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The Early Positive Impacts of Child Development Accounts

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Child Development Accounts (CDAs) are savings or investment accounts for long-term developmental purposes. Children who grow up knowing they have some assets for postsecondary education may be more future-oriented and may fare better in the long run than children without these assets.

SEED for Oklahoma Kids (SEED OK) is a large-scale policy test of automatic and progressive CDAs, and it is the first truly universal model in the United States. The SEED OK CDA is universal in that it opens an Oklahoma 529 College Savings Plan (OK 529) account on behalf of every newborn in the treatment group and automatically deposits $1,000 into every account. It is progressive in that it offers a savings match to low- and moderate-income families. All treatment families receive regular account statements and information about the importance of saving for college. These features—automatic account, automatic initial deposit, progressive savings match, account statements, and information about college—make up the SEED OK CDA.

This summary of early research findings from the SEED OK experiment may help CDA proponents communicate the value of such accounts to policymakers, educators, and others.

The universal and automatic features of the SEED OK CDA eliminate essentially all inequality in OK 529 account holding and asset ownership by income, education, race, material hardship, and other socioeconomic characteristics. Without the automatic CDA, very few children (especially those who were disadvantaged) had an OK 529 college savings account or any OK 529 college assets. With the SEED OK CDA, virtually all children had OK 529 accounts and assets. SEED OK's universal, automatic, and progressive CDA model gives all children—not just those who are advantaged—the opportunity to benefit from having college accounts and assets.[1]

The SEED OK CDA increased the likelihood that mothers had taken steps to save for their children's college. The CDA increased 529 plan participation for a number of disadvantaged groups, including low-income, African American, American Indian, and unbanked mothers; mothers experiencing material hardship; and mothers receiving public assistance. The CDA also increased the likelihood that mothers—including low-income mothers and mothers receiving public assistance—had saved for children's college expenses in an OK 529 account.[2]

The SEED OK CDA improved mothers' expectations for their children's education. Over the first four years of the experiment, mothers of children with CDAs were more likely to maintain or raise their educational expectations for their children.[3] Extended interviews with mothers also suggest that the CDA helps some mothers view their children as college bound.[4] If these changes in attitude persist, parents may engage with their children in ways that improve educational outcomes.

The SEED OK CDA boosted mothers' mental health. Experimental evidence shows that the CDA reduced maternal depressive symptoms. The impact of the CDA was especially strong for disadvantaged mothers, including low-income and less educated mothers.[5]

The SEED OK CDA improved disadvantaged children's early social-emotional development. Experimental evidence indicates that the CDA had positive effects on social-emotional development for children aged approximately four years, and the effects appear to be greater for disadvantaged groups, such as low-income children and children with less educated mothers.[6]

Often, the positive effects of the SEED OK CDA seem to be related to automatic features of the CDA—account opening and initial deposit—rather than parental saving. For example, the CDA reduced maternal depressive symptoms and improved children's social-emotional development regardless of whether parents had saved in the CDA.[7] And mothers of children with CDAs seemed to feel more positive about the future even though they were not yet saving for their children's college expenses.[8]

Even at this early stage, SEED OK research findings are informing the design of CDAs at the state level. SEED OK research has directly informed adoption of CDA

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policies in four states—Maine, Nevada, Connecticut, and Rhode Island. In Maine, for example, SEED OK research directly influenced the decision to change the statewide CDA from an opt-in program reaching about 40% of Maine newborns to an opt-out program expected to reach 100% of Maine newborns.

Early research from SEED OK demonstrates that the universal and progressive CDA has a number of positive impacts, especially for disadvantaged children. As time passes and children age, there will be many additional questions to examine, especially about cognitive and educational outcomes. Because SEED OK is a carefully designed and well implemented experiment, benefits in the form of increased knowledge can continue for many years.

To read the full report, see Testing Universal College Savings Accounts: Early Research from SEED for Oklahoma Kids.

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Endnotes

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