

# Kindergarten to College

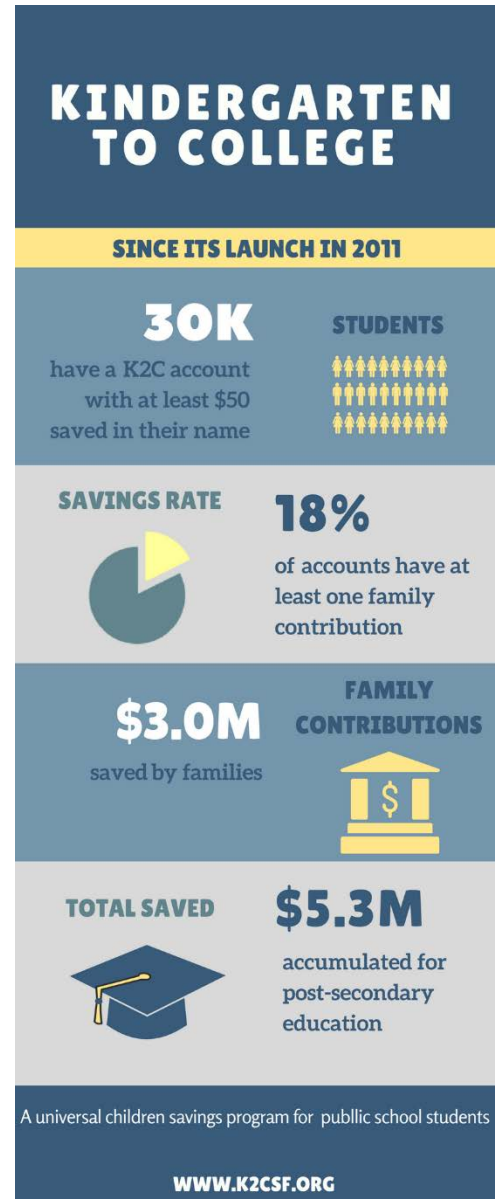
## Getting All San Francisco Families to the Starting Line

March 2018

In the past fifty years, policies that have increased access to higher education, including the GI Bill and student aid, have boosted productivity and innovation while helping many enter the middle class. The transformative role of post-secondary education remains an important opportunity to increase lifetime earnings and achieve upward social mobility in America, especially for those born into low-income families with few assets.<sup>1</sup>

There is a growing recognition that the cost of higher education and the burden of student debt are serious barriers. However, just getting young people and their parents to the starting line—believing that post-secondary education is an option—remains one of the greatest barriers. This is where children’s savings accounts can play an important role.

The more a family saves, the more likely their child is to get a college degree.<sup>2</sup> However, even modest savings can have an impact, with research indicating that, compared with children with no savings in their name, children with less than \$500 saved in their name are three times more likely to attend college and four times more likely to graduate.<sup>3</sup> More than one-third of African American and one-fourth of Latino households in San Francisco have zero or negative net worth.<sup>4</sup> It is not surprising, then, that while 54 percent of San Franciscans over the age of 25 have a four-year college degree, only 25 percent of African American and 31 percent of Latinos have one.<sup>5</sup>



<sup>1</sup> Haskins, Ron. (2018). Education and Economic Mobility.

<sup>2</sup> Sherraden, Michael (2009). Savings and Educational Attainment: The Potential of College Savings Plans to Increase Educational Success. St. Louis: Center for Social Development, Washington University.

<sup>3</sup> Terri Friedline; William Elliott and Ilsung Nam, (2013), “Small-dollar children's saving accounts and children's college outcomes by race”, *Children and Youth Services Review*, 35, (3), 548-559.

<sup>4</sup> “2017 San Francisco, CA Prosperity Now Scorecard”, Prosperity Now, July 2017.

<sup>5</sup> Ibid.

## Designing for Success

Launched in 2011 as a public-private partnership, San Francisco's children's savings account program, Kindergarten to College (K2C), provides families a default place to save for post-secondary education, and a way to build a college-bound identity.<sup>6</sup> K2C is integrated into the public-school system to reach as many young people as possible, particularly the 58 percent of San Francisco Unified School District's (SFUSD) students from low-income households who face significant barriers to post-secondary education, and the increased lifetime earnings and social mobility associated with it.<sup>7</sup> A leader in the growing children's savings account movement,<sup>8</sup> K2C has six core features<sup>9</sup>:

- **Universal:** Provides a savings account to all students starting kindergarten, including those children who are undocumented, in unbanked families, living in foster care or homeless. This custodial savings account is held on behalf of each student by the City and County of San Francisco.
- **Automatic:** Enrolls all students automatically, removing two significant barriers for parents—inertia and the cost of opening an account.
- **Publicly Funded:** The City makes an initial seed deposit of \$50 in each child's account, an additional equity deposit in the accounts of students from low-income households, and supports K2C's basic operating costs.
- **Financial Incentives:** Encourages households and students to save and build financial assets for the future.
- **Range of Deposit Options:** Offers families multiple ways to contribute to their children's accounts, including cash, direct deposit, bill pay and by mail.
- **Financial Capability:** Equips students to understand their account and gives them opportunities to make a deposit or check their balance.

Funded by private philanthropy and based on the latest insights from behavioral science, K2C currently offers families up to \$90 in financial incentives, in addition to the initial \$50 seed provided by the City:

- **\$20 Online-Account Registration Bonus:** Encourages families to register their account online to view their balance and activity.
- **\$10 Save Now Bonus:** Creates a sense of urgency by encouraging families to save any amount within the first 60 days after the account is opened.
- **\$10 Save Regularly Bonus:** Encourages families to save regularly by offering a \$10 bonus in any six months they save at least \$10 in the first year the account is opened.

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<sup>6</sup> <https://www.prosperitynow.org/blog/creating-college-bound-identities-how-csas-put-college-reach>.

<sup>7</sup> <https://www.urban.org/features/closer-look-income-and-race-concentration-public-schools>.

<sup>8</sup> <https://prosperitynow.org/map/childrens-savings>.

<sup>9</sup> These features were based on lessons from the SEED initiative. See Sherraden, M., & Stevens, J. (2010). *Lessons from SEED: A national demonstration of child development accounts*. Washington, DC: CFED.

## Progress To-date

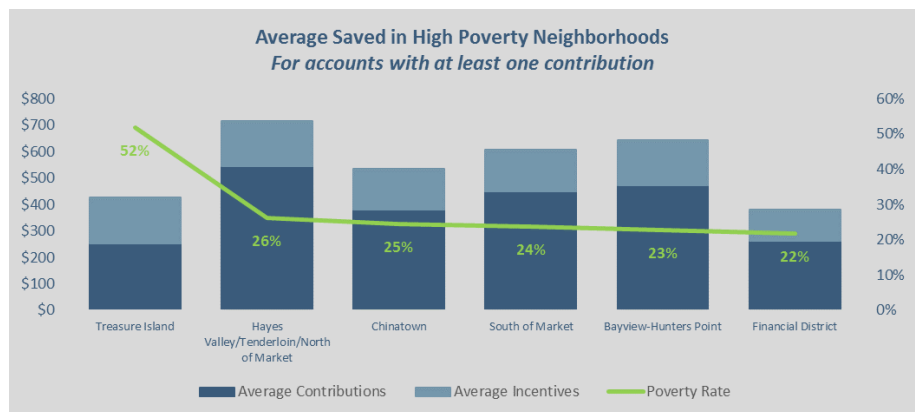
Recent findings highlight progress families are making to save in K2C, signaling an expectation that their child will pursue post-secondary education.

### *Breadth of Engagement*

- **100% of elementary school children in San Francisco’s public schools have accounts**  
Thirty thousand students now have a K2C account, including all students in kindergarten through 5<sup>th</sup> grade, 50 percent of 6<sup>th</sup> graders and 25 percent of 7<sup>th</sup> graders who were part of the initial K2C pilot study. Within 7 years, every public-school student will have an account.
- **Families are saving at a higher rate than any comparable program in the country**  
Eighteen percent of families have contributed \$3 million to their children’s K2C accounts. By contrast, less than three percent of families save in a 529 or Coverdell Education Savings account nationally.<sup>10</sup>
- **Families are saving significant amounts**  
Families that have made at least one contribution to their children’s K2C account have saved on average \$559. Between family contributions and incentives, families have on average \$730 for a cumulative total of \$3.9 million. Families have contributed 77 percent of this total, saving \$3.26 for every \$1 of incentive earned.

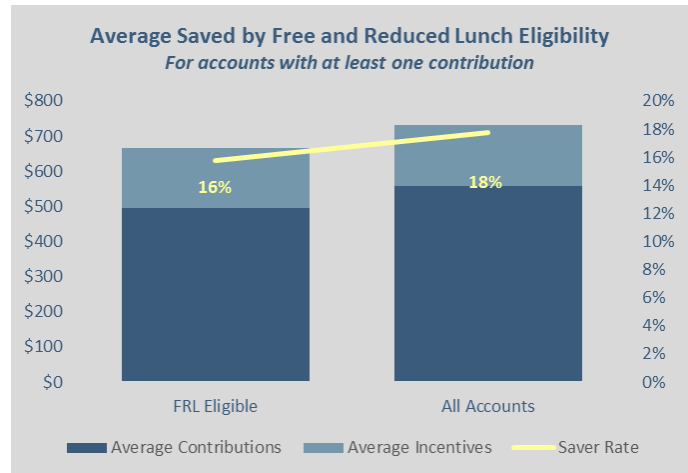
### *Depth of Engagement*

- **Families in the poorest neighborhoods are saving**  
Even in neighborhoods where more than one in five households is below the poverty line, families are saving. Fourteen percent of families living in the six poorest San Francisco neighborhoods have saved on average \$460. Including incentives, these families have on average \$623 for their children’s future.

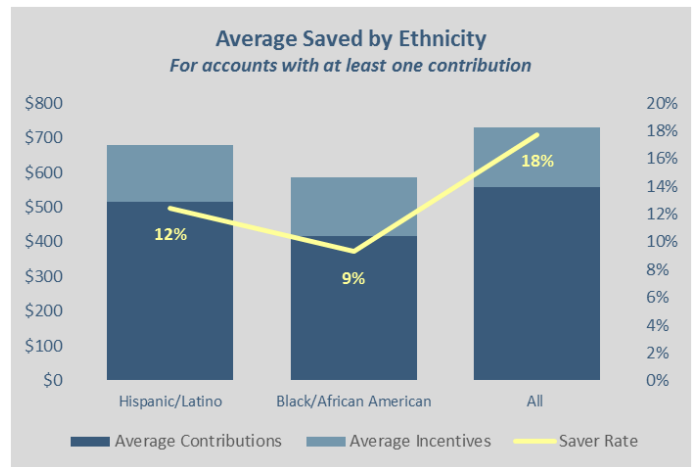


<sup>10</sup> For perspective, families that save in a 529 or Coverdell Savings Plans have 25 times the median assets and three times the median income of those without. See “A Small Percentage of Families Save in 529 Plans.” United States Government Accountability Office. GAO-13-64, December 12, 2012. <http://www.gao.gov/assets/660/650759.pdf>.

- Low-income families are saving**  
 Students who qualify for free or reduced-price lunch—an indicator of low household income—have \$1.2 million of family contributions in their accounts. Low-income families that have saved have contributed \$494 on average, accounting for 40 percent of all contributions in K2C. Including incentives, these families have on average \$667 for their children’s future.



- African American and Latino families are saving**  
 Nine percent of African American families and 12 percent of Latino families have saved in their children’s account, with an average contribution of \$417 and \$515, respectively. Including incentives, these families have saved on average \$585 and \$678 for their children’s future.



## Conclusion

Just getting young people and their parents to the starting line—believing that post-secondary education is an option—remains one of the greatest barriers for many low-income families and families of color. The more a family saves, the more likely their children are to pursue post-secondary education. However, even modest savings can have an impact, and K2C is helping a growing number of families, including those who face the greatest challenges, to set aside money for their children’s future. On average, these families have accumulated at least \$500, dramatically increasing the likelihood their children will attend and graduate from post-secondary education, and benefit from the transformative potential it offers. We still have much work to do, but this progress underscores the pioneering role K2C is playing to support all families in the public school system.

### Acknowledgements

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