Program Design for Practitioners

Children's Education Savings Accounts:

A Case Study of San Francisco's Kindergarten to College Program

by Jade Shipman Bevans

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EARN Research Institute

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I. INTRODUCTION

Kindergarten to College (K2C) is an innovative program that provides a college savings account to each child entering kindergarten within the San Francisco Unified School District. The City and County of San Francisco's Office of Financial Empowerment (OFE) administers the K2C program, which was launched in 2011. In partnership with OFE, the EARN Research Institute has completed two in-depth studies of parent preferences, with the goal of informing K2C's administration, account features, and marketing strategies. Although the program is young, this early-phase research has yielded valuable insights into program design.

This report has been created for practitioners involved with children's education savings accounts. Specifically, we present the features and elements that appeal to parents when they choose a particular account to save in for their children's education. We also present effective marketing channels, messengers, and overall thematic messages that are compelling to parents. Our findings are based on focus group and survey research completed with parents who have at least one child in the K2C program.

This research is relevant because there is room in the marketplace for accounts that are similar to those of K2C. Children's savings accounts for education are a promising way to encourage a college savings plan, which in turn can influence college attendance and completion. Studies have shown that college graduates have higher employment rates and earn more money over their lifetimes than those with only high school diplomas. These facts are not lost on parents. Nationwide, 87% of parents state that obtaining a college degree is important for their children. Approximately 69% state that saving for their children's education is one of their household's top savings priorities, yet only 53% have started saving. At the same time, typical mainstream accounts for higher education savings do not have account features that appeal to parents.[1] Appropriately designed accounts can encourage families to save for their children's higher education and long-term financial stability.

[1] Jade Shipman Bevans and Nga Chiem, "Saving for Higher Education in the US: Parents' Beliefs, Behaviors, and Preferences." EARN Research Institute, 2012.

II. ABOUT K2C

K2C is designed to improve the long-term educational attainment and financial stability of today's children. To date, approximately 7,500 K2C accounts have been opened for eligible children throughout San Francisco. K2C includes several important elements and features.[2]

- **Automatic Enrollment** – The accounts are opened automatically when a child enters kindergarten. Parental consent is not required to open the accounts. However, parents are given the option to opt out of the program. Less than 1 percent of the families have opted out to date.
- **Universality** – Every child enrolling in kindergarten receives an account. Each account is held in trust for a specific child by the City and County of San Francisco.
- **Publicly Funded Seed Deposits** – Each account is seeded with a $50 deposit. If the child qualifies for free or reduced-price lunch, the account receives an additional $50. These seed deposits are funded by the City and County of San Francisco.
- **Savings Incentives** – The accounts currently include two incentives to save: a dollar-for-dollar match for the first $100 of family contributions; and a $100 incentive for a minimum $10 monthly contribution for six consecutive months. Savings incentives are funded by private philanthropy.
- **Numerous Deposit Options** – Deposits can be made in person, by mail, or online. There is no minimum deposit amount. Parents, family members, and friends can all contribute to the accounts.
- **Restricted Withdrawals** – Funds deposited into the accounts can only be accessed for qualified higher education expenses such as tuition, fees, books, and supplies required for enrollment or attendance. The K2C Program's allowable withdrawals follow Federal rules for "Qualified Tuition Plans," also known as 529 accounts.[3] In the case of an emergency, the student, parent, or guardian may submit a withdrawal request to the K2C Program for review.
- **Many Types of Educational Institutions are Eligible** – Funds can be used at a broad array of post-secondary institutions in the US, including private colleges, public universities, community colleges, graduate schools, vocational schools, and trade schools. Schools in other countries also may be eligible.
- **Financial Education** – The accounts are used as a teaching tool and are paired with age-appropriate financial education curriculum integrated in the classroom, beginning in kindergarten.

[2] Program information was provided by the City and County of San Francisco's Office of Financial Empowerment and is current as of February 1, 2013. Program details are subject to change.
[3] All withdrawals must be made prior to the student attaining the age of 25. For students that serve in a national service program (such as the US Military or Peace Corps), each year of service may increase the maturity date by one year, to a maximum of five years, or attaining the age of 30. If a student does not use these funds for a qualified withdrawal, any non-K2C program funds (such as those deposited by a parent or guardian) will be returned to the student. Any funds contributed by the K2C Program will be returned to the K2C program.

III. METHODOLOGY

The EARN Research Institute conducted two phases of mixed methods research, including focus groups and a telephone survey. EARN selected FM3, a public opinion research firm, to administer the research plan and to provide strategic guidance.

Research Phase 1: Six focus groups were held in September 2011. Forty-seven parents of children who were kindergarteners during the 2010-11 academic year attended the focus groups. Each session was held with a different demographic subgroup, to ensure that the research reflects the diversity of San Francisco parents. Groups were as follows:

- Parents who had made at least one deposit at the time of the research;
- Non-college educated parents with household incomes at $44,000 or below;
- College educated parents with household incomes above $44,000;
- African American parents;
- Monolingual Spanish-speaking parents;
- Monolingual Cantonese-speaking parents.

Research Phase 2: A 20-minute telephone survey was conducted in March 2012. Participants were 300 parents whose children were kindergarteners during the 2011-12 academic year. The survey was provided in the three languages that have high degrees of representation within the school district: English, Spanish, and Cantonese. The margin of error for the K2C parent survey is +/-5.4%. The survey focused on parents' self-reported opinions, attitudes, and behaviors.

IV. PROGRAM DESIGN & MARKETING FINDINGS

Our research identified a series of findings, of which four are especially relevant to share with the field. In the subsequent pages, we present detailed data points on the following major research findings:

#1: Parents like flexible account features.

#2: Parents prefer direct contact with the program.

#3: School staff and administrators are the best messengers.

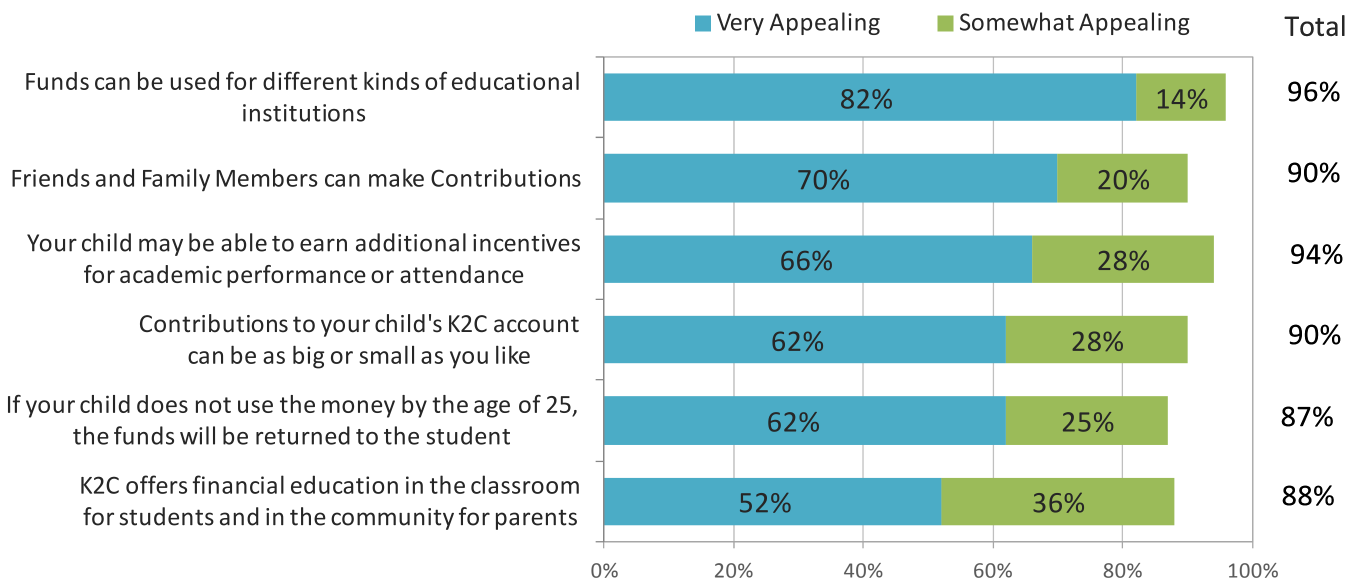
#4: The most convincing message mentions a 12-year head start on saving for tuition.

These findings are significant because parents surveyed express high levels of interest in education savings accounts modeled like K2C. After receiving a brief description of an unnamed account with K2C's features, 77% of parents express interest. More specifically, 55% of parents report they are very interested, while 22% are somewhat interested. Approximately 11% of parents are neutral and just 12% of parents are not very interested.

Finding #1: Parents like flexible account features.

As shown in Figure 1 below, parents like flexible account features. Approximately 96% of parents find it appealing that funds can be used at different kinds of educational institutions. Some 90% like the fact that friends and family members can contribute and that deposits can be big or small. While still "very appealing" to more than half (52%) of parents, financial education in the classroom was less compelling than other features. All of the K2C features tested were viewed favorably by parents.

Figure 1. Flexible Account Features are Appealing to Parents



Source: K2C Parent Telephone Survey, N=300.

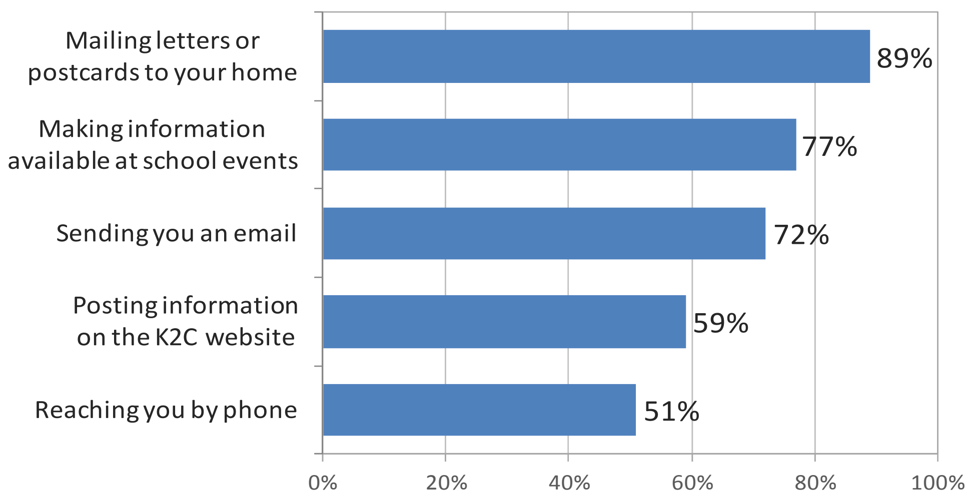
These strong findings represent an opportunity for future programs. Our research indicates that organizations should select account features mindfully, and consider including features that allow parents flexibility and safety for their child's educational savings. Selecting unpopular account features may result in less traction among a target population. For example, in a recent EARN survey 79% of parents nationwide state they would be more likely to use an account in which deposits are guaranteed not to lose value.[4] With 529 accounts – a tax-advantaged type of account for amassing educational savings – deposits can gain or lose value depending on investment choice and market performance. Thus, such accounts are not optimal for many parents. At the same time, parents like withdrawal restrictions, which help ensure that their savings will be used for their child's education. Regular savings accounts do not meet this important need.[5] Understanding and prioritizing consumer preferences is a critical step to creating appealing accounts. Groups serving different target markets may want to consider conducting additional research to understand consumers' opinions.

[4] Bevans and Chiem, 2012.
[5] Bevans and Chiem, 2012.

Finding #2: Parents Prefer Direct Contact with the Program.

To date, parents have received K2C marketing materials through many different channels, including over the telephone, by mail, and in-person. EARN tested the appeal of various channels of communication. As shown in Figure 2, the most appealing method of communicating with parents is via mail: 89% state that they would like to be communicated with through letters and postcards. Making information available at school events is popular among 77% of parents, and 72% find email appealing. Posting information on the K2C website and telephone communication are channels that appeal to lower percentages of parents: 59% and 51%, respectively.

Figure 2. Parents Prefer Receiving Information via Mail and at School Events



Source: K2C Parent Telephone Survey, N=300.

The focus groups yielded additional findings. For complex programmatic information, parents stated that mail is the most appealing channel. We also learned that direct mail materials should be brief and easy to digest in one sitting. Parents requested an FAQ, because it would allow them to hone in on the specific questions they have. Parents also stated that they paid attention to letters about K2C and opened them because the return address was from the school district, and the envelopes were addressed "to the parent of…" with their child's name.

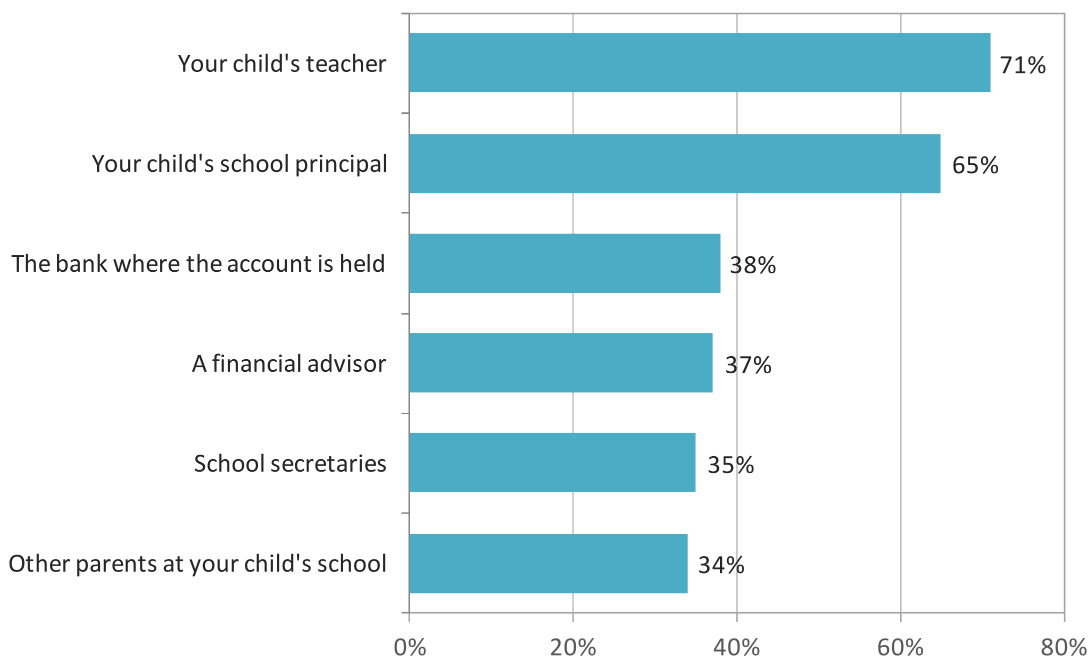
This research indicates that practitioners may want to consider reaching out to their target market with communications materials that are clear and succinct. Complex account information may be best communicated via mail. Ideally, if serving parents, communications that are personalized for them or their child may have the most appeal. In addition, the materials may be received best if they come from an organization that the individuals recognize as important, in this case, the school district.

Finding #3: School Staff and Administrators are the Best Messengers.

EARN sought to understand which messengers are most believable to parents. As shown in Figure 3, teachers & school principals are cited as the most trustworthy sources of information about K2C, with 71% and 65% of parents identifying them as "very believable," respectively. All other sources were "very believable" to 34-38% of parents.

For practitioners in the field, teachers and school principals could be brought on board as advocates. This could help ensure that parents trust and utilize children's education savings accounts. For groups that are not partnered with a school district, this research implies that believable messengers could include individuals who parents already know and trust, regardless of their degree of financial knowledge. However, it remains important that the program these advocates are supporting is appealing to parents and meets their needs.

Figure 3. Teachers and School Principals are "Very Believable" Sources of Information about K2C



Source: K2C Parent Telephone Survey, N=300.
Note: There is no statistically significant difference in believability between the bank, a financial advisor, school secretaries, and other parents at the child's school. Within the San Francisco Unified School District, school secretaries work at individual schools as front-line administrative professionals.

Finding #4: The Most Convincing Message Mentions a 12-year Head Start on Saving for Tuition

The K2C program has utilized six major messaging concepts. As shown in Figure 4, a majority of parents stated that all six messages were "very convincing." Most messages had more than one central theme or idea, which makes it difficult to generalize these findings. However, one message was most popular and was identified as "very convincing" by 68% of parents:

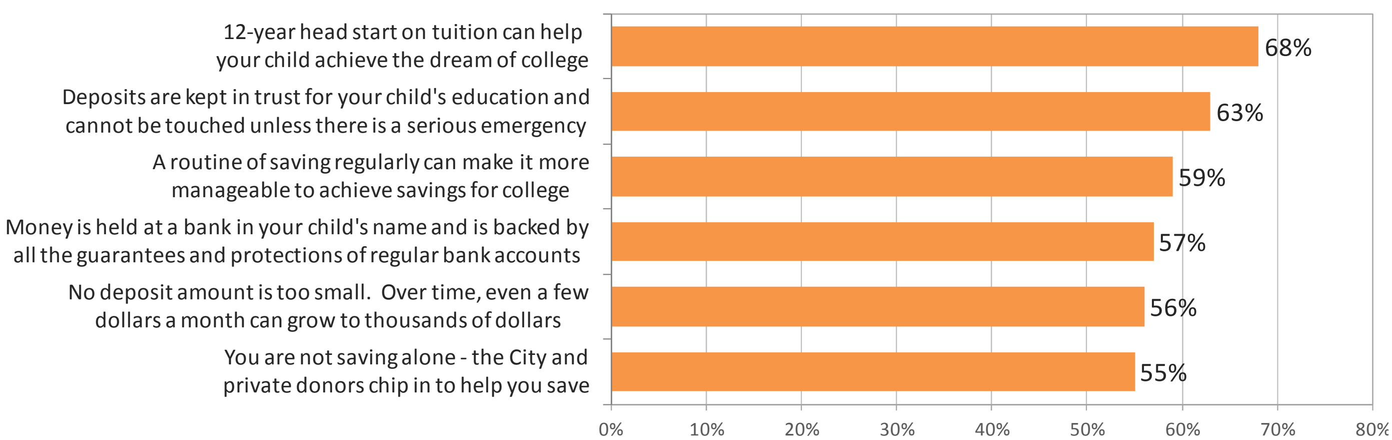
> *"K2C helps you get a 12-year head start on tuition. Starting early and saving what you can, when you can, will help your child achieve the dream of attending college if he or she chooses."*

Another appealing messaging concept is:

> *"With K2C, money deposited is kept safely in trust for your child's education. Unless there is a serious emergency, it cannot be touched until he or she goes to college, pursues vocational training, or turns 25."*

For practitioners working on similar accounts, comparable messaging concepts could be utilized. The two messages above had broad appeal across all demographic groups. However, it is worth noting that different demographic groups had substantially different interpretations and opinions regarding some of the messages. This was especially true across languages. Thus, the demographics and languages of a specific service area could affect the appeal of different messages. This is a key area that may warrant additional research for other practitioners, especially those in geographic markets with particular demographic compositions.

Figure 4. A Majority of Parents State All Six Program Messages are "Very Convincing"

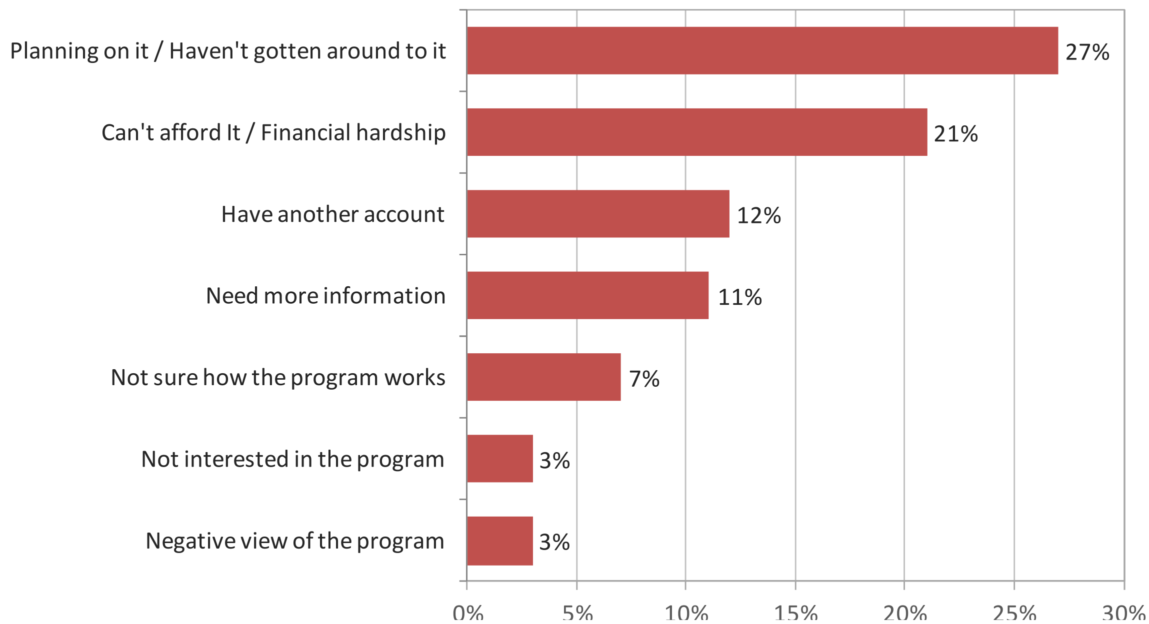


Source: K2C Parent Telephone Survey, N=300.

V. CHALLENGES & OPPORTUNITIES

In addition to the research findings above, this research has identified challenges and opportunities. Challenges include the barriers to K2C participation, which include not making participation a priority, financial hardship, and the need for more information. As shown in Figure 5, the top reasons parents cite for not making K2C deposits are: 1) they plan to do so and simply have not yet gotten around to it (27%), and 2) financial hardship (21%). Some parents use a different savings vehicle (12%), while others need additional information about the program (11%). Just 6% of parents have not contributed because they are not interested or dislike something about the K2C program.

Figure 5. Main Barriers to K2C Participation



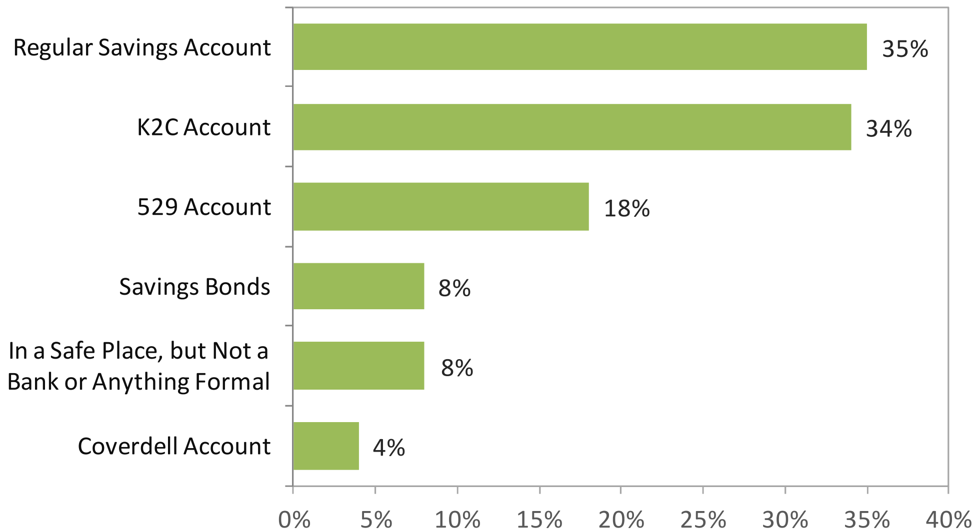
Source: K2C Parent Telephone Survey, N=189.

This indicates that efforts to motivate participation in similar programs may be most effective if they encourage a sense of urgency or immediacy among parents. Also, participation could be boosted by emphasizing that even small deposits will count toward their child's future. For the parents who are using other savings vehicles, EARN's approach is that K2C-type programs should not attempt to "convert" such parents to change savings strategies. If parents are saving effectively for college elsewhere, we view that as good news for their children.

Yet even with these barriers, the K2C program presents a substantial opportunity for parents to save. When it comes to saving for higher education, we learned that K2C Accounts are among the most popular savings mechanisms and are just as popular as Regular Savings Accounts. Among K2C parents who report that they have started to save for their children's higher education, 34% say they save with K2C, while 35% report they use regular savings accounts (see Figure 6). Other mechanisms for saving include 529 accounts (18%), savings bonds

(8%), and saving informally outside of a bank (8%). The K2C program is a popular choice among those who are saving. For the field at large, we believe this indicates that if you make savings accounts for education easily available, parents will utilize them, and their children will be better prepared for college as a result.

Figure 6. For Parents who Save, Regular Savings Accounts and K2C Accounts are most Commonly Used



Source: K2C Parent Telephone Survey, N=204

VI. CONCLUSION

Practitioners in the field who are interested in creating accounts for children's higher education have a tremendous opportunity. Parents want to save for this important purpose, and there is demand for well-designed accounts that meet parents' needs. This demand is largely unfulfilled in the marketplace. When created with flexible account features and effectively marketed, such accounts are broadly appealing to parents. With this research, we learned that:

- Parents like flexible account features.
- Parents like easily-digestible materials received through the mail.
- School staff and administrators are believable messengers.
- Participation may be effectively boosted by encouraging a sense of urgency to begin saving and by emphasizing that even small deposits will add up over time.

Though the K2C program is young, these early phase results are promising and we look forward to additional studies of K2C in the future. We hope this research is useful to practitioners in the field. Most importantly, we believe coming research will bolster the initial evidence that indicates these accounts have the power to improve the lives and futures of children – by helping them attend college and access greater financial stability in the years to come.

ABOUT THE AUTHOR

Jade Shipman Bevans (formerly Jade Shipman) is a Senior Research Associate at EARN, where she evaluates and provides strategic recommendations on EARN's in-house financial services and other programs that seek to increase prosperity for low-income populations. Ms. Bevans holds a Master's degree in City and Regional Planning from the University of Pennsylvania. She holds a B.A. in Sociology with High Honors from the University of California, Santa Barbara.

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ABOUT EARN

EARN, the nation's leading provider of microsavings, is an award-winning California non-profit that gives low-income workers the power to create economic prosperity for generations to come. Since 2001, EARN has helped tens of thousands of low-wage families through innovative financial products including matched savings accounts, checking accounts for the unbanked, and financial coaching. EARN's powerful combination of lasting assets and financial know-how enables families to build wealth and achieve life-changing goals such as saving for college, purchasing first homes, or starting small businesses.

The EARN Research Institute evaluates the impact of EARN's work and publishes original data, sharing lessons learned and best practices. EARN uses this unique grounding in rigorous research and direct service experience to transform the financial services landscape and to champion effective public policies. EARN's ultimate vision is that millions of well-informed, low-income families will achieve financial success through proven strategies, fair public policy, and their own hard work.

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