CFE COALITION CITY EXPERT TOPICS

Youth Savings Initiatives

Cities for FINANCIAL EMPOWERMENT Coalition

For many cities, ensuring greater access to higher education opportunities for low- and moderate-income residents is a critical piece of the local economic development puzzle. However, even when low- and moderate-income students are academically prepared for postsecondary studies, the high cost and lack of family financial assets to draw upon decrease the likelihood that students will enroll in higher education or complete their degrees.

Across the country, a number of local governments are increasing the availability of youth savings opportunities for families, with the goal of improving the likelihood that students of limited means enroll and persist in higher education. This brief details why city leaders are investing in youth savings initiatives, provides details on how these programs operate, and highlights how cities have gotten started doing this critical work. The brief is informed by the work of cities across the country, including the members of the Cities for Financial Empowerment Coalition, an invitation-only group of member cities who have made multiple, tangible, and measurable commitments to supporting financial empowerment programming for their residents.

DEFINING YOUTH SAVINGS INITIATIVES:

Municipal youth savings initiatives are specific strategies focused on creating simple access to long-term savings opportunities for higher education, and often incentivize such saving through initial deposits or savings matches. They are designed to leverage platforms such as the local school district to engage students and their parents and families with savings accounts and education. Often, they are launched as large-scale campaigns to enroll large segments of youth, like every kindergartener or every baby born in a city, neighborhood, or school district.

WHY CITY LEADERS INVEST IN YOUTH SAVINGS INITIATIVES

City leaders see youth savings initiatives as valuable investments in improving access to the transformative potential of higher education; some studies have also shown initial evidence that they can support family and individual expectations of going to college. In addition, youth savings opportunities create a direct vehicle to increase financial inclusion, including among households disconnected from the mainstream banking system, and improve financial literacy – these programs often have an accompanying financial education component.

In addition, youth savings initiatives are “good politics” for city leaders. These campaigns can raise the profile of financial empowerment efforts in a city, and highlight the importance of long-term savings and asset building as a key component of financial stability. Investing in young people and their futures can be a powerful message about a mayor’s priorities.

(continued)

HOW DO YOUTH SAVINGS INITIATIVES WORK?

The basic structure of a municipal youth savings initiative is that the city facilitates the opening of a bank account on behalf of a young person and seeds it with an initial deposit; young people and their families can contribute to the account over time, with their contribution sometimes matched by the city government or other partners; at the appropriate time, account funds can be withdrawn to support postsecondary education (or sometimes to support other asset-building efforts like opening a small business). Prosperity Now's Campaign for Every Kid's Future has more information on how these programs work and getting started.

San Francisco's Kindergarten to College initiative (K2C) was one of the earliest large-scale municipal youth savings strategies. Operated by the Treasurer's Office, all kindergartners in San Francisco Public Schools are automatically enrolled in a savings account seeded with an initial investment of $50 from the City. In partnership with Citibank, the San Francisco Treasurer maintains a "master account" that holds all funds, as well as a ledger that tracks the savings for each youth sub-account. Every kindergartener and their family are given an account number that allows them to make deposits at Citibank branches. The savings account is "locked" until the youth completes their secondary education. K2C also raises private funds to offer savings matches to increase participant savings activity.

Since San Francisco launched its pioneering effort in 2011, many cities, including St. Louis, Lansing, and Boston have created their own youth savings initiatives. The St. Louis Treasurer launched its College Kids program in 2015 as a replication of the K2C model through partnership with a local credit union, 1st Financial, and the St. Louis Public Schools. Lansing SAVE began in January 2015 as a partnership between the City of Lansing's Office of Financial Empowerment, Michigan State University Federal Credit Union, and the Lansing School District to offer youth savings accounts. Lansing SAVE maintains the basic account structure of the K2C model, but each child has two sub-accounts – one for private deposits from family and friends and one for philanthropic funds used for incentives or matching. There are also several state youth savings initiatives focused on leveraging 529 college savings plans that allow for parents to save, tax-free, for their children's future higher educational expenses.

PATHWAYS TO LAUNCHING YOUTH SAVINGS INITIATIVES

Launching and sustaining a successful Youth Savings Initiative can be complex, so it is important to develop a strong design and implementation plan. Municipal partners should consider the issues outlined below.

- Start by engaging a range of public and private stakeholders from city government, public schools, nonprofit organizations, and financial institutions to discuss the idea and begin building buy-in. This will help to gauge overall interest and identify potential design and implementation partners.
- Based on stakeholder engagement, develop a set of goals for the initiative, such as universal access to savings accounts for youth, or automatic enrollment in 529 savings plans for all kindergarten students.
- Create a strategic plan that answers key questions, including:
  - Who will be the program partners?
  - What type of account will the program use and how will people make deposits?
  - Who will manage the program and where in the city government will it live?

(continued)

- How will it be funded?
- What additional services or programming will be needed to support young people and their families?
- How can youth savings initiatives be integrated into other municipal financial empowerment programming?

WANT TO LEARN MORE?

The Cities for Financial Empowerment Fund and our CFE Coalition partners are committed to growing municipal financial empowerment efforts across the country. If you want to learn more about starting a youth savings initiative in your city, visit www.cfefund.org to learn more and connect with a municipal financial empowerment expert.