably seemed a distant goal. We note that only 18 MI SEED account holders (3.6 percent of all account MI SEED holders) withdrew any

of the \$800 initial deposit, despite the economic downturn, and that 48 MI SEED accountholders (9.7 percent of all MI SEED account holders) saved \$1,200—enough to earn the maximum match.¹⁰⁴ Just as important is that fact that personal saving, though of interest, is not the primary goal of CDA programs. As Sherraden writes, “From the outset, the guiding vision and purpose of SEED OK has been to test the impacts of a universal and progressive CDA policy structure. Individual saving behavior alone can never result in universal and progressive asset accumulation—no one would believe this is remotely possible. Therefore, SEED OK, as a policy demonstration, does not focus on individual savings behavior alone, or even primarily.”¹⁰⁵

What do we know about the impact of CDA programs on the accumulation of assets, where assets include MI SEED or SEED OK deposits as well as deposits made by individuals? Largely because of the sizeable initial deposits, families in the MI SEED and SEED OK treatment groups have assets for college that far exceed their personal saving for college. For the same reason, CDAs appear to have a large impact on the early accumulation of assets for college. For example, about 4 years after the MI SEED intervention began, the average total accumulation in SEED accounts was \$1,483, and the median was \$1,131.¹⁰⁶ (Data on assets in Michigan529 accounts are not available for the comparison group, so we cannot assess the impact of the MI SEED program on college assets.)

In SEED OK, about 30 months after the intervention began, treatment mothers (99.9 percent) were much more likely than control mothers (2.1 percent) to have some Oklahoma 529 assets. And the average amount of Oklahoma 529 assets was much higher for treatment mothers (\$1,130) than for control mothers (\$76). For the treatment group, the automatic initial deposit eliminated much (but not all) of the variation by socioeconomic status in the assets accumulated within Oklahoma 529 accounts.¹⁰⁷ That these patterns were planned does not make them less

meaningful. As we note above, CDAs are envisioned to be universal and progressive, with automatic features and incentives. Thus, the essential early outcomes in MI SEED and SEED OK include outcomes directly related to automatic account opening, initial deposits, and savings matches. It is not necessary for people to do something for an outcome to be meaningful.¹⁰⁸

<2>Do CDA Programs Impact Parents and Children?

We will not be able to assess the impact of CDAs on postsecondary education and training for a number of years. But what do we know about the impact of CDA programs on parent and child attitudes and behaviors? It is too soon to draw any firm conclusions. Thus far, only a few studies exist, and these examine parents' reports of attitudes and behaviors just a few years after the interventions began. Mothers in SEED OK provided these reports when the children were 4 years old, and those in MI SEED provided them when the children were 6–8 years old. As time passes, the impact of CDA programs on parent and child attitudes and behaviors may change. For now, the early evidence from MI SEED is somewhat mixed and that from SEED OK is largely positive.

Four years after the MI SEED intervention began, parents reported that the CDA program had positively affected their views about the importance of college but indicated that it had not affected several other parental attitudes and self-reported behaviors, such as parental stress, parental self-efficacy, and provision of stimulating activities and materials.¹⁰⁹ Evidence from SEED OK suggests that the CDA program improves children's social-emotional development, reduces maternal depression, and helps parents maintain or increase expectations for their children's education over time.¹¹⁰ In all of these studies, impacts seem to be greater for disadvantaged families than for less-disadvantaged counterparts. These impacts may or may not have long-term positive consequences for children. In addition, findings from in-depth

interviews suggest that the SEED OK CDA program may affect parental attitudes and behaviors in ways that might improve educational outcomes. The SEED OK account and initial deposit seem to make some treatment mothers more hopeful about their child's future and perhaps more motivated to support their child's education. For example, one mother said, "I'm going to have to get him through school so he can use this."¹¹¹ Still, mothers could identify many barriers that might prevent children from completing college (e.g., "babies," falling in love, and adverse influences from peers). Also, although many expressed confidence about putting their children through school (saying, e.g., that they would "find a way"), at this early point in time, mothers did not seem well-informed about financing college.¹¹²

<1>Discussion

This chapter reviews evidence on the relationships among assets, asset-building programs, and parent and child outcomes. We suggest four pathways by which family assets may have a two-generational impact on child development, affecting children directly and through their impact on parents. The chapter's purpose is to address two key questions: Do family assets improve child wellbeing? And can asset-building programs increase savings and assets, leading to improvements in the wellbeing of children from low-income families?

<2>Summary of Evidence

Research provides quite a bit of evidence that children in families with assets have better outcomes than those in families without assets. In particular, family assets are associated with positive educational outcomes, including college enrollment and graduation, and, to some extent, academic achievement. Evidence also suggests that family assets are positively associated with child behavior and health, but that evidence comes from only a few studies, most of which focus on home ownership. Although the studies use longitudinal data (i.e., outcomes are measured at a

later point in time than assets) and so are more rigorous than cross-sectional studies (which measure assets and outcomes at a single point in time), this evidence is still correlational. People who have savings and assets are probably different than people who lack them, and it can be difficult to distinguish the effects of assets from the effects of other unobserved variables that are associated with assets. In other words, it is plausible that family assets improve wellbeing, but evidence from national data sets does not directly speak to the issue.

Evidence from policy demonstrations—especially experiments in which people are randomly assigned to treatment and control groups—can provide clearer evidence about the effects of assets and asset-building programs on parents and children. The ADD IDA program appears to have increased home ownership among initial renters in the short-term (i.e., immediately after the three-year program ended). In the long-term follow-up of IDAs,(i.e., six years after the program ended), the ADD IDA program had positive long term impact on two out of the five allowable uses of IDAs. These include home appreciation for baseline home owners, and educational attainment for males. In addition, for households with above median income (still low-income), the ADD IDA program may have had long-term impacts on home ownership rate and duration of home ownership.

Overall, the short-term IDA programs implemented so far appear to have some lasting impacts on asset investments for some subgroups. Yet, some positive results of short-term IDAs, such as home ownership percentage and duration, ceased to be statistically significant several years after the program ended. We do not know what would happen if an IDA program were extended over a long term or even over a lifetime, as originally proposed. At the same time, research on IDA programs shows that low-income people can save in IDAs if a supportive structure and subsidy are in place. Research also points to the combined effects of program

variables like facilitation (e.g., automatic features) and expectations (e.g., savings targets, such as match caps), suggesting that such combinations together are more strongly associated with savings performance than are individual characteristics. In general, there is reason to believe that well-designed asset-building programs and policies can encourage a wide variety of families to save, with indications of at least some positive impacts.¹¹³

Conclusions on LMI home-ownership programs are somewhat tentative because there has been only one large demonstration, the CAP, and it did not randomly assign participants to treatment or control groups. Instead, the CAP treatment group comprises those who purchased homes with the program's support, and researchers created a comparison group from renters who had similar characteristics (e.g., similar incomes, lived in the same neighborhood). Early findings from CAP do not provide strong evidence that participation and purchasing a home led to improvements in parenting behaviors or child outcomes. But they do suggest that CAP owners have greater access to social capital than do CAP renters and tend to experience better mental health. In addition, CAP owners experienced greater increases in net worth between 2005 and 2008.

Research on the impact of CDAs is in its infancy, and these are intrinsically long-term accounts. We will not be able to assess the impact of CDAs on postsecondary education and training for a number of years. In in-depth interviews, some parents report that CDAs make them more hopeful about their child's future and more motivated to support his or her education. In sum, early evidence indicates that a universal and progressive CDA program could have favorable effects on parent and child outcomes, but much more research is needed.

On another point, evidence from CDA programs shows clearly that advantaged families have much better savings outcomes than disadvantaged families if the processes of account

opening and asset accumulation rely solely or even largely on individual behavior. That is, families with social and economic advantages, including high levels of income, education, and financial sophistication, are more likely than less-advantaged counterparts to participate in asset-building programs and take advantage of saving incentives.

Thus, if we want increase the number of low-income families that have accounts and accumulate assets, we cannot simply encourage them to open accounts and save. Evidence suggests that automatic account opening and automatic subsidies are necessary. The SEED OK demonstration shows that it is feasible to implement a universal CDA program with such automatic features. And if assisted by initial deposits and matches, families can accumulate meaningful levels of college assets with only modest saving. For example, the New America Foundation estimates that a child can have over \$15,000 when she turns 18 if a family receives a \$500 initial deposit, obtains a 1:1 match, saves \$25 per month from the time of the child's birth, and earns an average annual return of 5 percent.¹¹⁴

<2>The Next Generation of Evidence on Assets

Research on assets and asset-building programs is fairly new, though there have been a few multimethod applied studies, which include randomized experiments. These intervention studies are supplemented by evidence from national data sets that were not specifically designed to study the effect of assets. One relatively low-cost way to learn more about the effects of assets is to add measures to future waves of existing data sets. Currently, many of the data sets that have strong measures of assets have few child outcomes and vice versa. These data sets cannot provide conclusive evidence on the impact of family assets but could contribute to a body of evidence.

In addition, current demonstrations will provide additional evidence about the effects of assets and asset-building programs on child outcomes. Another wave of SEED OK data

collection is expected, and in-depth interviews are currently being conducted with participants from MI SEED, as the children who were in preschool at baseline enter middle school. The data will provide insights into the intermediate impacts of CDA programs. This is important because the impacts of CDA programs may increase as children progress through school and as decisions about postsecondary education and training become more salient. It also is possible that some or all of the effects of CDA programs may wear off over time. In addition, research is planned for participants in the Kindergarten to College program, which provides a savings account with \$50 for every child enrolled in a San Francisco public kindergarten.

<1>Conclusion

Overall, there is reason to believe that children who grow up in families with assets are better off than those who grow up in families without them. There also is reason to expect asset-building programs to increase family assets and improve child outcomes. Long-term asset-building programs—especially early, universal, and progressive programs—seem most likely to improve the wellbeing of low-income children; programs that are not universal and programs that lack progressive subsidies seem unlikely to have a meaningful impact on low-income children. Still, much more evidence is needed before we would feel confident in concluding that assets and asset-building programs improve child wellbeing. And if they do improve child wellbeing, additional evidence is needed to determine how to use this knowledge to inform the design of inclusive asset programs and policies.

Even if asset-building programs are ultimately shown to improve child outcomes, these programs will not be a panacea. Additional strategies, such as early-childhood education, tutoring, academic enrichment, trauma counseling, crime prevention, and community economic-development strategies will be necessary for the most vulnerable populations. Although asset-

building programs appear to hold promise, child development policies should adopt a multifaceted approach to ensure bright and healthy futures for all children.

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