



Center for Social Development

GEORGE WARREN BROWN
SCHOOL OF SOCIAL WORK



Washington University in St. Louis

Child Development Accounts **Progress of a Social Innovation and Potential for Native Americans**

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**Oklahoma Native Assets Coalition
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Child Development Accounts: Starting Asset Building Early in Life





CDAs as Beginning of a Fully Inclusive and Lifelong Policy

CDAs can lay the groundwork for a universal, progressive, and lifelong asset building policy.

This has been the vision since writing *Assets and the Poor* (1991).

The primary goal is to use programs and policy to enable everyone to build assets. Today, policy builds assets for the non-poor. Why not bring everyone in?



**What is the potential for CDAs as a
development strategy for Native
people?**



Historical Context: Native American Land Loss





Historical Context: Native Death and Removal





Historical Context: Dismal History of Trust Accounts

“Individual Indian Money” (IMM) Accounts were mishandled by U.S. Bureau of Indian Affairs.

Accounting records were lost and/or destroyed, and U.S. Government resisted a just solution for decades.

Elouise Cobell, a Blackfeet, brought suit. . . Became the “signature” work of her life, though she did so much more.



Elouise Cobell Fights for Trust Account Justice





Cobell Wins Medal of Freedom and MacArthur “Genius” Award





Outcome of IIM Trust Accounts

Cobell litigation was settled in 2010 under President Barak Obama, at \$3.4 billion

This was a small fraction of the estimated losses to Native people. The trust amounts, over time with interest, totaled well over \$100 billion.

Cobell was tired from a long fight and she settled for what was possible.

Her example in fighting for Native assets will endure forever.



Fundamental Questions

Given a long history of confiscation, should Native Americans even try to build assets?

The answer has to be: Only in a form that advances Native interests and values.

Can Child Development Accounts accomplish this?



CDA Research and Policy Design



Experimental Policy Research

SEED for Oklahoma Kids Testing a scalable policy model

SEED OK
SEED for Oklahoma Kids





SEED OK is a Test in a Full Population

- SEED OK is a test in a full population, without selection—uncommon in social research.
- SEED OK is a rigorous test of a policy structure. Not a test of individual behaviors.
- Results inform inclusive asset building policy.

(Sherraden, 1991, 2014)



SEED OK Research Design

- First universal model of CDAs in U.S.
- Integrated into an existing policy (sustainable)
- Begun in 2007, with random sample of newborns
- Oversamples of African Americans, Latinos, and American Indians
- Random assignment to treatment group (n=1,358) and control group (n=1,346)
- Rigorous study design to test causal impacts
- Results generalize to the full population



SEED OK CDA and 529 Plans

Building CDAs on a centralized 529 savings plan:

- Coordination of state agencies
- Automatic account opening
- Subsidies and incentives
- Efficiencies of scale, low costs
- Inclusion of small- and large-balance accounts
- Investment options and investment returns



(Clancy, Orszag & Sherraden, 2004)



Policy Lesson: Universal Participation

Without universal participation (full inclusion), those left out will be disproportionately the most disadvantaged children.



Universal participation requires a policy system to bring everyone in.

(Beverly, Kim, Sherraden, Nam, & Clancy, *Children and Youth Services Review*, 2015)



Policy Lesson: Full Inclusion Requires Automatic Opening of Accounts



Full inclusion is not possible without automatic account opening and initial deposits.

(Sherraden, et al., *Journal of the Society for Social Work and Research*, 2015)



Policy Lesson: Early Funding of CDAs

If CDAs are funded early with a sizable deposit, children may accumulate meaningful levels of assets over time, even if families do not contribute.



(Clancy, Beverly, Huang, & Sherraden,
Social Service Review, 2018)

Policy Lesson: Limited Potential of Match

A savings match has limited potential to incentivize saving among those who most need asset accumulation.

Meaningful automatic deposits will be more effective.



(Clancy, Beverly, Huang, & Sherraden,
Social Service Review, 2018)



Policy Lesson: Wealth Accumulation



In SEED OK, 1/3 of asset accumulation is due to investment growth.

The \$1,000 initial deposit increased by 50% in 9 years (despite financial crisis of 2008-09).

(Clancy, Beverly, Huang, & Sherraden, *Social Service Review*, 2018)



Policy Lesson: CDAs Are Not All About Saving Behavior



Savings behavior matters, but asset building initiatives that rely mostly on individual behavior will strongly favor advantaged children.

(Beverly, Kim, Sherraden, Nam, & Clancy, *Children and Youth Services Review*, 2015)



Summary of CDA Design Features

(Sherraden, Clancy, Beverly, 2018)

- Universal eligibility
- Automatic enrollment
- At-birth start
- Automatic initial deposit
- Automatic progressive subsidy
- Centralized savings plan
- Investment growth potential
- Targeted investment options
- Restricted withdrawals: Build assets
- Means-tested public benefit exclusion



Research on CDA Outcomes



Testing Impacts: Financial and Social Development Outcomes

Research on outcomes is fundamental in developing a rationale for the CDA policy.

Social development outcomes can be as or more important than financial outcomes, and sometimes more convincing to policy makers.



CDA Account Holding and Total Assets in SEED OK (as of 2015)

	Treatment n=1358	Control n=1346
Percentage with any OK 529 account**	99.9%	3.3%
Average \$ across all OK 529 accounts**	\$1,851	\$323
Earnings in 529 accounts**	\$569	\$109

** $p < .01$



Positive Savings Outcomes for Disadvantaged Children

- The CDA—by design—virtually eliminates differences by socioeconomic status (both class and race) in ownership of 529 accounts and assets.
- Automatic features of the CDA have greater positive effects among disadvantaged children.

(Beverly et al., *CYSR* 2015; Nam et al., *JPAM* 2013; Wikoff et al., *Social Science Research* 2015)



More than Money: CDAs Lead to Positive Social Development Outcomes

Theoretical underpinnings of asset-based policy include non-financial outcomes.

For the SEED OK experiment, hypotheses include greater future orientation and improved child development.

(Sherraden, 1991; Sherraden and Clancy, 2005)



Impact of SEED OK on Parental Educational Expectations

- Educational expectations of all parents start very high at birth of a child.
- In SEED OK, expectations remained stable or increased more for the treatment group.
- The CDA reduces the probability that mothers' expectations decline over time.

(Kim, Sherraden, Huang & Clancy,
Social Service Review 2015)



Impact of SEED OK on Maternal Depressive Symptoms

- The CDA reduces maternal depressive symptoms.
- This pattern holds in multivariate analysis and for several disadvantaged subgroups.
- The effect size is similar to the effect of Early Head Start.

(Huang, Sherraden & Purnell,
Social Science & Medicine 2014)



Impact of SEED OK on Child Social-Emotional Development

- In SEED OK, disadvantaged children have better social-emotional development in treatment group.
- The CDA improves social-emotional development *regardless of whether parents have saved.*
- The effect of the SEED OK CDA is similar in size (.20 to .25) to an estimate of the effect of the Head Start program on early social-emotional development.

(Huang, Sherraden, Kim & Clancy,
JAMA Pediatrics, 2014)



Child Development Accounts: Policy Implications and Progress



Policy Impacts of SEED OK Research: Local, State, and National Policy



“I HAVE A DREAM” FOUNDATION®



PROMISE INDIANA



Maine Opt-Out Strategy in 2014

- \$500 grant *automatically deposited* into omnibus 529 account for 100% of resident newborns.
- Quarterly summaries, including 529 balances and age-appropriate tips and activities, sent to parents.
- Parents view college savings balances—family contributions and College Challenge grant—on *one* quarterly NextGen 529 statement.

(Clancy & Sherraden 2014)



New CDA Policies in the States

- All children born to Connecticut families are eligible for a \$100 deposit into the state 529 plan.
- Parents may enroll children in Rhode Island's CollegeBoundBaby program by checking a box on the Office of Vital Records Birth Work Sheet.
- Nevada automatically establishes a 529 college savings account with \$50 for all public school kindergarten students.



Testifying in Rhode Island for CDAs





CDAs Adopted in St. Louis City and Proposed in Ferguson, MO



FORWARD *through*
FERGUSON
A PATH TOWARD RACIAL EQUITY



CDA as Beginning of Large Social Innovation: Asset Building for All

The CDA social innovation is underway:

- Defined and demonstrated
- Doable and effective
- Efficient and sustainable
- Positive changes among participants
- Broad political support

. . . Continue to scale up, aim for national CDA



Full Inclusion Sets Stage for Equitable Use of Public Funds

Full inclusion also paves the way for more equitable use of public funds (direct or tax expenditures).

Ensuring that *all children* have savings is important. Even modest savings have financial and nonfinancial benefits.



(Clancy, Beverly & Sherraden, CSD Fact Sheet, 2016)



CDAs Emerging In Other Countries



Policy Diffusion: International Examples of CDAs

- Singapore's Baby Bonus and CDAs since 2000
- United Kingdom's Child Trust Fund, 2005-10
- CDAs in Uganda with HIV Orphans
- Korea's Child Development Accounts
- CDAs in several U.S. states and cities
- Universal CDAs began in Israel in January 2017
- Policy tests in Taiwan, Hong Kong, and mainland China
- CDA Policy meetings in Azerbaijan in Dec 2017



President in Ghana Has Called for Opening Accounts for Everyone





CDA Policy Discussion in Azerbaijan





International Symposium on CDAs Singapore, December 2017





Vision: Asset Building for Every Child

If evidence remains positive, the guiding vision is, some day, an account for every child on the planet. . .

To set the stage for lifelong asset building and financial capability.

During 21st century, social policies will become more global. . .CDAs could be among the first.



Asset Building for All

**CDAs as Key Step Toward
Lifelong Asset Building for Everyone**



Vision of Inclusive Asset-Based Policy

Policy concept is:

- Universal: everyone is building assets
- Progressive: greater subsidies for the poor
- Lifelong: beginning as early as birth

Key design features:

- For social development, especially education, homes, enterprise
- Automatic and easily delivered, like water to homes . . .

(Sherraden, 1991, 2014)



Keys to Large-Scale Innovation in Asset Building Policy

- See all saving (defined contribution) policies as a single policy system.
- Note who is included and who is not. Bring everyone in.
- Use public subsidies for everyone, build assets for the whole population.



Toward Lifelong Asset Building for All



Native American participant in the American Dream Demonstration, with house purchased with her IDA funds.



Potential for Native Asset Building



Potential for Native Asset Building: Policy Design

- Build on local leadership and engagement, as demonstrated by ONAC programs.
- Design and establish a universal system of Native CDAs (“put the plumbing in place”).
 - Use existing social policies.
 - Use mainstream financial markets.
 - Reject any form of external (colonial) control.



Potential for Native Asset Building: Multiple Funding Flows

- Use local programs for “SEED” funding.
- Use tribal flows from resources and gaming (from “per caps” to investment accounts).
- Write grants, engage philanthropy.
- Engage banks & corporate donors.
- Organize for historical compensation (“reparations”) to build lifelong accounts for all Native children.



Potential for Native Asset Building: Large Meaning and Purpose

Use Native assets for meaning and purpose:

- Education and advancement
- Recovery and control over land
- Strengthening communities
- Promoting environmental sustainability
- *Modelling a viable future for the planet*



Continuing the work of Elouise Cobell





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