THE CASE FOR EARLY WEALTH BUILDING ACCOUNTS

THE POWER OF NET WORTH AT BIRTH FOR EVERY CHILD IN THE UNITED STATES

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FINANCIAL SECURITY PROGRAM
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Introduction

For most of United States history, it was true that every generation did better than the last. Overall, and with critical exceptions, children fared better—had more opportunity, more financial security and more wealth—than their parents did. This trend, the long-standing premise at the heart of the American Dream, is moving in reverse: recent research[1] shows that millions of younger or "rising" generations are on track to have less wealth than their parents did at the same age—a historical first—with people of color and less-educated young Americans particularly at risk. This has had deleterious implications for the economy, our social contract, and democracy, which will only worsen if we do not act.

To make progress, we need a clear-eyed look at what people need to thrive in the economy as it exists today, taking a people-centered approach to understanding and working to address the decline in upward economic mobility. Many of the causes of this trend are long-standing and systemic, requiring multiple solutions on multiple fronts. While there are no simple or perfect answers, promising strategies, we believe, do exist.

To put it plainly: To succeed in the United States economy, people need to enter adulthood–a life stage when many critical investments are made – with a substantial amount of money to invest in themselves and their futures. The importance of what we're calling "investable sums" in young adulthood has become increasingly clear over the last decades, as the cost of obtaining wealth-building assets in the United States has skyrocketed while incomes have stagnated. The dream of homeownership, or attending college debt-free, or starting a small business, or saving for retirement, is out of reach for an increasing number of people. And, due to structural racism, economic headwinds, and other barriers, many people have never had full access to those wealth-building tools.

WHAT'S IN THIS PAPER

We can start to address the challenge of lack of assets by ensuring every person starts adulthood with enough personal resources, with an investable sum—or "start-up capital"—to launch their financial lives. This amount should be large enough to improve the net worth of an individual and used toward investments that are very likely to improve their economic well-being. And while the amount is crucial, the mechanisms are also important: these accounts could present an unparalleled opportunity to create new investors who are connected to capital markets and the broader financial system.

With this goal in mind, this paper makes the case for what we are generically calling "Early Wealth Building Accounts," or what we call EWBAs in this report, building on pioneering work across the country, and starting a conversation about who should be involved in these efforts and what needs to happen for these young adults to succeed.[i]

i We use the term "Early Wealth Building Accounts" for convenience in this paper to summarize a range of early savings accounts. This term is not widely used in the field, nor are we proposing this supplant existing names.

A Growing Movement: Early Wealth Building Accounts (EWBAs) are on the Rise

In 2007, Braylon Dedmon had $1,000 deposited into a Child Development Account in his name by the state of Oklahoma.[2] In 2011, a College Savings Account was opened for Thailya Miller by the Kindergarten-to-College program of the City of San Francisco.[3] In 2014 bipartisan legislation was introduced in the United States Congress to authorize a Roth at Birth for every child in America.[4] Every child born to a Pennsylvania family on or after January 1, 2019 receives $100 from the Pennsylvania Treasury as part of its Keystone Scholars program. In early 2022, bipartisan 401(K)ids legislation was introduced so that every child born in the state of Wisconsin would have a lifelong savings and asset account.[5] Every eligible child born on or after July 1, 2022 will receive a CalKIDS deposit from the state of California. And in Connecticut, every child covered by Medicaid born on or after July 1, 2023 will automatically receive up to $3,200 in a Baby Bond.[6]

Defining Terms In This Report

Early Wealth Building Accounts: Child Development Accounts, College Savings Accounts, Baby Bonds, the Roth at Birth, and 401(K)ids are all part of a national movement toward what we are collectively calling "Early Wealth Building Accounts." These are intentionally designed to endow lower-wealth children with assets or investable sums by early adulthood. While distinct in many ways, what EWBAs share is a starting deposit at birth or early in life, in a restricted savings and asset account (like a 529 or Roth IRA), that is typically available for wealth-building purposes such as post-secondary education, a first home, a small business, and retirement security.

Investable Sums: Meaningful amounts of money, beyond what is needed to meet short-term needs, that can be used to purchase assets and make other investments.

> **"... the earlier in life—ideally at birth—one starts accumulating assets and investing, the more likely a young adult will have meaningful sums to shape their future and begin building sustainable wealth for themselves and future generations."**

While some important differences exist, Child Development Accounts, College Savings Accounts, Baby Bonds, the Roth at Birth, CalKIDS, and 401(K)ids are, in fact, all part of the same national movement intentionally focused on building savings and assets for children from lower-wealth households. Defined this way, more than 1.2 million of these accounts exist in the United States today, according to Prosperity Now—though that's only a small percentage of the asset-poor kids throughout the United States who could benefit from them.[7]

What makes EWBAs so powerful is their ability to amass assets or investable sums by early adulthood (ages 16-24). Stated simply, the earlier in life—ideally at birth—one starts accumulating assets and investing, the more likely a young adult will have meaningful sums to shape their future and begin building sustainable wealth for themselves and future generations. Investments that young adults might make include post-secondary education and training, a first home, a small business, exposure to the stock market, and retirement security—the assets, as a growing body of literature demonstrates, that lead to economic resilience, upward economic mobility, and the intergenerational transmission of wealth.

In other words, EWBAs can help renew the promise of the American Dream, the prospect of prosperity, for every single child born in America—that inequality of outcomes in one generation does not become inequality of opportunity in the next.

Yet, most existing accounts, while offering important benefits for children and families and laying critical infrastructure for savings, currently do not meaningfully contribute to investable sums for families. To provide investable sums for young adults and achieve meaningful scale will require turning the distinct and often disconnected products and proposals in existence today into building blocks of a more integrated, holistic, and coordinated lifelong savings system. This requires bold thinking from policymakers and the private sector alike.

Guiding Questions For This Report

How can we ensure EWBA funds grow to meaningful amounts? How can we ensure they are part of a lifelong, integrated strategy to help people manage their assets? How do we create an inclusive savings system for everyone, dramatically multiplying the number of investors in our economy?

What Do We Mean by Investable Sums? Who Are the Stakeholders in Making This Happen?

Projecting 20 or more years into the future, we argue for investable sums in the tens of thousands of dollars (depending on when an asset is purchased, and for what purpose, as we will show later). For a large portion of United States households, having that amount of money in early adulthood would be life-changing, with downstream benefits for successive generations. And for our entire economy, it would mean a whole new and regularly renewing set of investors with a financial stake in the economy, increasing their net worth and earning potential.

Importantly, we think these funds should leverage capital markets, which is what households with means already do to build assets. Put another way: these accounts should "plug into" the wealth-building systems that work well for so many, multiplying the number of investors in our economy and creating important opportunities for individuals who would otherwise be unable to access these structures. With careful design, EWBAs can democratize access to capital markets and reduce dependence on limited government resources over time. Simply put, these accounts could establish everyone, regardless of background, as savers and investors in our economy and society.

To realize this vision, key stakeholders need to act together, including families, the public sector (local, state, and federal government), community groups, non-profits, foundations, and the private sector.

We would like to call attention to the crucial role the private sector must play in shaping and supporting EWBA policy. In close coordination with the public sector, the private sector can help build the infrastructure that enables the next generation to successfully grow, access, and deploy their investable sums, working to create a lifelong system that enables individuals to make the most of their resources.

Asset managers, product experts, record keepers, and other private sector players all have important roles to play in the implementation of EWBAs. One place to start would be turning the building blocks of our country's disparate savings programs and systems—including Roth platforms, 401(k)s, 529 plans, Child Savings Accounts, and Baby Bonds—into an integrated national system that allows families to accumulate investable sums. The private sector can also be critical for generating political support for EWBAs—especially if, as we expect, they create profit opportunities as well. Finally, the private sector, especially employers—along with the public, and philanthropic sectors—can be a key source of deposits for pilot programs.

Why Young Adults Need Investable Sums through EWBAs

Everyone needs wealth to thrive.[8] Having wealth—a family's assets minus their debts—is particularly important in the United States, where access to basic goods and services in the short-term and economic mobility opportunities in the long-term often depends on access to meaningful sums of money at key life moments.

The Aspen Institute Financial Security Program identifies one precondition—financial stability—and five conditions for building wealth.[9] The first condition is that people need investable sums of money: meaningful amounts of money, beyond what is needed to meet short-term needs, that can be used to purchase assets and other investments.

There are two ways for households to gain investable sums. They can either save up net income over time or receive a transfer of an investable sum. For many, the first option is not viable for several reasons.

Through saving alone, building the amount of wealth needed to thrive is a major challenge, especially for low- and moderate-income families.[10] Federal Reserve data show that, as of 2019, roughly 45% of, or 31 million, minor children in the United States are unlikely to be able to accrue investable sums by early adulthood due to the financial reality of their households.[11] In a separate analysis, Gibson-Davis and colleagues found that 23% of white, 57% of Black, and 50% of Latino children lived in households that were net worth poor (defined as living in a household whose net worth is less than one-quarter of the poverty line, adjusted for family composition).[12]

The costs of essential goods and services—housing, healthcare, and transportation, to name a few—have all far outpaced income growth for most households over the past 40 years. This has made it difficult or impossible for families to accumulate even an emergency fund which, Aspen FSP research shows, is critical to both financial stability and the longer-term accumulation of wealth.[13] When expenses are consistently higher than income, and our public and private systems make it harder to save for those who can (due, especially, to lack of access to institutional savings mechanisms like automatic enrollment, and restrictions on accumulating savings because of asset limit policies associated with public benefit systems), it becomes nearly impossible for people to save.[14]

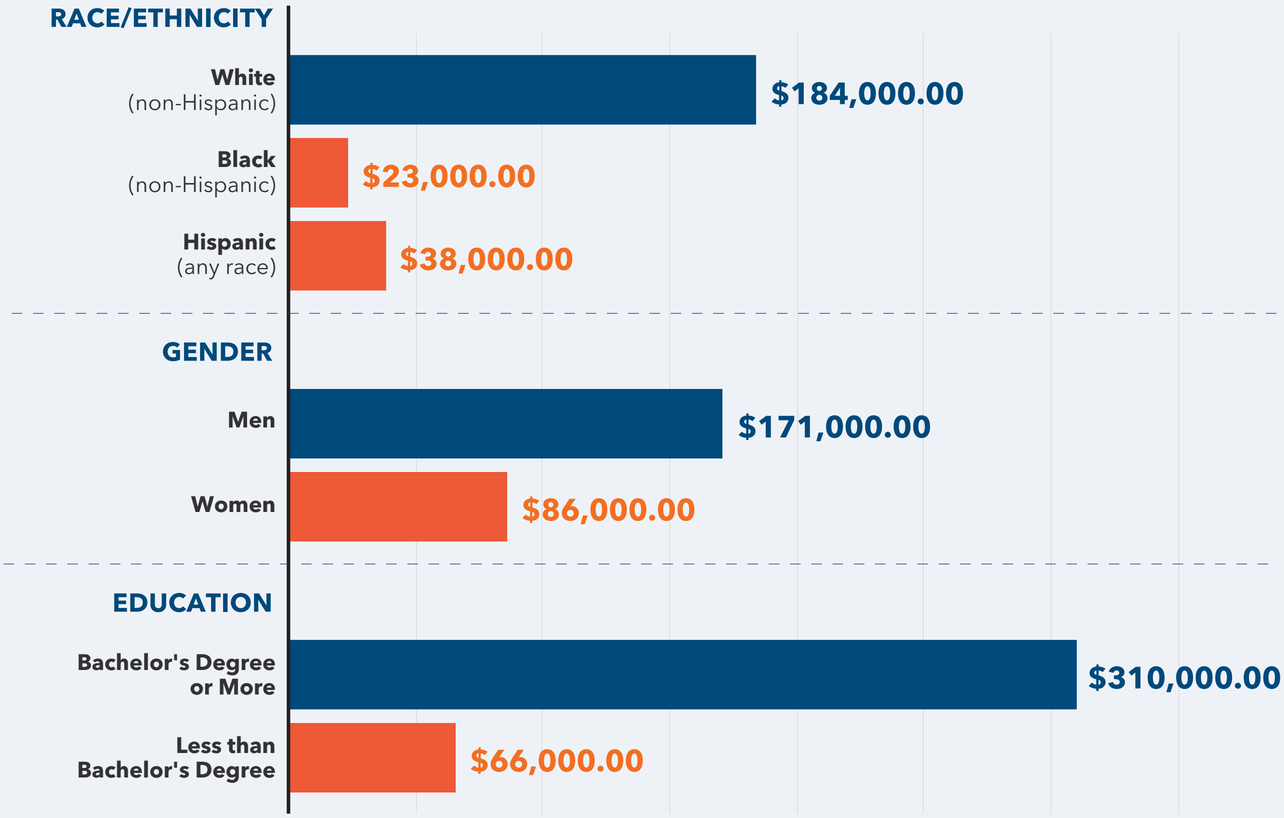
Which Young Adults Lack Investable Sums?

As noted above, recent Federal Reserve data show that, as of 2019, there are 31 million minor children living in households with a median net worth of about $61,000 or less (half of the national median net worth).[15] Growing up in households lacking wealth means these children are quite likely to arrive as young adults without wealth or investable sums.

Lower-wealth households—defined in terms of median net worth, or the mid-point in the distribution—are most commonly headed by people with less education, people of color, younger adults, and women.

Wealth Gaps by Racial, Gender, and Education Exist and Have Grown[16]

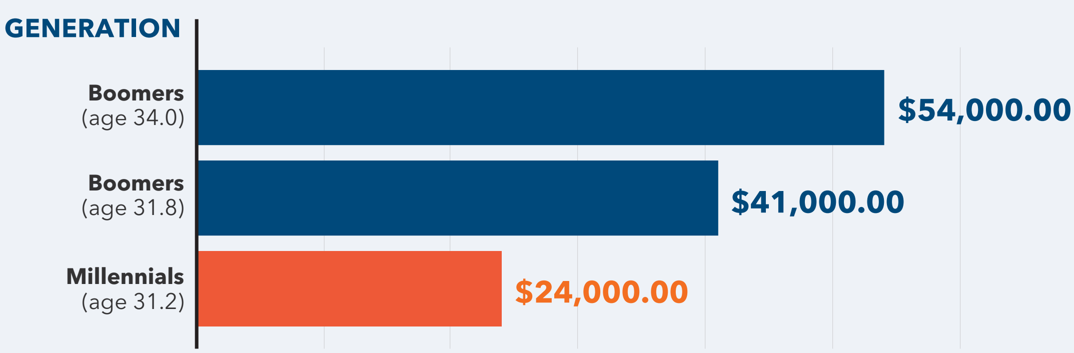
Households headed by people of color, women, and those without a bachelor's degree have less median family wealth than their counterparts.



Source: *Calculations by Lowell Ricketts of the Federal Reserve Bank of St. Louis on data from the Fed's Survey of Consumer Finances.*

Generation Wealth Gaps Exist and Have Grown

Households headed by younger adults have less median family wealth than their counterparts at similar ages.



Source: *Calculations by Lowell Ricketts of the Federal Reserve Bank of St. Louis on data from the Fed's Survey of Consumer Finances.*

Of course, no one person possesses just one of these demographic traits; accordingly, how they interact is critical too. To illustrate, the St. Louis Fed also finds that women, younger adults, and less-educated adults who live in households of color have significantly less wealth than white households along these same demographic lines. Similarly, wealth gaps are also exacerbated along educational lines; as we would expect, less educated Millennials, women, and people of all races and ethnicities have less wealth than better-educated ones.

Moreover, as stated above, millions of younger or "rising" generations are on track to have less wealth than their parents did at the same age, with non-white and less-educated young Americans particularly at risk. Other low-wealth groups include less educated Americans, women, and people of color who have historically been—and often remain—excluded from wealth-building opportunities, and whose flat or declining wages over the last several decades, along with the rising cost of living, have not enabled the accumulation of assets. To illustrate, recent research from Morningstar has shown that systemic differences in income by race are major drivers of the racial wealth gap, which means it is harder for Black households to turn net income into savings due to structural inequities.[17]

Especially relevant to EWBAs are the low levels of wealth among younger or rising generations (defined here as Americans under age 40). It's critical to observe that the low median net worth of $24,000 among younger Americans is not just because they're younger (or because of life-cycle effects). It's that younger Americans today are on track to have less wealth in real terms than their parents did at a similar age—though, as mentioned, less-educated young adults and people of color appear to be falling the furthest behind.[18] This, researchers speculate, is due to the higher cost of education, weaker safety nets, relatively lower-wages, and higher costs of housing, transportation, child care, etc. compared with previous generations.

Recent Brookings Institution research—finding low wealth mobility that diminishes with age—also underscores the need for EWBAs.[19] Brookings states: "About 61% of young adults in the bottom quintile in their late twenties have climbed to a higher quintile 10 years later. But for those starting from the bottom rung in their late forties, just 40% have moved up. The odds of moving from the bottom to the top of the distribution decline even more with age. Over a quarter (28%) of those in the bottom quintile in their late twenties have reached one of the top two quintiles 10 years later. The same is true of just 3% of those in the bottom quintile in their late forties. Wealth status is sticky at all ages—but much more so as the years pass."

If these trends continue, future generations may have even greater structural barriers to building wealth; meaning that good financial choices and hard work will not take them as far as previous generations were taken—making EWBAs even more necessary.

Early Wealth Building Accounts Are an Onramp to Inclusive Prosperity

It is precisely for asset-poor children and families that EWBAs exist: to provide individuals with a seed investment, start-up capital. And, by engaging policymakers, financial institutions, community-based organizations, philanthropy, and others, EWBAs can be scaled-up—and be potentially profitable, too, for the market players critical to their success. Expanding wealth-building assets nationwide are likely to lead to social and education benefits for families, more resilient communities, and a stronger economy as well.

While EWBAs alone could not fully compensate for larger institutional and economic headwinds—nor could they fully offer "reparative" sums due, especially, to Black Americans, Native Americans, and other historically disenfranchised groups—EWBAs can help ensure that more people in America can start adult life with a reasonable amount of money to purchase assets of different kinds. As suggested earlier, this is especially true for women, people of color, and less-educated younger Americans.

It is important to note that closing such gaps for marginalized communities could lead to macroeconomic growth for the United States as well. To illustrate, Naomi Zewde found that the ratio of median wealth for the current cohort of young white Americans to young Black Americans would have decreased from 16-to-1 to 1.4-to-1 if universal Baby Bonds were administered when they were newborns.[20] In addition, McKinsey and Company estimated in 2019 that the GDP of the United States could be 4% to 6% higher (an increase of $2,900 to $4,300 in GDP per capita) by 2028 if the racial wealth gap were closed.[21]

Investing Early in Life is the Best Way to Achieve Investable Sums for Young Adults

Investing as early as possible is, we believe, the best way to provide investable sums to young adults. Whether someone saves for college, a home, a business, a vehicle, or retirement, starting at birth versus waiting until later in life makes a significant difference due to the power of compounding rates of return. The difference in total account balance between when the average person has funds invested in assets compared with someone who would start investing at birth is visualized in Figures 2-4.

The results are striking: starting at birth results in an additional $9,000 for post-secondary education, $65,000 for first home purchase or small business start-up, and $473,000 for retirement.

Households with higher income and wealth have the resources to save early, and they take advantage of existing structures: 13 million regular 529s have been opened and self-funded, typically by higher-wealth parents for their kids. EWBAs are an approach to include more kids, specifically those who are lower wealth and BIPOC, in this kind of wealth-building activity.

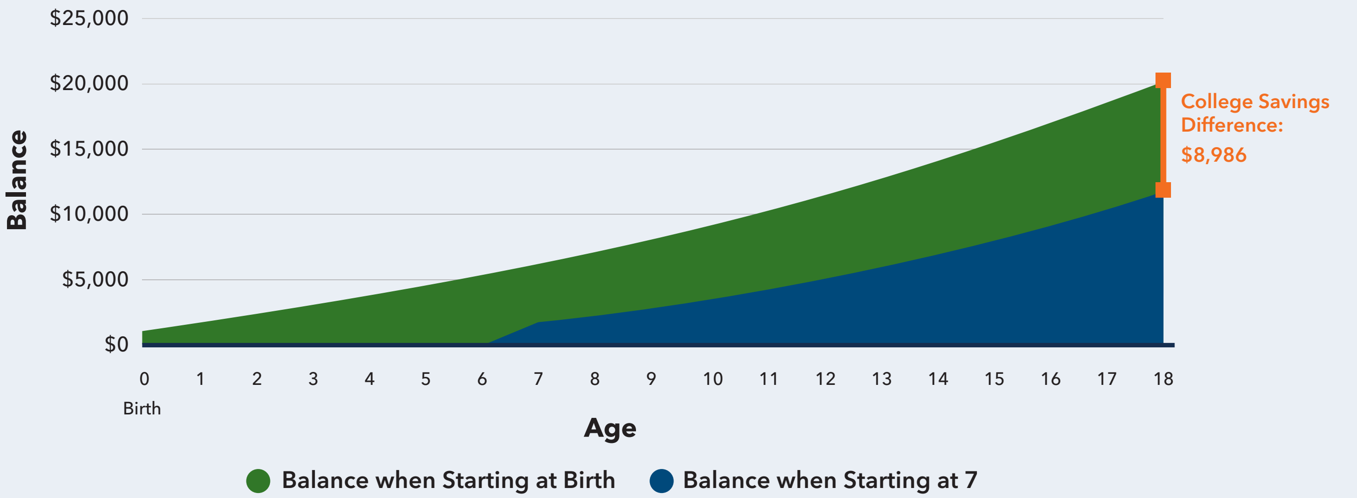
To arrive at these numbers, we modeled different asset purchases using the same set of initial assumptions around the investments for all three examples: an initial investment of $1,000, annual deposits of $500, and an average annual rate of return of 6.5% (retirement savings accounts offer average annual rates of return between 5% and 8%).[22] Seed and additional deposits could come from the public sector (such as direct deposits and tax credits), employers, foundations, community partners, and/or family savings.[23] We want to call particular attention to the importance of investing these funds to balance risk while aiming for a solid market return, especially given the fairly long investment horizon. If the goal is to provide investable sums, we need to leverage all available tools including compound interest and market rates of return.

With these assumptions, starting with an initial investment of $1,000 could lead to a balance of over $20,000 by the time someone is 18—which more than covers the average cost of attending a public two-year institution in-district (at $3,800 per year), or almost covers half of the average cost of a public four-year institution in-state (at $10,740 per year). Morningstar conducted a study in 2019 which found that on average, 529 accounts are opened when a child is age 7 or older. Comparing savings when starting at birth with a $1,000 initial investment versus starting at age 7 shows a nearly $9,000 difference (Figure 2).

> **The results are striking: starting at birth results in an additional $9,000 for post-secondary education, $65,000 for first home purchase or small business start-up, and $473,000 for retirement.**

Model: Starting investments at birth will likely have a much greater return than investing when a child enters school

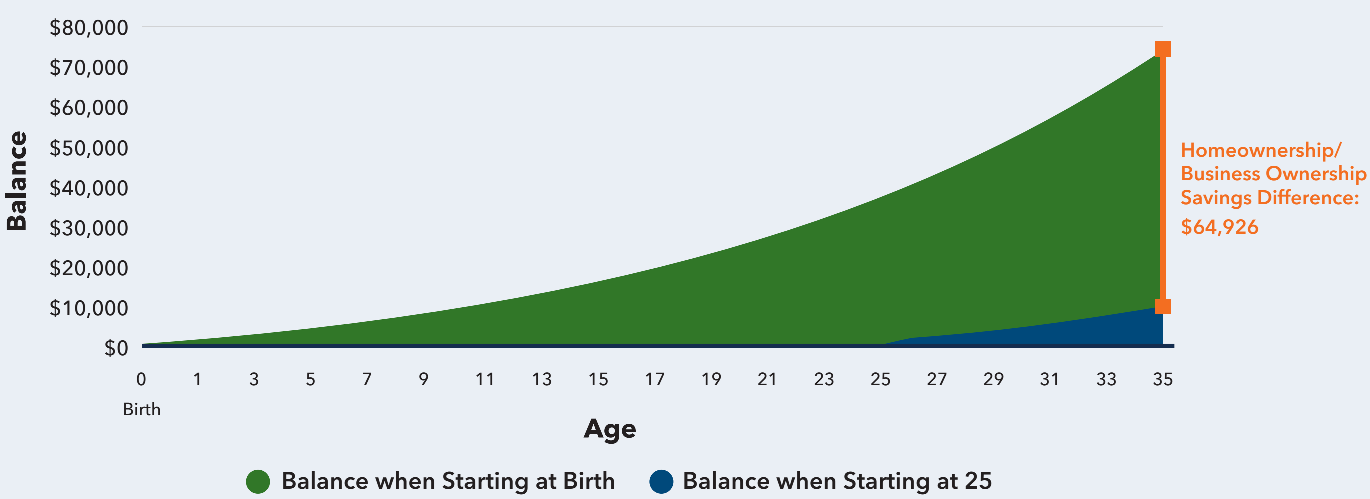
The difference in investing for children at birth as opposed to starting when a child is 7 years old, the average age children begin to have college savings accounts.



Source: *These are based on our calculations–no external source.*

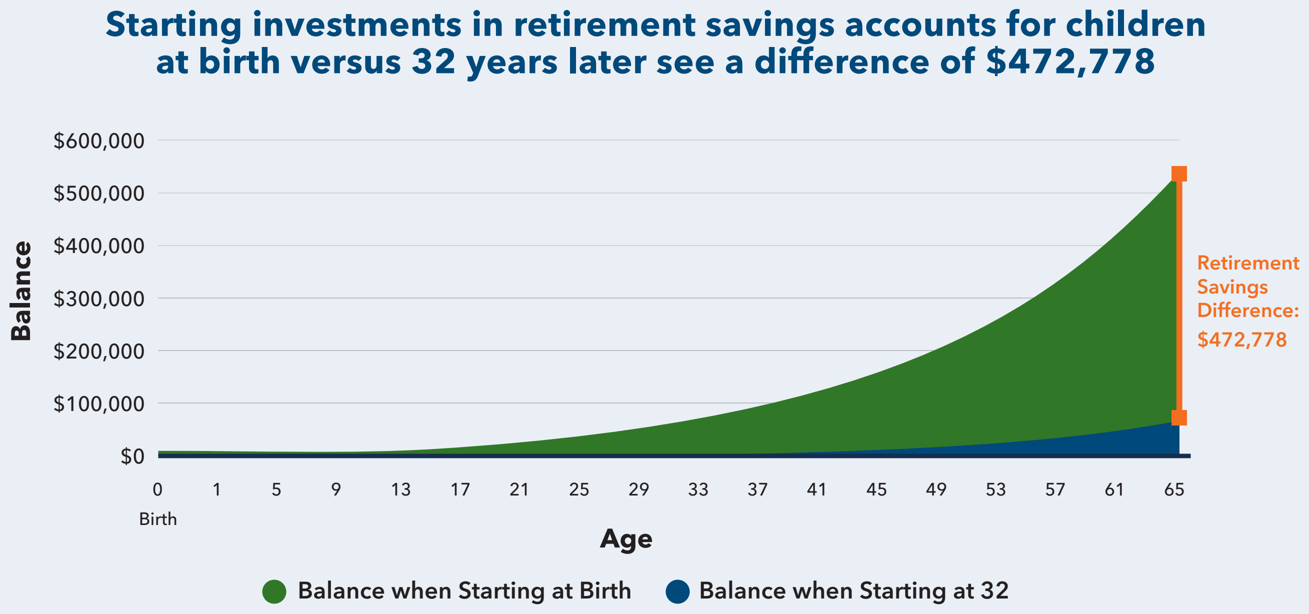
The comparison age was moved to 25 for homeownership/business-ownership savings since most adults would be out of school and working at that age, possibly able to start saving for longer-term goals. Starting to save 25 years earlier, with a $1,000 initial investment, yields almost $65,000 more by the time someone reaches 35.

Starting investments at birth for wealth-building purchases is likely to have a much greater return than starting later



Source: *These are based on our calculations–no external source.*

The average age people start saving for retirement is 32.[24] However, if someone were to start saving at birth, having an additional 32 years of compounding leads to a balance that is over $470,000 higher by age 65 (Figure 4).



Source: *These are based on our calculations- no external source.*

Naturally, if a young adult withdraws funds for education, then that would mean less at age 35 for buying a home or starting a small business, and those withdrawals in turn mean less saved for retirement. However, we would note, that:

(a) withdrawals for post-secondary education, a home and a small business are likely themselves to generate additional income and/or wealth throughout life and thus into retirement; and

(b) an EWBA platform should be designed for lifelong saving and investing such that families would continue to use it to accumulate investable sums for different needs throughout the life course.

Impact of Investing Early in Life on Families, Communities, and the Nation

Research on the impacts of investable sums further builds the case for investing early in life. Families and communities-at-large, as well as the nation, can benefit from higher educational attainment, increased homeownership rates, and entrepreneurship.[25]

Investing early in life makes it more likely for Thailya Miller, the student in San Francisco we mentioned earlier, to enroll and graduate from college. A study by William Elliott III and colleagues find positive associations between college accounts and college success,[26] finding a child with college savings of $1 to $499 prior to college is three times more likely to enroll and more than twice as likely to graduate than those with no savings. This outcome would not just benefit Thailya Miller and her family; it would benefit the United States economy, too. The cost to taxpayers over the adult life of each "opportunity youth"—defined as someone ages 16-24 and neither in school nor at work—is estimated to be $170,740 while the cost to society is $529,030.[27]

Investable sums could give Braylon Dedmon, the child in Oklahoma, the opportunity to buy his first home and start a business in his neighborhood. Experiments with Individual Development Accounts and the Self-Employment Investment Demonstration saw increased rates of homeownership and entrepreneurship when low-income people had access to investable sums.[28]

Increased rates of homeownership, in turn, lead to higher property values, greater property maintenance, and higher levels of social and civic involvement, specifically in neighborhood organizations. DeVol and Shideler demonstrate that entrepreneurship creates jobs and economic opportunities for a community, too.[29] A "virtuous cycle" of employment and greater local spending occurs when residents invest in starting their own local businesses.[30]

The literature shows that children can succeed in college, buy homes and become involved in their neighborhoods, and start their own businesses if they have the investable sums with which to do so. Giving each child the ability to invest early in life sets them up to have a positive impact on their families, communities, and country.

Policy Design and Meta Principles for EWBAs

In this section we highlight design principles to guide the development of specific EWBA policies and programs (such as a new 529 at birth policy in a city or state) as well as what we call some meta principles to guide our thinking about a larger coordination of various EWBA policies throughout the United States. As discussed above, our framework starts with the assumption that the amount of funds should be an investable sum by the time people access the funds–that programs should be designed to produce an amount large enough to meaningfully improve an individual's net worth. As the articulation of such principles is critical for sound public policy design and advancement, we are especially eager for readers' comments.

Principles for Policy and Program Design

The Center for Social Development published its highly influential CDA policy design principles, which have been concisely summarized by a group of EWBA experts.[31] These principles are:

1. **Eligibility for all—everyone is included and gets a stake;**
2. **Automatic enrollment—remove barriers to enrollment;**
3. **Automatic initial deposit—jump-start wealth accumulation;**
4. **Start young—maximize wealth-building potential;**
5. **Targeted additional deposits—those with greater need get more;**
6. **Centralized savings plan—enable implementation and reduce costs;**
7. **Investment growth—augment the wealth-building capacity of families;**
8. **Simplified investment options—make decisions easy;**
9. **Restricted withdrawals—prioritize wealth building; and**
10. **Means-tested public benefit exclusion—remove disincentives to building wealth.**

We fully endorse these principles, though would add that they should clearly be, as noted already, oriented toward developing meaningful investable sums for young adults. We also endorse complementary principles developed by the CFPB, in particular two not included above: (a) integrating low- and high-touch features to maximize both cost efficiency as well as program participation and effectiveness; and (b) striking a balance between ensuring funds are spent on wealth-building activities and providing flexibility for people to use the funds on what they need to accomplish their goals.[32]

Meta Principles to Guide Policy Integration and Coordination

We believe it is also critical to articulate a few meta principles to promote policy integration and coordination among several existing and proposed EWBA policies at the state and federal level. These are aimed at bringing about a more holistic, lifelong savings system that begins at birth:

Make Existing Savings Systems More Inclusive, Connected and People-Centered.

a. This includes **starting with the systems, products and plans that already exist**—especially 529s, 401(k)s, Secure Choice, Thrift Savings Plan, and tax systems (EITC, Child Tax Credit, Savers Credit, mortgage and retirement savings deductions, etc.).

b. This also means **modifying those systems where possible**. A great example would be adding other asset purchases beside education to the 529 platform, since it is already lifelong. Another example would be integrating "sidecar" emergency savings buckets to existing 401(k) systems.

c. Finally, we should **connect those systems where possible**. We wonder, for example, if state-based 529 platforms and state-based Secure Choice platforms—both explicitly aimed at savings for dedicated assets—need to be separate, especially given that the same State Treasurer is often a crucial part of both. And must IRAs remain disconnected from other savings platforms? Along these lines, the recently passed retirement legislation, "Secure 2.0," included provisions that linked early savings with retirement savings, a promising start to thinking about how to make these systems more coordinated.

Aim for National Policy, Including Federal Support for States.

a. While, as stated, we encourage building off existing platforms and products, such as state-based 529s and Secure Choice, we'd like to see a more **proactive role for the federal government**. Could, as the Center for Social Development and New America have proposed, federal policymakers incentivize states to add progressive features—automatic enrollment at birth, universal deposits, low fees, and progressive matches—to their 529 plans?[33] Could an innovation fund at the federal level be created to enable states to compete on adding progressive features to their 529 plans?

b. Better yet would be to **aim for national policy from the start**: Inclusive 529 savings systems, especially, and Secure Choice plans more recently, demonstrate the promise of state-based progressive savings systems. And while a further integration of state and federal savings policy systems (as noted above) could and should expand EWBA strategies nationally, we are concerned that a state-by-state approach could leave many if not most low-wealth children behind and unable to amass the investable sums necessary for economic success.

c. We accordingly urge the adoption of a **national policy that, importantly, could be administered through every state**. Here we find merit in the automatic creation of all accounts in a national, Thrift Saving Plan-like[ii] system, but with rollovers at age 17 or 18 to a 529 plan or Roth IRA, with the option of leaving the funds in the TSP-like system until retirement.

ii The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for federal government employees and uniformed services members, including the Ready Reserve. The TSP offers the same types of savings and tax benefits, along with matched savings, that many private corporations offer their employees under 401(k) plans. Employees may choose to invest their savings in one of six funds which vary in risk tolerance from government securities to stock index funds. TSP is administered by federal employees, who are also TSP participants, at the Federal Retirement Thrift Investment Board (FRTIB). Funds in the TSP are managed by BlackRock and State Street Global Advisors Trust Company. TSP fees are low, usually around 0.05%.

Next Steps

We need multiple solutions to reverse the generational decline in upward economic mobility and create a future in which everyone has enough wealth to maintain financial stability, be resilient, and participate fully in society, the economy, and our democracy. We think a promising, and possibly essential, one is for every person to enter adulthood with an investable sum and with a tangible stake in our country's saving and investing infrastructure that can set them up for long-term success. During the past few decades, leaders from the worlds of Child Savings Accounts, 529 plans, Baby Bonds, and beyond have questioned why saving and investing usually only begins after someone enters the labor market, and have begun to demonstrate the wealth-building–and life-changing–potential of solutions for building net worth from birth.

This framing paper is meant to spark discussions among policymakers, program operators, foundations, financial institutions, academics, and others who are in position to advance and scale ideas for a more holistic, lifelong investing system that delivers investable sums at young adulthood for everyone. Future briefs will aim to explore in greater depth the main policy paths available for expanding and scaling EWBAs so that more young adults from low-wealth households are able to make timely and necessary wealth-building investments in their future.

Appendix: Additional Research—Effects on Families, Communities, and the Nation

EWBAs offer benefits beyond helping young adults achieve financial and wealth-building goals. These benefits include connecting families to the financial system, helping to develop a stronger future-orientation, and greater chances of college success. Many effects are summarized in this policy brief prepared by an informal group of national CDA (child development account) experts; we highlight a few here and present one other around financial inclusion.

Findings from SEED OK, a long-running randomized experiment of CDAs, demonstrate positive social and psychological effects in addition to the assets accumulated in the 529 accounts for education. These include increases in parental educational expectations, decreases in maternal depressive symptoms, improved parenting practices, and enhancements in the children's social-emotional development. SEED OK also found that both children and caregivers in families with accounts are more hopeful about the future and have increased expectations about the child attending and completing post-secondary education. Elliott et al. also shows that those with college savings develop what's called a "college bound identity," leading to attitudes and behaviors associated with college success. While not directly related to a family's finances, all of these have positive implications for a child's future economic success.

The higher educational attainment resulting from EWBAs is poised to reduce government expenditures and boost economic growth, too. The Wisconsin Retirement Security Task Force calculated that Wisconsin could save $139 million within 15 years if retirees saved just $1,000 more per year. This savings estimate is based only on increasing annual savings; the cost savings for the state and federal government would be even greater by implementing EWBAs nationwide.

Research on SEED Michigian have found educational benefits associated with college savings accounts: account-holders are more likely to exceed proficiency cut-offs on 3rd grade reading assessments and 6th grade reading and math assessments, with particular benefits among those economically disadvantaged.

Finally, the CFPB finds that those with EWBAs are likely to become more meaningfully engaged with the financial system at an early age. Children who begin to build financial knowledge early are better positioned to turn that knowledge into useful skills and financial capability as they mature and become more financially independent. Effective routine money management, the ability to conduct financial research and knowledge-seeking, financial planning and goal setting, and following through on financial decisions are all abilities that are highly associated with financial well-being.

At the community level, the investable sums made possible by EWBAs would expand homeownership and entrepreneurship opportunities for those in early adulthood. Signe-Mary McKernan and colleagues found that just three years after opening an Individual Development Account (IDA)—matched savings accounts geared toward the working poor—participants had significantly higher rates of homeownership and business ownership. For example, the Self-Employment Investment Demonstration provided opportunities for disadvantaged people to become entrepreneurs; results show that almost one-third of the eligible mothers on welfare started their own businesses.

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