Building Brighter Futures:

Children's Savings Accounts in Illinois

August 2017

HEARTLAND ALLIANCE
ENDING POVERTY

SOCIAL IMPACT RESEARCH CENTER
A HEARTLAND ALLIANCE PROGRAM

IABG

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Illinois Asset Building Group (IABG) is a statewide coalition invested in building the stability and strength of Illinois communities through increased asset ownership and asset protection. Through our advocacy efforts, we are committed to addressing the growing racial wealth gap and expanding access to the tools people need to build financially secure futures for themselves and their children. IABG is a project of Heartland Alliance for Human Needs & Human Rights. To learn more, visit www.illinoisassetbuilding.org, follow us on Twitter @ILAssetBuilding, or like us on Facebook at www.facebook.com/IllinoisAssetBuilding.

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Executive Summary

A college education or vocational training can be a key factor in determining a person's future opportunity. College graduates make more income and are more likely to hold jobs that provide critical wealth building benefits, including retirement savings and healthcare. Unfortunately, access to education is not equal.

Children's Savings Account (CSA) programs can and should be a key tool in expanding access to college. A CSA is a savings account for a child, opened at birth or at an early developmental stage, and is often intended to be used towards post-secondary education.

In 2009, the Illinois General Assembly created a bipartisan task force to explore a CSA program in the state. The task force recommended that a savings account should be opened automatically at birth for every child born in Illinois, using the Bright Start Direct College Savings Program as the savings vehicle.

This report examines what it will take to make these recommendations a reality. To better understand the Bright Start program and how to make it an effective savings tool for all families, we look at how Illinoisans are currently using Bright Start, and explore the challenges low-income families and families of color face in using Bright Start to save for college. We also examine how a CSA program could impact the racial wealth gap in Illinois. Finally, we make policy recommendations for the design and implementation of a CSA program to help Illinois families save for higher education.

Key Findings

Data provided by the Illinois State Treasurer's Office shows that the Bright Start Direct Savings Program is disproportionately used by individuals who are **white, educated, male, suburban, middle aged, and earning higher incomes**.

- **Black people and Latinos are underrepresented among Bright Start savers**. White people comprise 88% of Bright Start savers, while Asians comprise 8% of savers and black people and Latinos each make up about 2% of savers.
- **Bright Start savers have much higher incomes than Illinoisans on average**. Only 4% of savers make under $30,000 per year.

Bright Start savers are disproportionately white, educated, male, suburban, middle aged, and earning higher incomes

These disparities raise concerns about how accessible Bright Start is for all Illinois families. In focus groups, low-income parents and parents of color described the barriers and difficult decisions faced when trying to save for their children's education, including:

- Competing savings pressures, particularly with retirement savings
- Life expenses and debt repayment, including paying off their own student loans
- Financial education and attitudes
- Mistrust of financial institutions

Several ideas emerged from the focus groups about improving Bright Start, including:

Opening accounts for all Illinoisans at birth

Including a savings match

Making it easier for third parties to contribute

Conducting more outreach at targeted times and at schools

Improving educational materials about investment options

Finally, based on analysis from the Institute on Assets and Social Policy, this report finds that a Children's Savings Account program in Illinois would significantly reduce the racial wealth gap—the gap in wealth between white households and households of color. Depending on the design of the program and participation rates, a CSA program could reduce the racial wealth gap in Illinois by as much as 31.7%.

Policy Recommendations for a Statewide CSA Program

Starting in July 2017, the Illinois State Treasurer's Office made several changes to the Bright Start program to make it more accessible to low-income families and families of color, including some of the suggestions that surfaced in the focus groups. These improvements will increase equity and accessibility to Bright Start and lay the groundwork for a CSA program in Illinois.

With these changes to Bright Start, now is the time for Illinois to create a universal CSA program. In 2017, legislation was introduced creating a CSA program in the state (HB3691).

- **Scalable Statewide Structure**: The legislation expands the Bright Start Program to provide a 529 college savings account for children born in Illinois. The accounts will be seeded with an initial $50. Low- and moderate-income families will be encouraged to save through a one-to-one dollar match for up to $75 per year.
- **State Supported, Community Driven**: Once there is sufficient funding, the CSA program will be implemented statewide for every child. In the meantime, the program will be phased in at the community level, allowing for private or public investment in the program.

Whether it is a statewide or local CSA program, we recommend that communities incorporate the following features to ensure program sustainability and high participation:

- Diverse & committed local leadership
- Creative engagement of youth & families
- Explore alternative deposit options
- Leveraging savings opportunities, particularly at tax-time
- Integrate financial capability services into CSA program implementation
- Collaborate with other college access initiatives
- Develop sustainable & diverse funding sources

Federal Policy Recommendations

- **Savers Credit or Savers Bonus**: Federal tax benefits should be expanded to include a refundable tax credit for low- and moderate-income families that save for college. The federal government should also consider New America's proposed "savers bonus," which would allow low- and moderate-income taxpayers to deposit their tax refund into a savings account and receive a one-to-one dollar match up $500 each year.
- **Saving for the Future**: The federal government should explore the ability to roll a 529 college savings account into a Roth Individual Retirement Account (IRA). Additionally, they should create a savings tool that could be opened at birth and used across a person's lifetime.

Introduction

Every child should have the opportunity to thrive regardless of the color of their skin or where they were born. Unfortunately, this is not the reality. In Illinois, 1 in 5 children under the age of 18 live in poverty. Black children in Illinois are nearly 4 times more likely to live below the federal poverty line than their white peers. With poverty comes less access to opportunity.

College graduates make about $830,000 more across their lifetime.

A college education or completion of vocational training can be a key factor in determining a person's future opportunity. On average, college graduates make about $830,000 more across their lifetime than those who did not complete college.[1] Additionally, college graduates are more likely to hold jobs that provide key wealth building benefits, including family leave, retirement savings, and healthcare. Unfortunately, access to quality education is not equal. In 2011, just 20 percent of black people and 13 percent of Latinos completed a four-year college compared to 34 percent of whites.[2] With about 65 percent of jobs in the United States requiring a college degree or post-secondary job training by 2020, disparities in college completion are not only unfair, but they are also unsustainable.[3]

Children's Savings Account (CSA) programs can and should be a key tool for families and communities in expanding access to college. When well-designed, CSA programs have the potential to improve early childhood development and achievement, increase college completion rates, and have a lasting impact on a person's financial capability and a community's equity.

A CSA is a savings account for a child, opened at birth or at an early developmental stage. The account is often intended to be used towards post-secondary education or the purchase of another asset, like a home. Additionally, CSA programs often include savings incentives for the family and financial education components.

By 2020, 65% of the jobs in the United States will require a college degree or post-secondary job training.

1. Daly, Mary C. and Leila Bengali (May 2013). Is It Still Worth Going to College?. FRBSF Economic Letter; 2014-13
2. Sullivan, L., Meschede, T., Dietrich, L., Shapiro,T., (2015). The Racial WEalth Gap: Why Policy Matters. Institute for Assets & Social Policy at Brandeis University & Demos; available Here.
3. Carnevale, A., Smith, N., & Strohl, J., (2014). Recovery: Job Growth & Education Requirements Through 2020. Georgetown Public Policy Institute; available here.

Over the past two decades, states, cities, counties, and non-profits have been using CSAs to close the achievement gap, address asset poverty, promote economic development, and support financial capability efforts. Thanks to these early programs, we have better insights into the impact of CSA programs. CSA programs have been shown to have a positive impact on the social-emotional health of a family, as well as a child's academic achievement, long-term financial stability, and economic mobility. Moreover, CSA programs that provide additional incentives for low-income families and families of color could serve as an important tool in closing the racial wealth gap.

With increasing data on the impact of CSAs, in 2009 the Illinois General Assembly created a bipartisan task force to explore the concept of a Children's Savings Account program in Illinois and produce recommendations for an Illinois CSA program. The task force, which released its report in 2010, recommended that a savings account should be opened automatically at birth for every child born in Illinois. Each account should be seeded with an initial deposit and low- and moderate-income children should have access to a one-to-one match savings incentive. The taskforce identified Illinois's Bright Start Direct College Savings Program as the savings vehicle because it is a secure, tax-advantaged way for families across the state to save for post-secondary education.[4]

This report examines what it will take to make these recommendations a reality in Illinois. We take a look at how Illinois families are currently using Bright Start and how families think about saving for their child's future. We also explore the potential impact of a 529-based CSA program on the racial wealth gap in Illinois, and how it should be implemented to ensure that low-income families are able to fully engage in such a CSA program.

The Illinois Bright Start Program

The Illinois Treasurer's Office operates two 529 college savings programs. A 529 program, named after Section 529 of the Internal Revenue Code, is an investment account that helps people save for qualified higher education expenses. It encourages people to save money by offering tax incentives. An individual (usually a parent or grandparent) with a 529 plan can save money in an account for a beneficiary (usually a child or grandchild), who will use the money for qualified higher education and vocational training expenses.

The Illinois Treasurer's Office manages the Bright Start College Savings Program, a plan that can be purchased directly by consumers through the Bright Start website; and the Bright Directions College Savings Program, an advisor-sold 529 savings plan. Both programs are managed by Union Bank and Trust Company.

Given that most low- and moderate-income families do not use a financial advisor, the Bright Start direct-sold program is the most accessible and has the potential to be expanded to a larger audience. [5]

4 Creating a State of Promise and Prosperity Illinois Children's Savings Account Task Force Report (2010). Available here.
5. Illinois has a third 529 plan, the College Illinois! Pre-paid Tuition Plan, which is managed and administered through the Illinois Student Assistance Commission (ISAC). College Illinois is a pre-paid program that allows families to purchase semester credits at today's rates.

Benefits of a CSA

Early Childhood Development & Achievement

Children develop expectations about their future as early as elementary school.[6] A CSA opened at birth helps build strong college expectations and serves as a way that parents can actively engage in preparing for their child's future. When a child is born, a parent's aspirations for their child are often high and the future appears filled with opportunity. Among lower-income families, however, these aspirations can decrease over time as the family encounters financial challenges and barriers to opportunity.[7] But research on the impact of CSAs shows that an account dedicated to college can raise expectations among children and parents. Children aged 12 – 18 with a savings account for college were twice as likely to expect to go to college as their counterparts without a college savings account.[8] Findings from SEED OK[9] found that over four years, mothers whose children received a CSA at birth were more likely to maintain or increase their expectations for their children's education than mothers whose children had not received a CSA.

> Children with a college savings account are TWICE as likely to EXPECT to go to college.

These high expectations also have an impact on a child's social-emotional development. In addition to finding that CSAs increased parental expectations, SEED OK also found that children who were provided a CSA at birth score better on social-emotional development indicators at age four than their counterparts who did not receive a CSA.

CSAs may continue to impact the child's academic achievement as they develop. Students aged 12 – 18 with savings accounts scored an average of nine percentage points higher on standardized math exams than their peers without savings.[10]

College Completion

In the longer term, research demonstrates that children with savings dedicated to college are more likely to attend college and to complete their degrees. The money saved by

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6. Elliot, W. (2012, January). We Save, We go to College. New America Foundation; available here.
7. Elliot, W. & Harrington, K. Identifying Short Term Outcome Metrics for Evaluating Whether Children's Savings Accounts Pro grams Are on Track. Federal Reserve Bank of Boston; available here.
8. Elliot, W. (2008). At-risk Children's College Aspirations and Expectations: The Potential of College Savings Accounts. Center for Social Development; available here.
9. SEED for Oklahoma Kids (SEED OK), which began in 2007, is a large-scale policy test of automatic and progressive CSAs.
10. Elliot, W., Jung, H., & Friedline, T. (2010, June). Math achievement and children's savings: Implications for child development accounts. Journal of Family and Economic Issues, 31(2), 171-184.

families through the CSA program could help address critical gaps that financial aid may not cover, such as books or living expenses. These relatively small costs can loom large for students from low-income families. Having savings to cover them can make a big difference in whether students are able to complete college.

Additionally, even just a small amount of savings can have a positive impact on college completion. Among low- and moderate-income children, those with less than $500 in college savings are three times more likely to attend college and four times more likely to graduate from college than low- and moderate-income children without savings. In this instance, the account's primary role is not helping a child pay for college but rather supporting a child's aspirations—creating a college-bound mentality.[11] In other words, CSAs not only help students pay for school, but they also provide a psychological boost that encourages students to finish school.

Low- and moderate-income children

with college savings of just $1 - $499

are 3x more likely to attend college

and 4x more likely to graduate.

Beyond College

A savings account opened at birth has a lasting impact on a child's financial stability and the broader community. A child with a savings account learns savings behaviors that stay with them through their adult life. Adults who had accounts as children are twice as likely to have savings accounts and they are more likely to have more saved compared with their peers who did not have an account as a child.[12]

Furthermore, a recent analysis by the Institute on Assets and Social Policy at Brandeis University found that a CSA program could have a profound effect on the racial wealth gap.[13] Depending on funding and participation, these accounts could reduce the racial wealth gap for young adults by as much as one-third while raising the wealth levels of all racial groups. This investment in children could also reduce the use of public benefits, result in economic growth, and create greater equity across the state.

11. Assets and Education Initiative. (2013, July). Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education; available here.
12. Friedline, T. (2014). The independent effects of savings accounts in children's names on their savings outcomes in young adulthood. Journal of Financial Counseling and Planning, 25(1), 69–89; available here.
13. Institute on Assets and Social Policy (IASP), Brandeis University (2017), Analysis of the Survey of Income and Program Participation (SIPP) 2008 panel, calendar year 2011,wave 10. Waltham, MA.

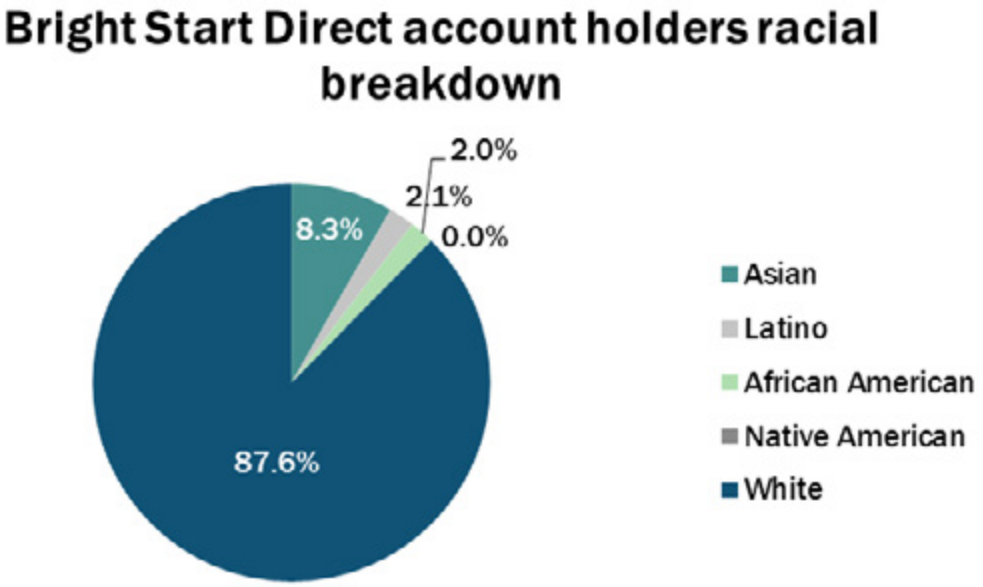
Bright Start Savers

In 2010, the Illinois Children's Savings Account Task Force recommended the Illinois 529 College Savings Program (Bright Start Direct) as the best vehicle for a statewide program. Currently, Bright Start provides families an opportunity to save for college. But as we find, the program is underused by low- and moderate-income residents, residents of color, and those without a college or graduate degree. But why? What makes a difference for these families and how can we make a CSA program that better serves all Illinoisans? To better understand these questions, we analyzed data provided by the State Treasurer's Office to see who has Bright Start accounts in the state; conducted focus groups and interviews of low-income people and people of color, some of whom are saving with Bright Start and some of whom are not; and looked at the impact of expanding CSA access on the racial wealth gap, based on the Institute on Assets and Social Policy analysis.[14]

Why Bright Start for CSAs?
529s are well-suited as a vehicle for a CSA program: they bring an existing infrastructure that is widespread, tax-advantaged, and secure, and they support wealth-building through secondary education—which is a proven way to advance economic security. Nonetheless, 529 accounts have limitations as a vehicle for a CSA program; for example, savings are limited to educational expenses, not lifelong wealth-building.

Demographic Profile of Bright Start Direct Savers

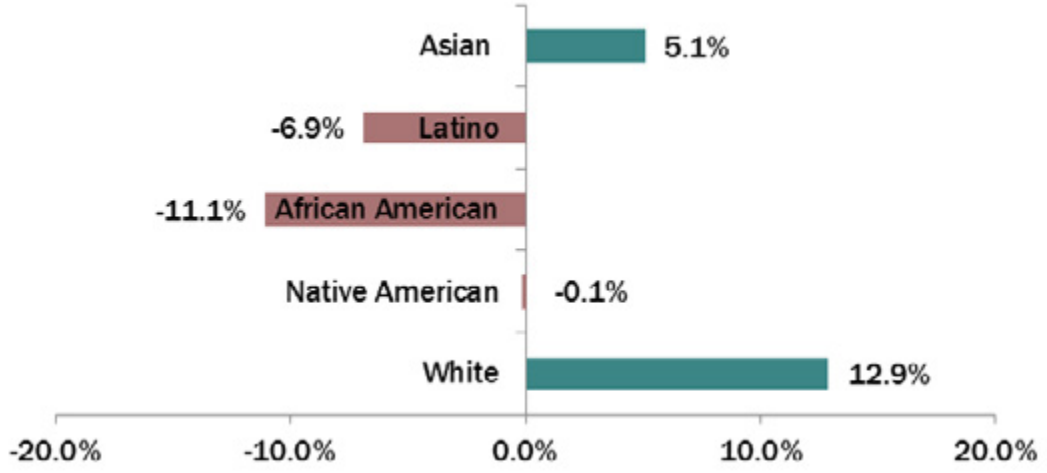
On average, Bright Start Direct account holders are more white and higher-income than Illinois's population. This raises concerns about the access that low-income people and people of color have to wealth-building vehicles such as Bright Start, as well as other consumer investment products.



14. For more information on our methodology, see Appendix A.
15. For comparisons between Bright Start Direct account holders and the general Illinois population, our data source was a consumer database maintained by Civis Analytics.

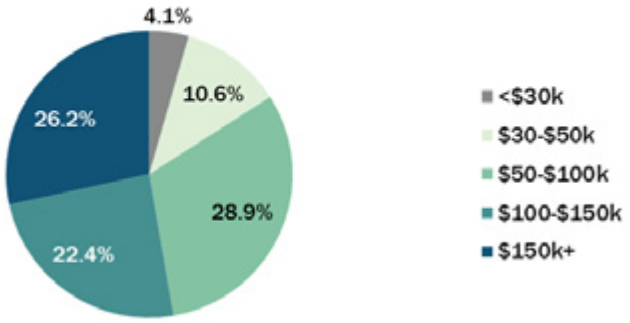
As of April 2017, there are 68,432 Bright Start Direct account holders. White people comprise 88 percent of Bright Start Direct account holders, while Asians comprise 8 percent of savers and black people and Latinos each make up approximately 2 percent of Bright Start Direct account holders.[15] Compared to the racial and ethnic distribution of Illinois's population, black people and Latinos are underrepresented among Bright Start Direct account holders. The percent of Bright Start Direct account holders who are black is over 11 percentage points lower than the percent of Illinoisans who are black, while the percent of Bright Start Direct account holders who are Latino is almost 7 percentage points lower than the percent of Illinoisans who are Latino.

Percentage point difference between Bright Start Direct Account Holders and Illinois consumers.

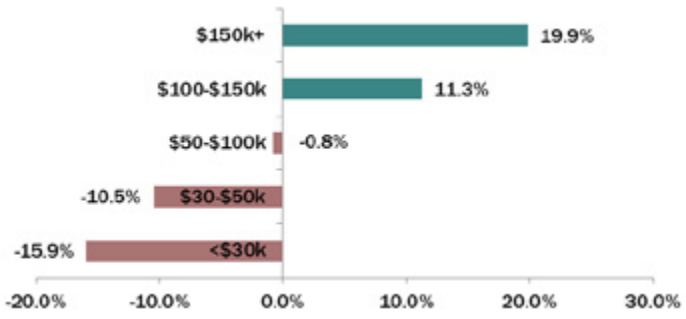


Bright Start Direct savers have much higher incomes than Illinoisans on average. Over a quarter of Bright Start Direct savers earn more than $150,000 per year, while just 4 percent earn under $30,000 per year. The percent of Bright Start Direct account holders earning more than $150,000 per year is twenty percentage points higher than the percent of Illinoisans who earn more than $150,000 per year, while the percent of Bright Start Direct account holders

Bright Start Direct account holders income breakdown



Percentage point difference between savers and Illinois consumers



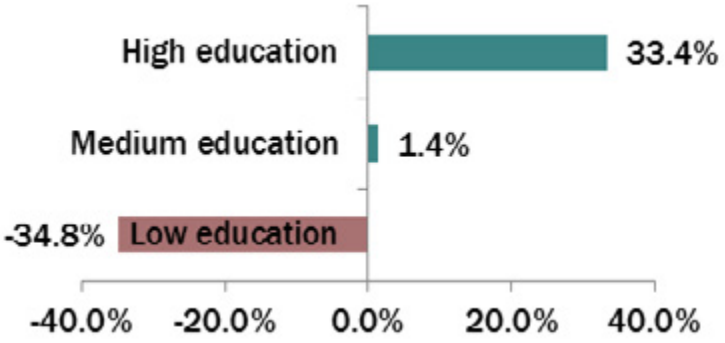
who earn less than $30,000 per year is almost 16 percentage points lower than the percent of Illinoisans in that income bracket.

Bright Start Direct Account holders are more white, educated, male, suburban, middle aged and earning higher incomes than the average Illinoisan.

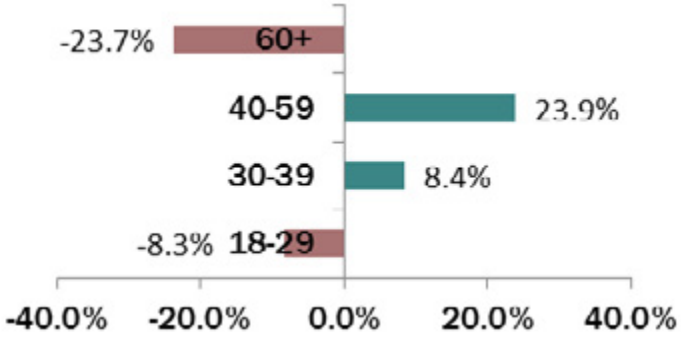
Bright Start Direct account holders differ from the Illinois population on average in other areas as well: they are more educated, more middle-aged, more male, and more suburban than Illinoisans are. The percent of Bright Start Direct account holders who are highly educated is 33 percentage points higher than the percent of Illinoisans who are highly educated. The percent of Bright Start Direct account holders who are 40 – 59 is 24 percentage points higher than the percent of Illinoisans in that age bracket. The percent of Bright Start Direct account holders who are male is 16 percentage points higher than the percent of Illinoisans who are male. The percent of Bright Start Direct account holders who live in suburban areas is 17 percentage points higher than the percent of Illinoisans who live in suburban areas.

Percentage point difference between Bright Start Direct account holders and Illinois consumers:

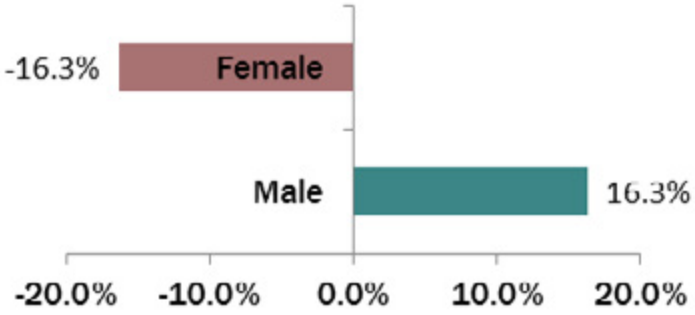
Education



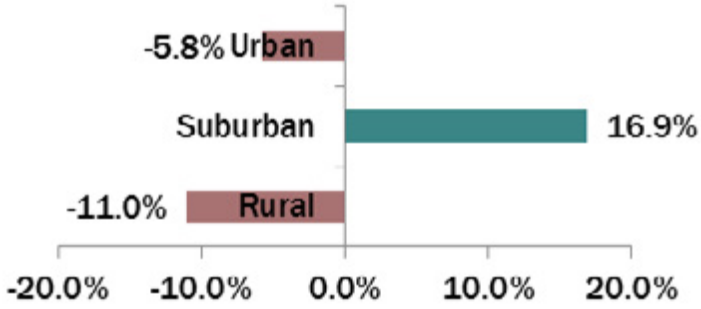
Age



Gender



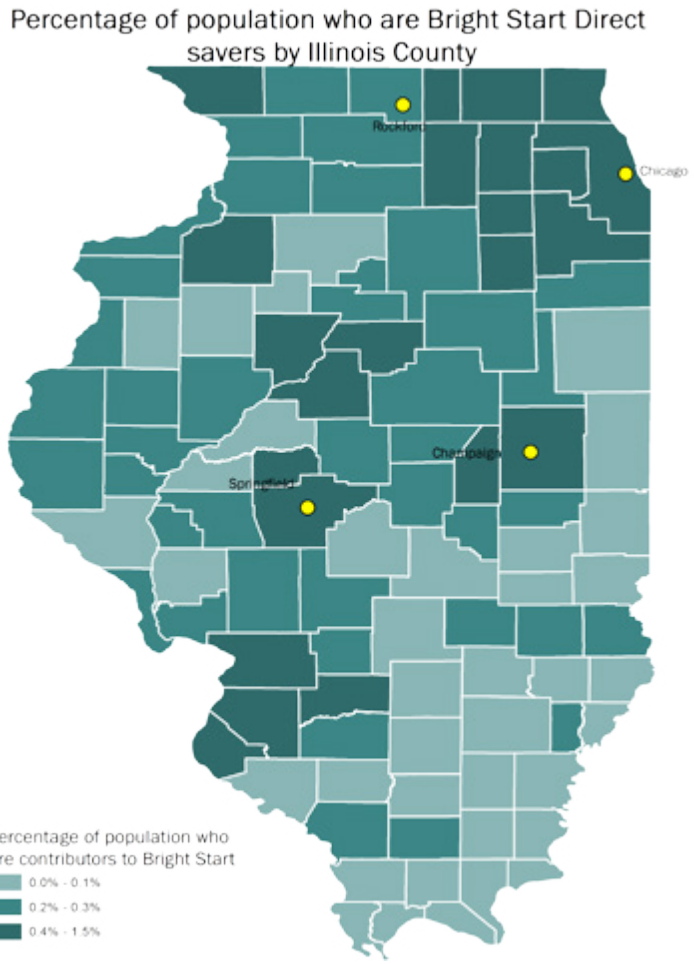
Urbanity

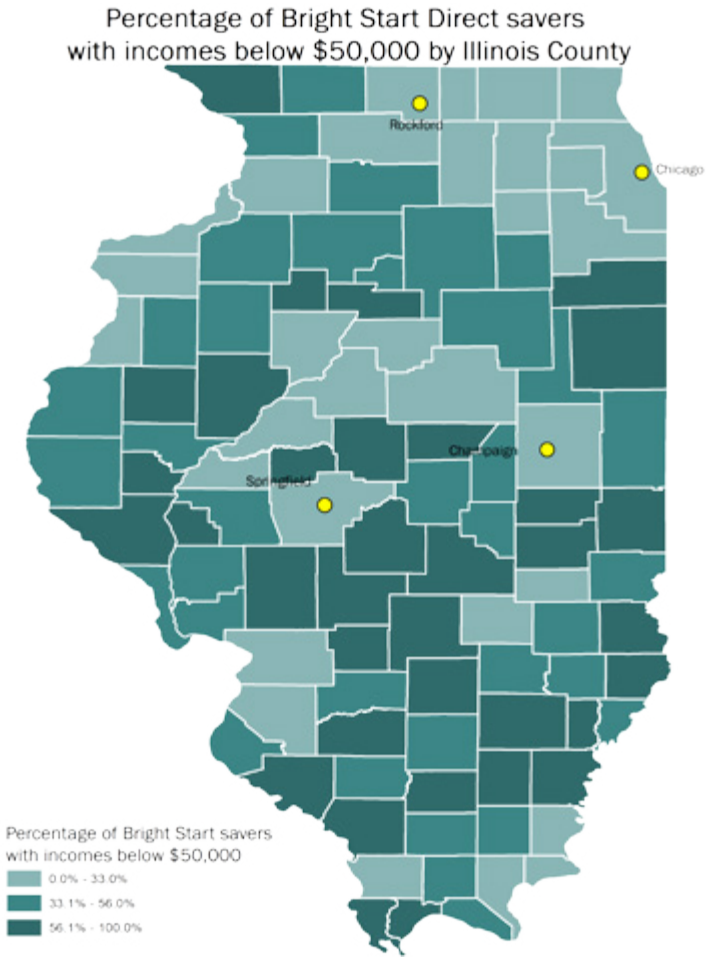


Geography of Bright Start Direct Savers

The variation in savings patterns across Illinois shows that communities may have different needs and challenges when it comes to expanding access to college savings.

Populations with the highest rates of Bright Start Direct savers are concentrated in the north and northwest sides of Chicago and the Chicago suburbs.





The parts of Illinois with the highest concentrations of Bright Start savers with incomes below $50,000 are largely in central and southern Illinois.

See the Appendix C for additional full size maps by savers, race, and income in Chicago and Illinois.

Savings Behavior of Bright Start Direct Savers

Bright Start savers in the highest income bracket contributed over three times as much in 2016 on average as savers in lowest income bracket. Households earning more than $200,000 per year contributed $15,798 to Bright Start Direct accounts in 2016, while households earning less than $30,000 per year contributed $5,179 to Bright Start Direct accounts in 2016. That means that the lowest-income households managed to put the equivalent of at least 17.3 percent of their income towards college savings. The average contributions of the highest-income households maxes out at 7.9 percent of their income.

Low-income families can & want to save for college. But they need access.

Households in the lowest income bracket saved an average of 17.3% of their income towards college savings; households in the highest income bracket saved an average of 7.9%.

Racial disparities are evident in the average amount saved with Bright Start in 2016; across the board, white savers were able to save 2.6 times more on average ($8,438) than black ($3,254) and 1.9 times more than Latino ($4,341) savers. These disparities held true across the income distribution. Among the lowest income savers (with household incomes less than $30,000 per year), white savers saved 2.6 times more than Latino savers ($5,525 vs. $2,102) and black savers ($5,525 vs. $2,136). In the highest income bracket (with household incomes exceeding $200,000 per year), white savers saved nine percent more than Latino savers ($15,848 vs. $14,527), while white savers saved 2.1 times more than black savers ($15,848 vs. $7,549). The persistent inequities may reflect the effects of the racial wealth gap—where people of color have, on average, fewer assets than white people with similar incomes due to the legacy of public policies that denied wealth-building opportunities to people of color.

The Racial Wealth Gap

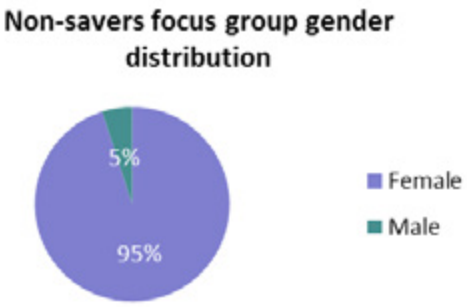
In Illinois, there are significant disparities in opportunity between majority white communities and communities of color. The disparities here are indicative of a larger problem: they are a result of historical and current policies and institutional practices that disproportionately harm communities of color while providing benefits to white communities. These policies can be found in systems from housing to financial products to education and more. According to the 2016 Illinois Poverty Report, poverty rates are two to three times higher for Illinoisans of color.[16] When we look beyond income to wealth, we see even more disparity. **In Illinois, white households have about 15 times more wealth than black households and 9 times more wealth than Latino households.[17]** This wealth inequity is not sustainable for families, communities, and the larger economy.

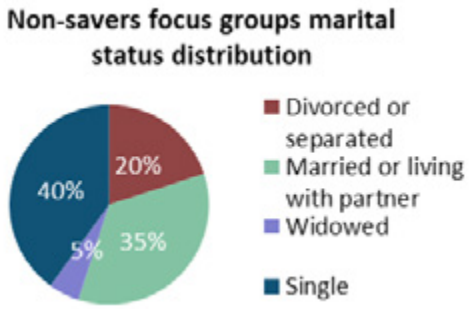
16. Buitrago, K., Rynell, A., & Tuttle, S. (2017, March). Cycle of Risk: The Intersection of Poverty, Violence, and Trauma in Illinois. Heartland Alliance; available here.
17. Institute on Assets and Social Policy (IASP), Brandeis University (2017), Analysis of the Survey of Income and Program Participation (SIPP) 2008 panel, calendar year 2011,wave 10. Waltham, MA.

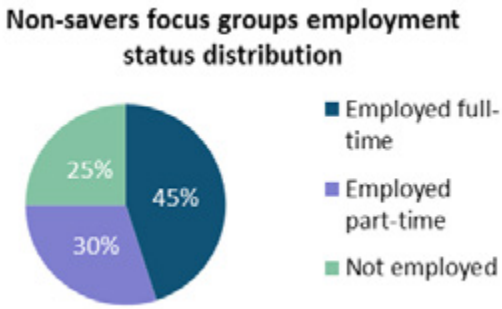
Deeper Dive: Conversations with Families

In order to understand barriers to saving for populations who are underrepresented in Bright Start—namely, low-income people and people of color—we conducted two sets of focus groups: one set included low-income parents and parents of color who are not currently saving with Bright Start (non-savers), and one set included low-income people and people of color who are saving with Bright Start (savers).[18] The focus groups focused on documenting barriers to saving, identifying ways of lowering barriers to saving, and understanding how low-income savers and savers of color found their way to Bright Start. These insights, while from a small sample, give us some understanding of what might improve efforts to expand saving for higher education among low-income people and people of color in Illinois.

Non-savers focus groups: Two focus groups with a total of 23 low-income non-savers and non-savers of color were conducted in Chicago (12 participants) and Champaign (11 participants). Participants were recruited through community partners that serve low-income people and people of color. All of the participants had children or grandchildren under the age of 18. The non-savers had an average age of 39.2, an average of 1.95 children under 18 in the household, and an average household income of $28,974. The non-savers focus groups were predominantly female (95 percent) and nearly evenly distributed between Latino (55 percent) and black (45 percent) participants. Forty percent of the non-savers were single, while 35 percent were married/living with a partner and 25 percent were divorced or widowed. Nearly half of the non-savers were employed full-time, while 30 percent worked part-time and 25 percent were not employed.



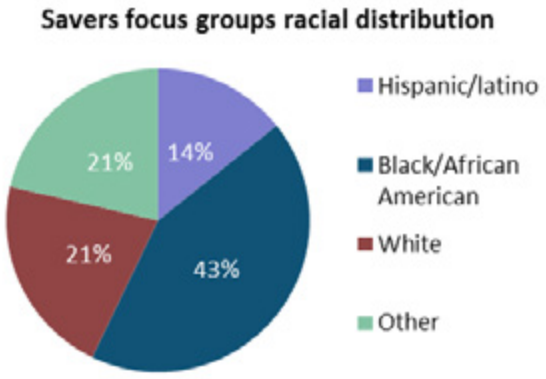


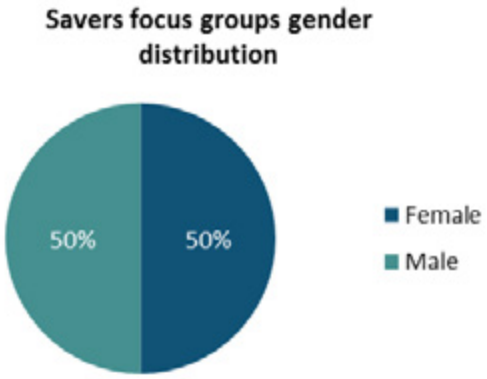


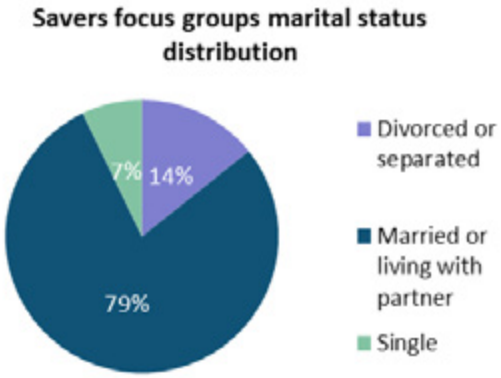
18. Participants were eligible for the focus groups if they were either a person of color, or low-income; participants did not need to meet both requirements (so some low-income participants were white, and some participants of color were high income).
19. Only 20 of the 23 non-saver participants completed the pre-focus group questionnaire upon which the following analysis is based (12 in Chicago and 8 downstate).

Savers focus groups: Two focus groups with a total of twelve low-income savers and savers of color were conducted in the Bronzeville neighborhood on the South Side of Chicago (8 participants) and the Belmont-Cragin neighborhood on the Northwest Side of Chicago (4 participants). There was not sufficient response to merit focus groups in downstate Illinois, so researchers conducted two phone interviews with a low-income saver and a saver of color who live outside of Chicago. Participants for the focus groups were recruited through the Illinois State Treasurer's Office Bright Start e-newsletter. While most participants were saving for their children through Bright Start, a few were saving for nieces or nephews, grandchildren, or other beneficiaries. For simplicity, we broadly refer to participants' Bright Start beneficiaries as "their children."

The savers had an average age of 46.3, an average of 1.43 children under 18 in the household, and an average household income of $107,000. The savers focus groups were evenly divided among male and female participants, while a plurality of participants were black. The majority of savers were married or living with a partner and employed full-time.







Factors that may contribute to increased financial security among the savers group that allows them to save for higher education more easily than the non-savers may include savers' much higher income, higher likelihood of living with a partner, higher likelihood of being employed full-time, and fewer children under 18.

Motivations to Save

Parents in both the saver and non-saver focus groups expressed a desire and an expectation that their children pursue higher education and recounted their efforts to encourage and create a path for their children to get an education.

Savers were inspired to save for their children's higher education for a variety of reasons, including avoiding future debt to pay for the cost of college and uncertainty about the availability of government financial aid. Primarily, however, savers spoke about how saving for higher education would help their children: savers wanted better educational options for their children than what they had, to minimize the student debt children would have to incur in the future, and to shape a "college-going mindset" in their children by demonstrating a commitment to saving for college.

Non-savers expressed similar desires to save for their children's higher education, but many believed that they either did not earn enough or did not have the discipline to save, particularly in the face of competing financial pressures. Most non-savers expected their children to attend some sort of post-secondary education, and expressed hope that higher education would help children to break the cycle of poverty and achieve socio-economic mobility. Several noted that they expected their children to get scholarships for extracurricular activities or academic achievement since they could not afford to save much or at all for college. While they were not using saving to promote college aspirations among their children, many non-savers tried to create an expectation with their children that they would attend college and held them accountable for getting good grades.

Learning About Bright Start

While parents have many options to save for their children's education—from traditional savings accounts to IRAs to prepaid college plans to 529 accounts—many parents are simply unaware of these options. Parents in our savers focus groups found their way to Bright Start primarily through financial advisors or through their own independent research, mostly done online. A few less common methods of hearing about Bright Start included financial newspaper columns and recommendations from friends. Savers chose Bright Start over other options because they like the general features of 529 accounts (ability to change investment strategy, aren't restricted to schools in one state, can transfer funds to another beneficiary), as well as reasons particular to Illinois's Bright Start program (Illinois tax benefits, easy automatic savings functionality, perception that it is well-rated relative to 529 plans in other states).

In contrast, of the 23 non-savers, only three had heard of Bright Start, and only one could identify it as a college savings program. Once the program was explained to them, however, there was significant interest in learning more—and some skepticism about some of Bright Start's features (such as the wisdom of investing in the stock market, and the penalties for withdrawal for non-education-related expenses). Being unable to withdraw funds in an emergency without penalty was a major concern for non-savers.

Savings Behavior

The vast majority of savers started saving when their children were very young (kindergarten age or younger). Most have contributed to their accounts consistently since then, although some had periods where they could not save due to difficult life events. Some of the non-savers had saved for higher education in the past, but emergencies caused them to re-purpose their savings—for example, divorce, job loss, or a death in the family.

Among savers, it is common for others to contribute to Bright Start accounts, namely family and friends giving gifts at the beneficiaries' birthdays or holidays. Some third-party contributors managed to contribute directly to the Bright Start accounts, though others just gave the account holders a check. For savers, Bright Start accounts became a way for family and friends to contribute to their children's educations.

Savers saved an average of $14,600 across all Bright Start accounts and an average of $8,588.24 per account. The range of total savings among focus group participants was a minimum of $700 and a maximum of $37,000. While we did not collect the age of beneficiaries, the average age of children under 18 in their households was 10.

Barriers to Saving

Savers and non-savers alike mentioned difficulties in saving for their children's educations, including:

- **Competing savings pressures:** There was widespread agreement among savers that it is difficult to balance competing savings priorities, notably saving for their own retirement vs. saving for their children's higher education. Non-savers also spoke of the difficulty of managing competing short- and long-term savings priorities along with expenses of daily living; the difficulty in juggling multiple saving priorities may be more acute for non-savers since they have much less income than savers to spread around.
- **Life expenses and debt repayment:** Some savers noted that they were still paying off their own student loans, and some financially supported family. Non-savers felt that they were struggling to make ends meet and simply did not have enough money to save. Some of the non-savers were working part-time jobs not because they preferred to, but because they could not find full-time work that offered benefits.
- **Financial education and attitudes:** The focus group discussions revealed stark differences in learning and exposure to money management during childhood between saver and non-saver parents. Many non-savers felt that they did not get much guidance about money management from their parents or through the education system. Some of their parents did not have bank accounts, or struggled with debt. Today, many non-savers struggle with knowing how to educate their children about money. Some felt that it was not appropriate to discuss money with children, while some who did not talk about it wished that they were confident enough to do so. In contrast, many savers reported that they learned about money primarily from their parents.

- **Mistrust of financial institutions:** Several non-savers expressed a fear of bank failures in the wake of the recession—some Latino non-savers with connections in Central and South America had particular concerns based on the volatility of the banking sector in their countries of origin. While all non-savers spoke English, some were more comfortable in Spanish and did not trust banking documents when they could not get them in Spanish. There was also significant risk aversion among non-savers. When informed that Bright Start is an investment product, many non-savers were skeptical about putting their limited money in the stock market and likened it to gambling.

Experiences with Bright Start

Savers had a variety of suggestions for **improving the experience of saving with Bright Start**, including increasing education, facilitating access, and:

- Implementing additional financial incentives to parents for saving, such expanding federal and state tax benefits to include a savers credit.
- Providing a matched contribution from the state (either at a child's birth, or a certain amount per year)—an idea that was appealing to non-savers as well. One saver suggested that the state open a Bright Start account for every child at birth and seed it with an initial amount of money.
- Expanding efforts to encourage account holders to save at times when it's easier for people to save—for example, during tax time, holidays, children's birthdays, or during three-paycheck months (if it is possible to determine if an account holder has a biweekly pay schedule).
- Creating easier methods for third parties to contribute to accounts—the current process was found to be cumbersome, especially for those who are not computer literate. One idea to make it easier for third parties to contribute was the ability to create a Bright Start "gift registry" function.

In general, savers had the sense that not many of their peers were familiar with or using Bright Start. In terms of **encouraging more people to open Bright Start accounts**, many savers believed the following would be effective in reaching families:

- Marketing Bright Start at schools would be an effective way of reaching potential savers.
- Conducting financial education about the benefits of college savings at school for both parents and children would raise more awareness.
- While it may not be possible under current regulations, savers reported that they would be more likely to spread the word about Bright Start if provided with a referral bonus.

Savers were largely happy with their **experience of managing their Bright Start accounts.** They found it easy to set up automatic contributions and thought account materials were useful, timely, and easy to understand. While most savers thought the account opening process was easy, a few found it cumbersome; in particular, they recommended:

- Making it easier to find information and make decisions about investment options.

Conversations with Parents

"I grew up in a two-parent family and education was really key. My grandfather born in 1898 and he went to college. So if he could go to college, we all really need to go to college…My husband had a child before we got married and they were all over the place [with saving]. So when our daughter was born, at 6 months old I started saving for her, because you don't know. She plays basketball and is doing very well, she got scouted, but I don't know how much money we'll get from that. We can't depend on that. I've got to do something. People are mortgaging their homes…no! We almost lost our home, we can't mortgage our home." –Bronzeville saver

"College is becoming expensive. It's not going to be feasible, even if you have a steady job and a regular income… if you don't start planning for it ahead of time, towards those last 3 – 4 years it's going to be extremely tough to put all the money together. I've seen some of my older friends, their kids went to college and even in-state tuition is really expensive." – Belmont Cragin saver

"The other thing I tell my daughter is that 'you could be the first, you know what that means, you could be the first in the family to start a chain of triumph.' I don't know what to do sometimes, but I think talking is very good. Talking to them about how far they can go." — Chicago non-saver parent

"I know I'm going to be working until I'm 75, there's no doubt about it. I know I'm gonna die with my student loans. My little girl's education is paid for. That's all I'm worried about." —Bronzeville saver

"The challenge for us when you have children late is that you have to think about retirement and putting them through college. My mind is always on both of those roads at the same time, and I'm always looking at everything once a month, and figuring out how we do this and do that. There's a lot of anxiety. The thing I absolutely don't want is my son to face $50,000 in student loan debt like I did. Our parents just could not afford [to save]… I feel like I want to give him a leg up from that perspective, to not have to leave school with so much student loan debt because that's what is holding down millennials. They can't buy houses, they can't find jobs, they're still living with their parents…there's a lot of anxiety about figuring it all out." —Bronzeville saver

"I don't have any savings account for my children because I got divorced 15 years ago when they were very little, so I was struggling to bring the food to the table. I didn't have the opportunity to save, I was aware that they do need savings but I didn't have enough money. I had to decide 'do I save money?' or 'do I feed them or pay the rent or the bills?', so I didn't save money for them."— Chicago non-saver parent

"I have been on a rollercoaster with saving. I had a really good job years ago with Ford. My daughter had a pretty good savings account. When my husband passed I had to use it, we didn't have insurance on him and he wasn't a citizen. After that it was kind of hard to put food on the table and all that good stuff, even with just my one [child]."— Chicago non-saver parent

"I don't know if my kids were influenced as much by the fact that I have this college savings plan for them that has a small amount of money set aside. I think maybe they were more motivated by the fact that we don't have a lot of money. If they want to go to a good school, they'll have to do well." —Belmont Cragin saver

- Increasing access to account materials in languages other than English.
- Raising awareness about phone apps for savers (to check account information as well as project their future balances under different savings and costs scenarios) and beneficiaries (to show them likely college costs when they are likely to attend so that they understand the importance of savings).

Despite the overall satisfaction with Bright Start, savers had some **concerns about the program and with saving for college in general**, including:

All savers said they would recommend Bright Start to their peers.

- Fears that state policymakers would change Bright Start policies before the beneficiary has the chance to use it, and therefore would be a less valuable savings tool (even though the State would not be able to touch their assets)—for example, removing the tax benefits associated with Bright Start.
- Concerns that the Bright Start fees were too high and confusion about what they were actually paying for.
- Questions about whether the investment manager was chosen on its merits or because of cronyism. It is important to note that this fear of corruption was based in a general sense of skepticism about the political culture in Illinois, rather than a reaction to a particular incident.
- Fears about the future prospects of the stock market when they will need to withdraw from Bright Start accounts.
- Widespread feeling that it was impossible to save enough for college, retirement, and other major expenses; even though they were saving, savers feared that it would not be enough.

Influence of saving on children

One of the major arguments in favor of expanding access to college savings is that even small amounts of savings increase children's school performance as well as the likelihood of attending and graduating from college. The mechanism by which that happens is unclear—it may be because parents talk about saving with children, which instills an expectation that children will do well in school and go to college, or that parents who are likely to save are also likely to engage in other behaviors that promote school performance and college success in their children. Most savers said that they talk to their children about their college saving, and usually start doing so around middle school. Some savers encouraged or required their children to contribute to college savings as well, either from gifts or part-time jobs. Savers who talked to their children about savings reported that it seemed to have varying effects on their children's motivation and grades, depending on the child's personality; this perception, however, does not capture long-term impacts. Some savers said that they did not talk about saving with their children at all.

Lessons Learned

While each parent has a different experience preparing their child for higher education, a number of general themes emerged from our focus group discussions about who saves, what allows families to save, and how the Bright Start program can be more effective. Non-savers typically had higher financial constraints than the savers did, such as single income earners, lower incomes, underemployment, and lower levels of financial education. Savers and non-savers alike were motivated to save to support their children's education, but faced tough decisions about how to allocate resources across competing needs, such as retirement savings, day-to-day expenses, and debt repayment. Savers suggested several ways to improve Bright Start's reach, including opening accounts for Illinoisans at birth, including a savings match, and increasing outreach strategies.

Who saves

While all of the focus group participants, regardless of savings status, were either low-income or a person of color, there were significant differences between the savers and non-savers that could influence their ability to save for higher education:

- Savers were typically higher-income people of color with a few lower-income whites, while the non-savers had a much lower average income.
- The higher household income among savers may be related, in part, to their higher rates of full-time employment and cohabitation with a partner/ spouse.
- Savers and non-savers also differed on their level of financial education. Some savers had financial advisors, had a good understanding of how investment products work, and many reported learning about money and budgeting from their parents. In contrast, many non-savers reported that their parents did not talk about money with them and had a mistrust of financial institutions and the stock market.

Motivations and barriers to saving

- Savers and non-savers alike were motivated to save by a similar reason: wanting their child to have economic opportunity without incurring significant debt. This motivation was particularly salient for low-income people who wanted their children to break the cycle of poverty through higher education.
- The significantly fewer financial resources available to the non-savers, however, hurt their ability to make those savings aspirations a reality. While some non-savers saved in the past, they faced significant life setbacks that required them to drain their savings, and they have not been able to get back on track.
- Savers and non-savers alike faced tough decisions about how to allocate their money to different saving and spending priorities, but the non-savers simply had less money to spread around—and saving for college just did not make the cut when they struggled to pay rent and buy food.

How to make Bright Start a more effective savings tool for all Illinois families

Bright Start savers also have insights into ways to increase savings participation in Bright Start, including:

- Opening accounts for all Illinoisans at birth
- Including a savings match
- Making it easier for third parties to contribute
- Conducting more outreach at targeted times and at schools
- Improving educational materials about investment options
- Raising awareness about interactive tools to manage accounts/project savings
- Not counting Bright Start assets towards state financial aid considerations
- Instituting a referral bonus program

Impact of CSAs on Illinois's Racial Wealth Gap

In Illinois, there are significant disparities in opportunity between majority white communities and communities of color. These disparities are a result of historical and current policies and institutional practices that disproportionately harm communities of color while providing benefits to white communities. These policies can be found in systems from housing to financial products to education and more. Children's Savings Accounts could be a tool to help close the racial wealth gap. CSAs could do this by increasing the amount of assets that families of color have, as well as by expanding access to educational opportunities that could lead to higher earning potential.

Racial Wealth Gap in Illinois[20]

Black people and Latinos have much less wealth than white people, both nationwide and in Illinois. In Illinois, white households have nearly 15 times more wealth than black households and over nine times more wealth than Latino households. Nationwide, white households have about 16 times more wealth than black households and 14 times more wealth than Latino households.

In Illinois, white households have nearly **15 times** more wealth than black households and over **9 times** more wealth than Latino households

In Illinois, white young adult households have nearly **11 times** more wealth than black young adult households and over **4 times** more wealth than Latino young adult households.

This wealth gap also holds true for young adult households (headed by 18—34 year olds). In Illinois, white young adult households have nearly 11 times more wealth than black young adult households and over four times more wealth than young adult Latino households. Nationwide, white young adult households have over 19 times more wealth than black young adult households and over four times more wealth than young adult Latino households.

20. All analysis in this section is based on: Institute on Assets and Social Policy (IASP), Brandeis University (2017), Analysis of the Survey of Income and Program Participation (SIPP) 2008 panel, calendar year 2011,wave 10. Waltham, MA.

Racial Wealth Audit

The Institute on Assets and Social Policy (IASP) at Brandeis University modeled how the racial wealth gap in Illinois would change under two different scenarios proposed by the Illinois Children's Savings Account Task Force.[20] They focused their analysis on the effects these policy scenarios would have on young adult households (those aged 18—34) who were beneficiaries of children's savings accounts over the course of their lifespan. In both scenarios, increasing access to children's savings accounts would significantly reduce the racial wealth gap (see appendix B for more information about the IASP methodology).[22]

Both scenarios would involve opening accounts for all children born in Illinois at birth; contributions from the state when the account is opened, plus a supplemental contribution for low-income children; and an annual savings match from the state for those who meet income eligibility. A three percent rate of return is assumed in both scenarios.

Modeling assumes that incentives and matches are targeted to low-income households at or below 185 percent of poverty and therefore, that wealth gains from CSAs are concentrated among this group. Utilizing the report of the task force, the analysis projects increases in wealth for participating low-income households based on two scenarios. Scenario #1 has a larger initial and supplemental deposit and a 2:1 match with a lower

	Scenario 1	Scenario 2
Inital Deposit	$100	$15
Supplemental Deposit	$100	$10
Annual Parental Contribution	$108	$240
Savings Match	$216	$240
Net Savings	**$4,360.75**	**$7,591.39**

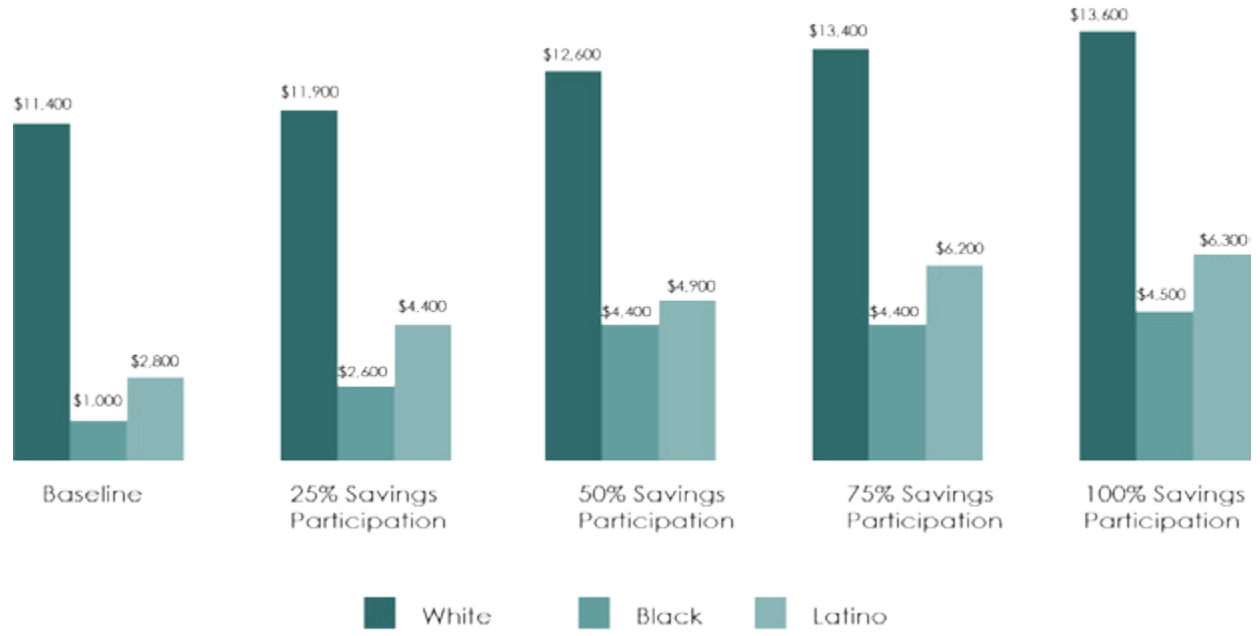
parental contribution, resulting in a net savings after 18 years of $4,360.75 for low-income households participating consistently. Scenario #2 has a smaller initial and supplemental deposit with a 1:1 match of a higher parental contribution, resulting in a net savings of $7,591.39 over 18 years.

Under scenario 1, all the racial/ethnic groups experience increases in median wealth based on projected changes in wealth. Black people and Latinos showed the greatest relative and absolute increases in wealth, particularly black people, with at least 340 percent gains in wealth at the 50 percent, 75 percent and 100 percent savings participation levels among low-income households. The smallest absolute black-white wealth gap applying scenario

21. Creating a State of Promise and Prosperity Illinois Children's Savings Account Task Force Report (2010). Available here.
22. All analysis in this section is based on: Institute on Assets and Social Policy (IASP), Brandeis University (2017), Analysis of the Survey of Income and Program Participation (SIPP) 2008 panel, calendar year 2011,wave 10. Waltham, MA.

1 is projected to occur at the 50 percent savings participation level with an $8,200 gap. When incentives and gains are focused on lower-income households under a variety of CSA savings participation levels, the black-white and Latino-white racial wealth gaps are projected to go down. Overall, modeling using scenario 1 shows larger increases in median wealth for black people and Latino young adults than for their white peers. When program design supports and incentivizes participation for lower-income households, the expected impact of CSAs will be to reduce the racial wealth gap across all the savings participation levels modeled.

Scenario 1 – Illinois median net wealth at different savings participation levels for CSAs for young adults (18-34)



Scenario 1 - Estimated wealth percentage increases by race/ethnicity for Illinois young adults (18-34) with different savings participation levels in CSA programs

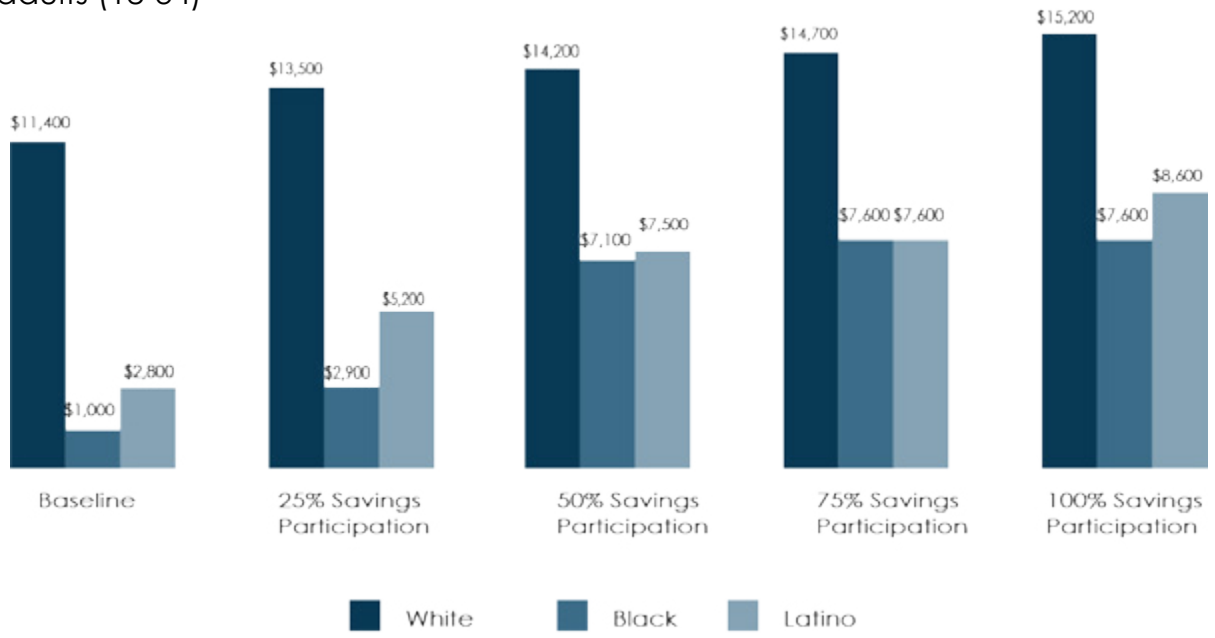
	25% Savings Participation	50% Savings Participation	75% Savings Participation	100% Savings Participation
White	4.4%	10.5%	17.5%	19.3%
Black	160.0%	340.0%	340.0%	350.0%
Latino	57.1%	75.0%	121.4%	125.0%

Scenario 1 - Racial Wealth Gap Percentage Change for Illinois young adults (18-34) in different savings participation levels in CSA programs

	25% Savings Participation	50% Savings Participation	75% Savings Participation	100% Savings Participation
Black - White	-10.6%	-21.2%	-13.5%	-12.5%
Latino - White	-12.8%	-10.5%	-16.3%	-15.1%

Scenario 2 shows greater increases in wealth compared with scenario 1 given the higher assumed savings levels projected in this scenario among lower-income households. The wealth gains at higher participation levels are notable, reaching 610 percent increase for black people in median wealth at the 50 percent savings participation level, and surpassing this percentage increase at the 75 percent and 100 percent savings participation levels for low-income households. Latinos are also projected to experience notable gains under the modeled assumptions, especially at the 50 percent savings participation level and beyond. Though black people and Hispanics have projected increases in their median wealth at the lowest participation levels modeled using Scenario 2, the racial wealth gap starts to close substantially at the 50 percent savings assumption level and above.

Scenario 2 - Illinois median net wealth at different savings participation levels for CSAs for young adults (18-34)



Scenario 2 - Estimated wealth percentage changes for Illinois young adults (18-34) in different savings participation levels in CSA programs.

	25% Savings Participation	50% Savings Participation	75% Savings Participation	100% Savings Participation
White	18.4%	24.6%	28.9%	33.3%
Black	190.0%	610.0%	660.0%	660.0%
Latino	85.7%	167.9%	171.4%	207.1%

Scenario 2 - Racial Wealth Gap Percentage Change for Illinois young adults (18-34) in different savings participation levels in CSA programs

	25% Savings Participation	50% Savings Participation	75% Savings Participation	100% Savings Participation
Black - White	1.9%	-31.7%	-31.7%	-26.9%
Latino - White	-3.5%	-22.1%	-17.4%	-23.3%

The analysis shows that scenario 2 has greater increases in median wealth for all groups, in particular when we see 50 percent, 75 percent, and 100 percent consistent savings participation levels among lower-income households, and offers considerable reductions in the racial wealth gap for young adults. More participation among low-income households is generally expected to lead to reductions in the racial wealth gap at the median for young adult households in Illinois, though the relationship is not perfectly linear.

These estimates of wealth gains are likely conservative, since they do not take into account the wealth-building benefits of increased college attendance and higher earning potential from college savings accounts. At the same time, the analysis was performed on a national sample weighted to resemble Illinois, so estimates should be interpreted with caution (see appendix for more).

Policy & Program Recommendations

State Treasurer's Office Initiatives to Improve Access to Bright Start

Illinois's Bright Start College Savings Program has been steadily improved in recent years, making it more accessible to underrepresented households. For example, in 2011, the Illinois Dream Act was signed into law. Among other things, it required the Bright Start Program to accept an Individual Tax Identification Number (ITIN) if the account owner and/or the beneficiary do not have a Social Security Number (SSN). This removed a significant barrier for undocumented residents, especially "Dreamers."[23]

With the July 2017 change in the Bright Start program manager, the Illinois State Treasurer is currently spearheading a number of changes that will remove additional savings barriers identified by our focus groups, including:

1. **Targeted Outreach and Messaging**: The State Treasurer will conduct specialized outreach and marketing to families that are not currently saving with the Bright Start Program. This will include research to determine the most effective ways to market the program to under-represented populations.

2. **No Minimum Deposit**: The Illinois State Treasurer will remove the minimum deposit requirement and annual account fees on the Bright Start program. Previously the Illinois's Bright Start Direct Sold Plans have a minimum initial contribution of $25 and a minimum subsequent contribution of $15 (although the minimum can be lowered for employer-sponsored plans). For lower-income families, especially families on a fixed income, being able to deposit smaller amounts and save money on annual fees could make it easier for them to open college savings accounts and automatically contribute as part of their monthly budget.

3. **Default Investment Option**: The State Treasurer will be providing a default investment option for those who do not want to select from the various investment funds. The Bright Start Direct program currently offers numerous investment options. Research has shown that inertia and indecision limit people's ability to save and invest. Proving a default investment option will help facilitate enrollment.

4. **Ensuring Language Access**: The Illinois State Treasurer will continue to identify ways to expand access to non-English speaking families in Illinois. This may include providing educational presentations in foreign languages and providing marketing materials that are culturally relevant.

5. **Streamlining the Application Process**: The Illinois State Treasurer will be simplifying the application process. This will include shortening the application, allowing for mobile access, and using more accessible language.

23. "Dreamers" are defined as individuals brought to the United States at a young age without documentation but who have been educated in the U.S. school system.

6. **Expanding the Gifting Platform**: The Illinois State Treasurer will be expanding the gifting capabilities to allow contributions to be made from a variety of sources (i.e. friends and family).

These changes will remove significant barriers for those that take the first step to open a savings account for their child, while laying the administrative groundwork to allow for a low-cost CSA program.

Expanding Bright Start: Proposal for Universal CSA Program in Illinois

In light of improvements to Bright Start, now is the time for the General Assembly to enact a policy creating a universal CSA program in Illinois.

Heartland Alliance and the Illinois Asset Building Group (IABG) are leading efforts to advance universal CSA legislation that will expand the Bright Start Program and result in more Illinois families saving for college. In 2017, CSA legislation (HB3691) was introduced that is based on the recommendations of the bipartisan CSA task force.

A Scalable Structure: The legislation expands the Bright Start College Saving Program to provide a 529 college savings account for children born in Illinois. The account will be seeded with an initial $50 through private funding and/or an appropriation from the General Assembly. Low- and moderate-income families will be encouraged to save in their own Bright Start account through a one-to-one dollar match for up to $75 per year. The seed investment, match incentives, and the investment earnings on those funds can be used to pay for qualified postsecondary educational expenses. If the child chooses not to pursue postsecondary education by the age of 29, the seed and match funds in the custodial account will be reinvested in the program.

State Supported, Community Driven: Once the General Assembly has appropriated sufficient funds and/or sufficient funds are raised through the private sector, this program will be implemented statewide for every child. In the meantime, the program will be phased-in at the community level. Local communities, in partnership with the State Treasurer's Office, could launch their own CSA program that adopts the same basic structure as the statewide program described above: automatic and universal accounts for every child in the community, with a

The Basics: Illinois CSA Program Features

Community partners come together to develop a plan for supporting successful program implementation.

529 accounts are opened automatically at birth for every child in the community.

All accounts are held by the by the Office of the State Treasurer and are seeded with an initial $50 deposit.

seed deposit and match incentive. Local communities, after identifying funding resources and building necessary support locally, can submit an application to the State Treasurer. Beyond the basic programmatic structure outlined in the legislation, local communities will be allowed to structure their CSA Program to fit their respective needs.

Illinois CSA Program Implementation Recommendations

Whether it is a statewide program or a program implemented at the local level, it is crucial that that local communities feel ownership over CSA efforts in their community so that they can respond to the unique local needs of families. We recommend that communities incorporate the following features to ensure program sustainability and high participation among low-income families and families of color:

1. **Local Leadership**: Whether a statewide program or a program implemented at the local level, each community should have a diverse group of partners committed to the implementation and sustainability of the program. For communities applying for local implementation of a program, we recommend that a municipal or county government be the lead applicant with additional partners identified as key implementation stakeholders. These partners should represent a variety of sectors, including schools, early childhood programs, government, non-profits, the business sector, and funders.

2. **Youth & Family Engagement**: Local program implementation plans should explore creative ways to engage children and families in the savings program. Partnering with programs that have existing relationships with parents can help build trust in the program. This could include early learning programs, schools, youth employment programs, and community-based organizations. Additionally, tying the program to mentorship programs could reinforce the aspirational impact CSAs have on a child. Engaged community leaders could serve as mentors, providing guidance and encouragement and funding for the match savings incentive for an individual child.

3. **Exploring Alternative Deposit Options**: A theme that bubbled up from the focus group discussions was that parents, particularly low-income parents, don't have a steady

Low-income families are encouraged to save in their own account through a 1-to-1 dollar match of up to $75 a year.

Parents & children may access financial education resources through the program.

Funds saved are used towards post-secondary education or job training.

flow of income. Their income can change from month to month depending on work schedules. Thus, setting up an automatic bank transfer or a paycheck deduction does not make sense for their families. Additionally, some families are unbanked, making it even harder to make deposits.

Currently, deposits can be made into a Bright Start account through electronic bank transfers, electronic gift deposits from friends and family, or through a check that is mailed to the investment firm. As communities begin to implement CSA programs in Illinois, we recommend piloting alternative deposit options for families who may not have regular access to electronic banking. Illinois programs could explore alternative deposit options, including: partnering with banks that have brick and mortar locations to accept deposits; working with low-fee prepaid cards that connect to 529 accounts; and, offering Certificates of Deposit at local financial institutions that can be rolled over into a 529 account.

4. **Leveraging Savings Opportunities**: We also heard from households that it may be easier to save at certain times of the year – for example, during the tax season when they receive a tax refund. With a refundable federal and state Earned Income Tax Credit in, low-income Illinois families should be engaged at tax-time to save a portion of their refund in a 529 college savings account. Local program could partner with Volunteer Income Tax Assistance (VITA) programs to encourage savings & raise awareness of the CSA program.

5. **Financial Capability**: Local program implementation plans should include financial education for both parents and children as a key component of implementation. Partnering with organizations that offer one-on-one financial coaching and integrating youth financial education curriculum into schools can be an effective way to ensure that families understand how to save for the future and build financial well-being.

6. **Collaboration with Other College Access Initiatives**: CSA programs are one component of a broader strategy to make college more affordable and accessible. CSA programs around the country are integrating CSAs into existing college access initiatives. For example, in Illinois communities could work with Illinois College Access Network partners active in their local communities to integrate CSAs into programs that have a shared goal.

7. **Sustainable & Diverse Funding Sources:** CSA programs around the country receive direct funding and in-kind support from a variety of sources, including the public sector, philanthropy, the corporate sector and individuals. In addition to state appropriations, the state and communities should explore innovative fundraising strategies including crowd sourcing, developing individual champions, engaging private philanthropy and corporate donors, and leveraging in-kind donations.

Federal Policy Recommendations

In addition to state level initiatives, policies at the federal level could help remove savings barriers faced by low-income families, especially when saving in a 529 college savings account.

- **Savers Credit or Savers Bonus**: One idea that surfaced during the focus groups was expanding federal tax benefits for households that save for college to include a refundable tax credit for low- and moderate-income families. A refundable credit could be used by families for emergencies savings, additional college savings, or retirement. Our partners at New America have taken this idea a step further with their proposed "savers bonus." The proposed savers bonus would allow low- and moderate- income taxpayers to deposit their tax refund directly into a savings account. Those that do would receive a one-to-one dollar match up $500 each year.

- **Saving for the Future:** While a 529 college savings account is helpful for those that go on to post-secondary education, this is not the path for every child. Some may start a business, find employment that provides on-the-job training, or choose another path. The federal government should explore the ability to roll a 529 college savings account, which has $30,000 or less in funds, into a Roth Individual Retirement Account (IRA). This would allow a young adult to continue to save for their future beyond college. Additionally, the federal government could explore the creation of a savings product that could be opened at birth and used across a person's lifetime for a variety of reasons, including college, emergencies, homeownership, business development, and retirement.

From the data on existing CSA programs, to the new data in this report, the research is clear: opening a CSA for all children born in Illinois will help more low-income families access Bright Start, provide a pathway for low-income children to attend and graduate from college, and reduce the racial wealth gap. Illinois has been considering a universal Children's Savings Account program since 2009, and since then the cost of higher education has increased significantly. Now more than ever, families need all of the tools available to make college more affordable. It is time to make CSAs a reality in Illinois.

24. Learn more: https://www.newamerica.org/asset-building/policy-papers/the-savers-bonus/

Appendix

Appendix A

This study was designed to answer the following questions:

1. Why aren't low-income people and people of color participating in Bright Start? If these groups want to participate and are not, why aren't they? If they do not want to participate, why not? Can information change their attitudes? How do the motivations to save and barriers to saving vary among different subsets of low-income people and people of color?
2. What would make it easier for low-income people and people of color to participate in college savings programs?
3. Of the low-income people and people of color who do currently participate in Illinois's Bright Start program, how did they hear about the program? Do they have any characteristics that make them different from low-income people and people of color on average?
4. What policy changes should we make to Bright Start and the State Treasurer's College Savings Programs to increase enrollment among low-income people and people of color?

The following data sources informed the analysis of these questions:

Analysis of Bright Start account holder data—researchers analyzed aggregate Bright Start Direct account holder data provided by the State Treasurer's office in order to better understand differences in savings behavior and demographics throughout Illinois.

Focus groups and interviews—researchers conducted focus groups of low-income people and people of color in Chicago and Champaign who are not saving with Bright Start to better understand why they are not saving, what their barriers to savings are, and what would make them more likely to save. Outreach for focus groups was conducted through community partners in Chicago and Champaign who serve those populations, and participants were compensated for their time and travel.

In addition to the focus groups of non-savers, researchers conducted focus groups and interviews of low-income people and people of color who are saving for retirement using Bright Start to better understand how they decided to start saving with Bright Start, what characteristics make them different from others who are not saving, and what their savings behavior is like. Outreach for the focus groups was conducted through the Illinois State Treasurer Office's email list and participants were compensated for their time and travel. In Chicago, two focus groups of savers were conducted: one in the Bronzeville neighborhood, and one in the Belmont-Cragin neighborhood. There was insufficient response for focus groups in downstate Illinois, so researchers conducted two interviews with a low-income saver and a saver of color in downstate Illinois.

Racial wealth gap analysis— researchers at the Institute on Assets and Social Policy (IASP) at Brandeis University conducted a Racial Wealth Audit analysis of the projected impact that different changes to Illinois's college savings framework could have on the racial wealth gap. The Racial Wealth Audit is "a policy analysis framework to better understand how a policy or program may impact the racial wealth gap." Using data from the national sample of the Survey of Income and Program Participation that was weighted to resemble Illinois's demographics, IASP modeled the impact of two different children's savings account program designs on the racial wealth gap at varying levels of savings participation rates.

Appendix B: Data and Analysis for Projections of Impacts of CSAs on Racial Wealth Gap in Illinois

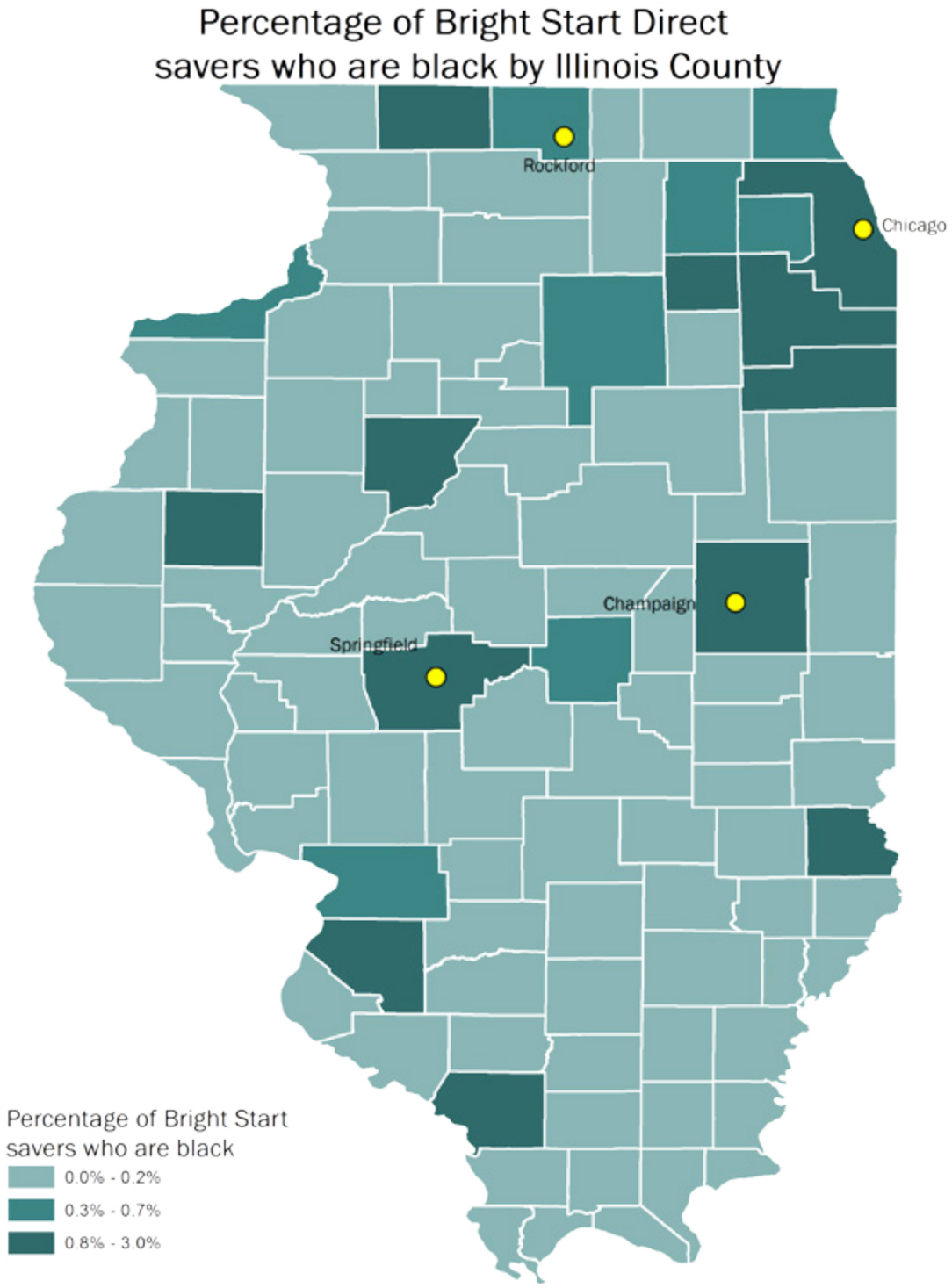
Data Source: Survey of Income and Program Participation
This report utilizes 2011 data from the Survey of Income and Program Participation (SIPP) to project the impacts of Illinois Children's Savings Accounts (CSAs) on the racial wealth gap. The SIPP survey is a nationally representative panel with large sample size that collects information on income and program participation of individuals and households in the U.S. The SIPP also collects information on assets and liabilities of households, which facilitated analysis of potential impacts on the racial wealth gap of CSAs.

Sample
The analysis was conducted on a sample of young adult households (18-34), the age group that would be most benefited by a CSA program in the nearer-term. In order to better estimate current and projected changes in wealth by race/ethnicity in Illinois, this analysis used a proxy sample derived from the national sample. We created a multivariate weight to adjust the full (all ages) national sample to make it more similar to the all ages Illinois sample in terms of four key demographic factors: race/ethnicity, education level, income, and marital status of the head of the household. After testing the reliability of the proxy dataset, the weight was used on the young adult sample to examine the wealth disparities by race/ethnicity in Illinois and to perform an analysis of the potential impacts of CSAs on the racial wealth gap, also known as a racial wealth audit.

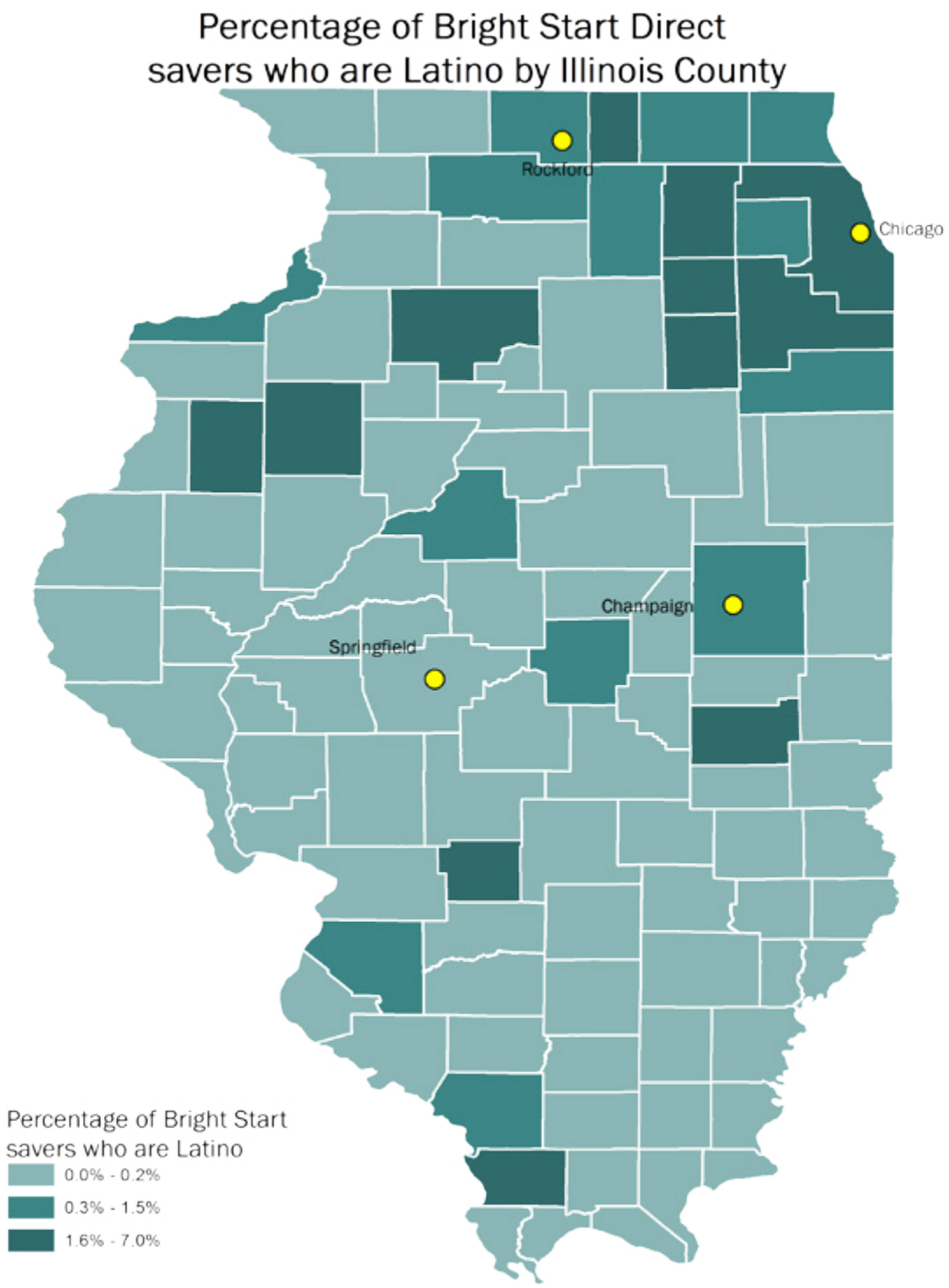
Analysis
The projections and design of CSAs in Illinois used for the modeling analysis was based on the model specifications offered in the Illinois Children's Savings Account Task Force Report. The task force report presents several saving scenarios using different CSA program designs (including differing features relating to initial and supplemental deposits, expected parental contributions, and estimated savings match values). For the modeling estimates, scenarios 1 and 3 from the task force report were used as a basis for the modeling of changes in household wealth among young adults due to CSA implementation. The two scenarios lead to $4,360.75 and $7,591.39 in additional savings for participant households, respectively.

While universal CSA programs could increase savings for all, the modeling emphasized designs which would increase savings and provide incentives and matches for lower-income households in order to model maximum potential impacts, if progressive design features incentivized and led to increases in savings specifically for lower-income households. Therefore, in the modeling, changes in wealth were limited to households below the 185% poverty level, the threshold for free and reduced price lunch. In addition, four different levels of savings participation among low-income households were modeled to understand the impact of differing levels of participation in CSAs on the racial wealth gap in Illinois. The participation of low-income households was randomly assigned for each of the participation levels used in the model. Comparing projected results with baseline wealth levels in Illinois among young adults using the proxy sample, the analyses compare the changes in wealth under the two proposed scenarios and assuming 25%, 50%, 75% and 100% as potential savings participation levels among lower income households in CSA programs. The analyses assume that today's low-income young adults participated in the CSA savings programs during their childhood to achieve greater current wealth levels.

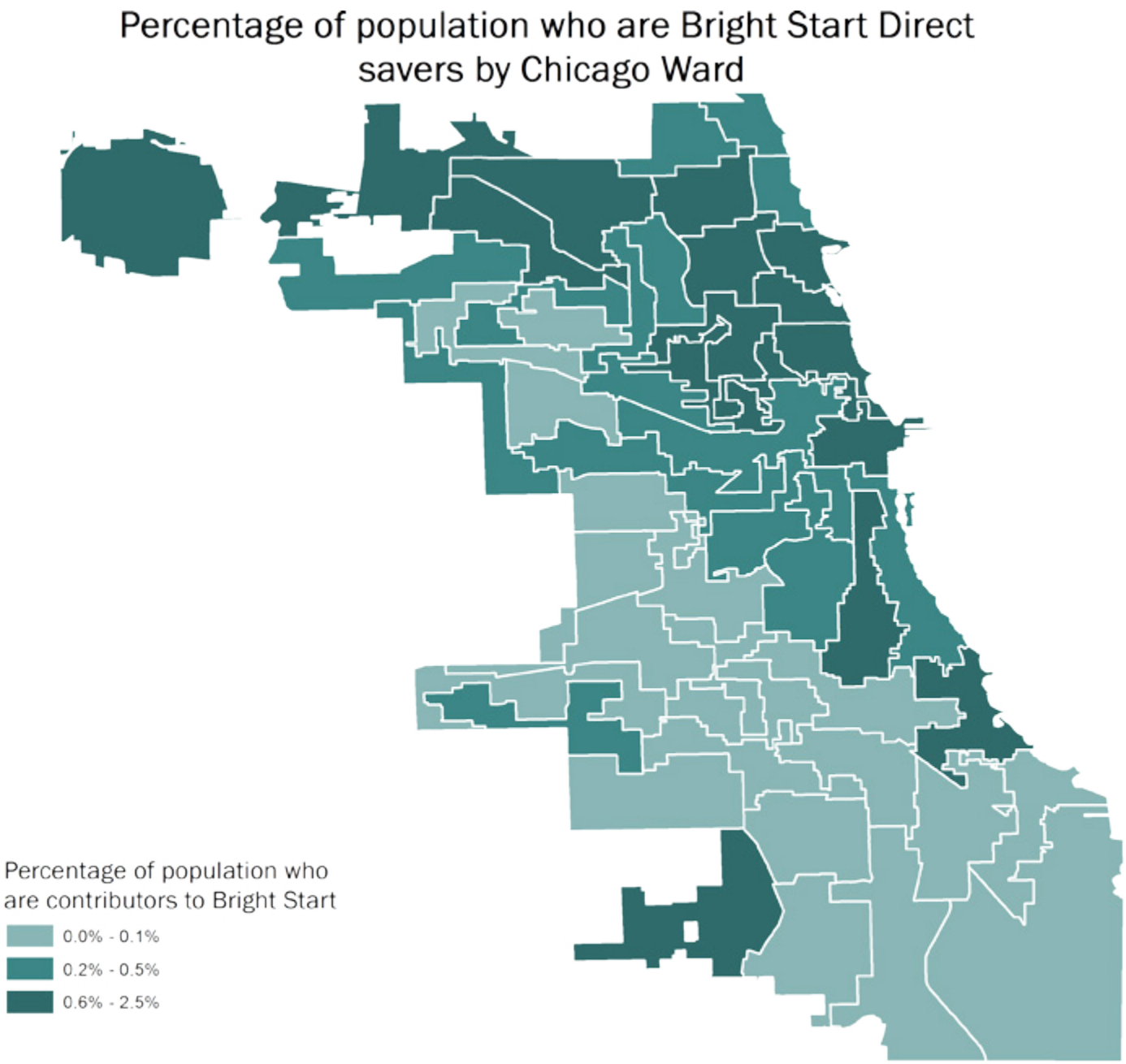
Appendix C: Bright Start Direct Savers in Illinois - Maps



The areas with the highest rates of Bright Start savers who are black are concentrated in the Chicago area. The areas with the highest rates of Bright Start savers who are black are State House District 33 (59.6 percent) and State House District 29 (50.4 percent), which include parts of Chicago's South Side and the south suburbs. Many parts of Illinois have no black Bright Start savers; one in five State House Districts has no black Bright Start savers.



The areas with the highest rates of Bright Start savers who are Latino are concentrated in Chicago. The areas with the highest rates of Bright Start savers who are Latino are Illinois House District 22 (43 percent) and Illinois House District 1 (30.4 percent) which include parts of the Southwest Side of Chicago. More than one in seven Illinois House Districts has no Latino Bright Start savers.



The areas of Chicago with the largest percentages of the adult population who are Bright Start savers are concentrated in the north side of the city. The areas with the highest Bright Start savings rates include Ward 32 (2.2 percent) and Ward 47 (1.8 percent) which include parts of the neighborhoods of Lakeview, Lincoln Park, Lincoln Square, North Center, and more. Wards with the lowest Bright Start savings rates include Ward 16 (0.02 percent) and Ward 24 (0.03 percent) which include parts of the neighborhoods of Chicago Lawn, Englewood, Little Village, North Lawndale, and more.