Research Report

Great Expectations:
Findings from 13 years of Children's Education Savings Accounts

by Jade Shipman
June 2016

EARN Research Institute

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I. INTRODUCTION

EARN is a leading non-profit provider of microsavings programs in the United States. In our 15 year history, EARN has served more than 6,000 families who have set aside $7 million of their own money for their long-term goals and near-term financial stability. The EARN Research Institute gathers, analyzes, and shares relevant data internally and externally to inform program design, support operations, and maximize program impacts.

This study presents findings from our children's education savings programs, which EARN has offered for 13 years. The research yields insights into how families save and how these programs have impacted their lives. The goal of this paper is to share key results with the field, with the specific end of supporting other groups that are seeking to encourage savings, to improve access to education, and/or to increase prosperity for working families. Our findings are presented in three major sections:

1) Enrollment Findings, including demographic information and effective client recruitment strategies;

2) In-Program Findings, including deposit activities, strategies for making deposits, family engagement with the accounts, and program management; and

3) Program Outcomes, including success rates, results from a Randomized Controlled Trial, impacts of the accounts on children, how families invested their savings, and impacts on long-term savings habits.

The findings presented in the pages that follow are EARN's contribution to the ongoing conversation about college and affordability in the United States, and are important because these issues are top of mind for families. In a national survey of 1,001 parents commissioned by EARN, 87% of parents across all income categories believe it is very important for their child to get a college degree and 74% are concerned about affordability. Among families earning $50,000 per year or less, 83% of parents are concerned about affording college.[1] Children's savings programs, like those offered by EARN, are a promising way to encourage educational savings, which in turn can influence college attendance and completion. When appropriately designed, education savings accounts and programs can encourage families to save for their children's education.

[1] Jade Shipman & Nga Chiem, "Saving for Higher Education in the US." EARN Research Institute, 2012.

II. SUMMARIZED FINDINGS

Detailed findings from our savings programs for children's education, as well as the methodology that underpins this research, are presented in Sections III through VIII of this report. Summarized findings of this report are:

- Since 2003, EARN has worked with **1,963 families** to provide **2,740 children** with education savings accounts.

- Recruitment of new clients was most effective via **trustworthy channels**, such as: non-profits with which families had existing relationships; referrals from family members & friends; and coverage by trusted newspapers and television news programs. Learning about EARN through a trusted source was key because families were concerned that the program was **"too good to be true"** due to the program's financial incentives.

- Within all 2,740 accounts, families deposited nearly **$1.336 million of their own money**. Each account was capped at $500 in deposits. Thus, across the whole program, families could have deposited a maximum of $1.37 million. Families reached 97.5% of this program-wide maximum.

- Families saved through a variety of strategies, the most common of which were **depositing money in small amounts** and **making spending changes**.

- Across all EARN children's education savings accounts, **our program success rate is 90%**. EARN defines success as reaching the $500 savings goal and making at least one investment in education.

- A Randomized Controlled Trial revealed that **families saved an average of $681 during the first six months of program participation**, 10 times the amount saved by qualified families placed on a wait list, indicating families' savings were substantially impacted by their participation in the program.

- From 2012-2015, **families invested $3.5 million in their children's education** (including their savings and EARN's match), and 89% of dollars were **spent on pre-college expenses**.

- After participating in the program, **children were more involved in household finances**.

- When EARN's savings programs for children's education are compared with two other EARN offerings, we learned **this program was less effective at instilling a regular savings habit** over the long term. Our analysis and interviews indicate this is because this program did not require or incentivize monthly deposits. Consequently, households did not learn how to fit savings into their regular monthly routine.

III. ABOUT TRIPLEBOOST & SAFE

EARN has offered children's education savings accounts to working families since 2003. These accounts are designed specifically with three goals in mind: 1) to assist working families in saving for their children's education; 2) to provide low-income children with support for educational expenses; and 3) to instill a long-term savings habit in participating families. EARN has opened more than 2,700 accounts for eligible children throughout California, primarily within the nine-county San Francisco Bay Area and Los Angeles County.[2]

EARN's accounts for children's education were offered under two different brand names: SAFE and TripleBoost. As shown in Figure 1, EARN opened 1,027 SAFE accounts from 2003 through June 2012, and 1,713 TripleBoost accounts from July 2012 through November 2014. With these 2,740 accounts, as shown in Figure 2, EARN served 1,963 families, an average of 1.4 accounts per family.

Regardless of brand, the programs have identical designs and include the following features:

- **Deposits:** Each account has a $500 deposit goal. Deposits can be made at a bank branch, online, or by mail. There are no monthly deposit requirements for these accounts.
- **Incentives:** There is a 3:1 match per account of $1,500, which is provided by EARN from private sources of philanthropy, including foundations and individual donors. No federal dollars were used as match.
- **Restricted Withdrawals:** With their savings and EARN's match, families can invest up to $2,000 per account toward qualified educational expenses. Families can withdraw their own funds at any time, but they forfeit any match they have earned and their account is closed.
- **Program length**: 6-24 months to save AND spend their funds.
- **Account mechanism:** Custodial accounts held by EARN at Citibank in the parent/guardian's name.
- **Financial Education:** The program includes access to optional in-person workshops on personal finance.
- **Service languages:** The program is supported by EARN in three languages: English, Spanish, and Chinese.
- **Service delivery:** The only difference between SAFE & TripleBoost is that TripleBoost is administered online, whereas SAFE used paper forms for families to apply and request withdrawals.

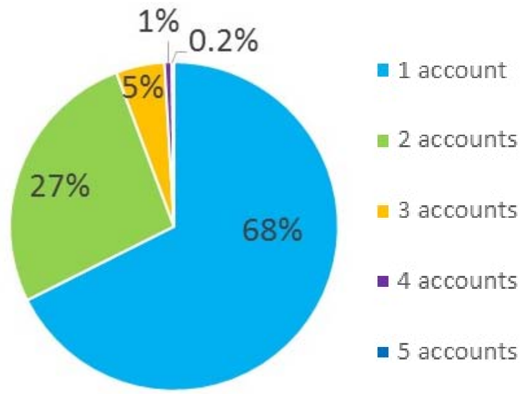
Figure 1. Total Children's Education Savings Accounts administered by EARN, 2003 – present

Brand Name	Date Range of Account Openings	Total Accounts
SAFE Accounts	2003 – June 2012	1,027
TripleBoost Accounts	July 2012 – Nov 2014	1,713
Total EARN Children's Accts	**2003 – Nov 2014**	**2,740**

Source: EARN Business Intelligence 2016.

[2] The nine-county Bay Area is defined to include the following counties: San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Solano, Napa, Sonoma, and Marin.

Figure 2. Number of Children's Education Savings Accounts per Family



Source: EARN Business Intelligence 2016.

<u>Eligibility Requirements</u>

To qualify for the program, families must earn 50% or below of the Area Median Income (AMI) for their county of residence and household size. For these AMI cutoffs, EARN uses data from the US Department of Housing and Urban Development, which provides AMI data for all counties nationwide by household size. Beyond the income requirement, households must have less than $20,000 in assets, excluding one house and one car. In addition, household must have some earned income and cannot be entirely reliant upon public assistance. The saver must be the child's parent or legal guardian, have a Social Security Number or ITIN, and have filed taxes in the most recent tax year at the time of application. Parents or legal guardians can open accounts for children who are 10 to 18 years old at the time of enrollment, and can open one account per child, up to five accounts per family.

<u>Qualified Uses of Funds</u>

When families are ready to invest in qualified education expenses, EARN's match dollars are pooled with Savers' funds. Qualified expenses include:

- Tuition at college or trade school
- Tutoring & test preparation (including fees for SATs and college applications)
- Books & equipment needed for classes
- One computer and/or one printer per child
- Enrichment activities (such as academic summer programs, language classes, music classes)
- Rolling over funds to a 529 college savings plan, which is a withdrawal-restricted savings vehicle that allows parents to make future investments in qualified expenses for higher education.

In the event of an emergency, parents or legal guardians can withdraw their personal funds at any time. Families who make an emergency withdrawal forfeit any match dollars earned and must leave the program.

IV. METHODOLOGY

The EARN Research Institute gathers and analyzes key metrics throughout EARN's programs. The information presented in this paper includes data from numerous internal sources, which are listed below.

- At the time of application, parents or legal guardians complete a **Pre-Survey**, which is required. The Pre-Survey includes questions about how they heard about EARN, their demographics, and the spending and savings patterns of their household. Additional information is gathered in this survey about the children being enrolled in the program, including their grades, parents' educational aspirations for the children, and the children's involvement in household finances.
- During the program, EARN **monitors deposit activity** in the Savers' accounts at Citibank to understand their progress toward the $500 savings goal. We also monitor **customer service requests** using Zendesk, our customer service management system.
- When making the first withdrawal from an account, Savers are required to complete an **Exit Survey**. The Exit Survey replicates questions from the Pre-Survey on savings habits, spending behaviors, the role of the children in household finances, and other key questions. The Exit Survey also includes questions on strategies families used to make their deposits and how the children interacted with the account.
- For every withdrawal, Savers complete a **withdrawal request form**. EARN uses the form to cut checks for Savers' eligible expenses, which are written to the 3rd party vendor that will be providing the qualified goods or services. EARN requires an invoice from the vendor prior to writing a check. EARN monitors all withdrawal activity, including matched withdrawals and emergency withdrawals of personal funds. EARN also experimented with providing pre-paid cards to Savers for qualified expenses. However, the organization found it too cumbersome to monitor spending activity and challenging to enforce program rules, so that pilot concept was discontinued. Expenditures data from 3rd party checks and the pre-paid card pilot are included in this report.
- EARN administers an optional **Post-Survey** to both successful and unsuccessful Savers, which replicates questions from the Pre-Survey. To encourage participation, EARN provides incentives of $20-25 gift cards to Safeway or Target for those who complete the survey. Typical response rates are 25-50%.
- EARN worked with a 3rd party research firm to conduct a **Randomized Controlled Trial** of the TripleBoost program. The primary goal was to understand how the first six months of participation influences the amount of money that families save for their children's education. EARN released a report in November 2015, titled "Saving 10x for Education," which has more information about this study.
- In addition, EARN reaches out to Savers to conduct **focus groups and interviews** for periodic studies. Findings from those conversations are included anecdotally within this paper.

V. ENROLLMENT FINDINGS

EARN analyzed data from the Pre-Survey to understand key characteristics of our Savers. During the process of rebranding SAFE as TripleBoost, we also conducted focus groups with families. In the section that follows, we present our analysis of effective recruitment strategies, Savers' demographics, savings behaviors of households at enrollment, and key data about the children. Please note that Savers are parents or legal guardians of children aged 10-18 at the time of enrollment. It is worth noting that legal guardians may not be the child's biological parents, and can include adoptive parents, siblings, grandparents, or other family members.

A. Recruitment Strategies

EARN used more than 10 channels to market our children's education accounts. Our findings indicate that there is no "magic bullet" for Saver recruitment. Multiple channels must be utilized to inform potential Savers about the program. In addition, EARN has found that giving away free money is an unexpectedly complicated challenge. In focus groups, potential clients expressed concern that the $1,500 offered by the program is "too good to be true" or could be a scam. In our case, the most effective strategies have been those where the messenger is a trusted source, whether the source is a friend or family member, a known and trusted non-profit, or a reliable news source. All of these channels decreased families' concerns about the program's legitimacy.

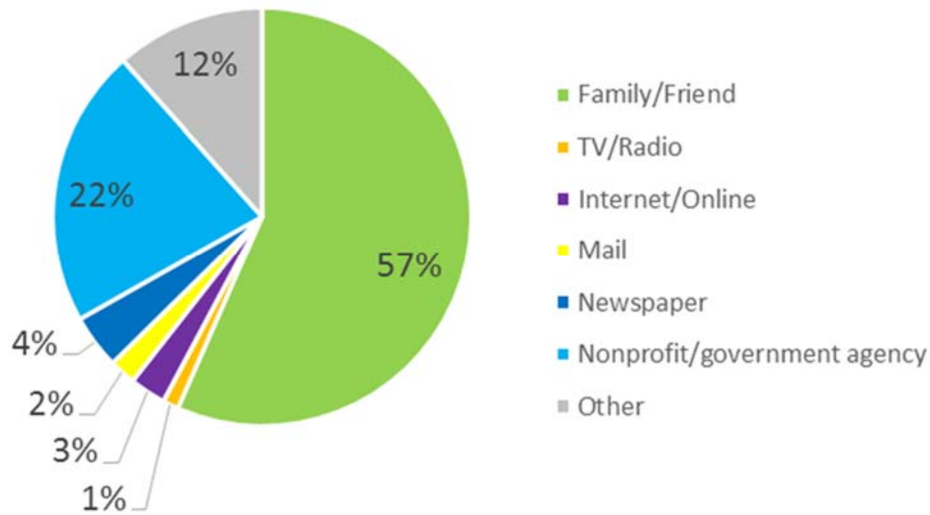
The most effective strategies EARN utilized included:

- Outreach via **non-profit partners** serving our target market of low-income households;
- **Articles in newspapers** about EARN, including English, Spanish, and Chinese language papers;
- **Television news** featuring an EARN staff member conversing with a news anchor about the program in English and Spanish; and
- **Prompts from EARN** to those on our mailing lists to tell their friends & family about the program.

Ultimately, as shown in Figure 3, 57% of Savers heard about EARN through a friend or family member, while 22% heard about the program through a non-profit or governmental agency partner. Some 4% read about EARN in a newspaper. It is worth noting that while Savers heard about EARN through word of mouth, it is not entirely clear to us how those friends or family members heard about EARN in the first place. However, anecdotal evidence indicates that mass media coverage in newspapers and on television played a pivotal role: after these features in newspapers and television, EARN experienced a spike in the number of new applications. In focus groups with parents, we learned that compelling messages to encourage trust include EARN's non-profit status, the fact that we have offered savings programs for more than a decade, and our organization's mission to encourage people to save money for their future dreams & financial stability.

Other strategies that were less effective included: presentations at schools; distributing flyers at free tax preparation sites; tabling at educational events; advertising with Facebook, Google, and newspapers; knocking on doors in neighborhoods where EARN had specific grant funding in place; and direct mail. Less effective messages included those that described the match as "free money" because that sounded more like a scam.

Figure 3. Distribution of How Savers Heard about EARN



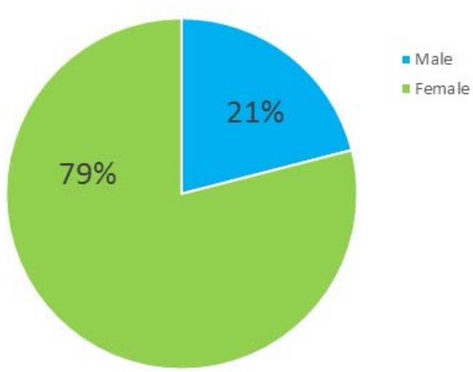
Source: EARN Pre-Survey, N=1963

B. Saver Demographics

This section includes analysis of key demographic indicators, including age, gender, ethnicity, first language, education completed, and marital status, as reported by Savers on their application forms.

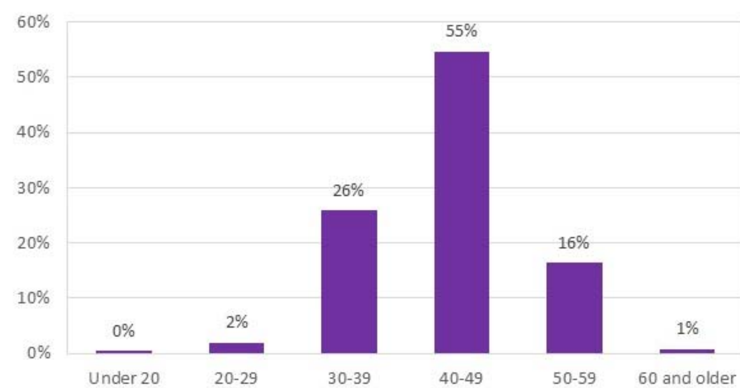
As shown in Figure 4, 79% of Savers are female and 21% are male. This is consistent with EARN's other programs, in which 75% of Savers are women, including those where the goal is not related to children. More than half of Savers are 40-49 years old at the time of program enrollment, while 26% are 30-39 and 16% are 50-59. This age distribution may be driven in part by the requirement that the children be age 10-18 at enrollment.

Figure 4. Distribution of Savers by Gender



Source: EARN Pre-Survey, N=1962

Figure 5. Distribution of Savers by Age

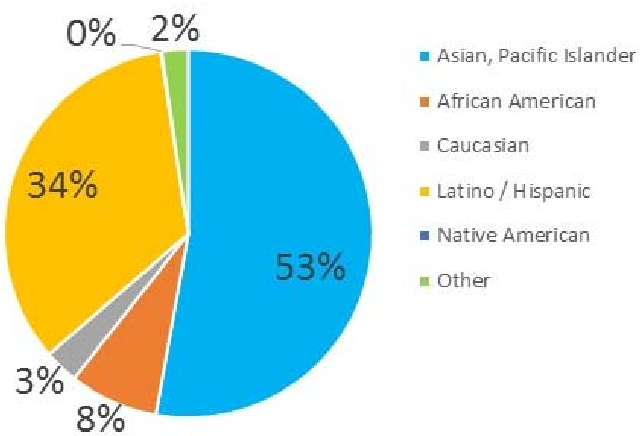


Source: EARN Pre-Survey, N=1961

Our Savers are diverse in terms of race / ethnicity, with 53% identifying as Asian / Pacific Islander, 34% identifying as Latino / Hispanic, and 8% identifying as African American. As displayed in Figure 7, three quarters of Savers spoke a language other than English as their first language, although many of these Savers also spoke English at the time of enrollment. EARN's program materials and customer service were offered in three languages (English, Spanish, and Chinese) to ensure that we could discuss complex financial issues with families.

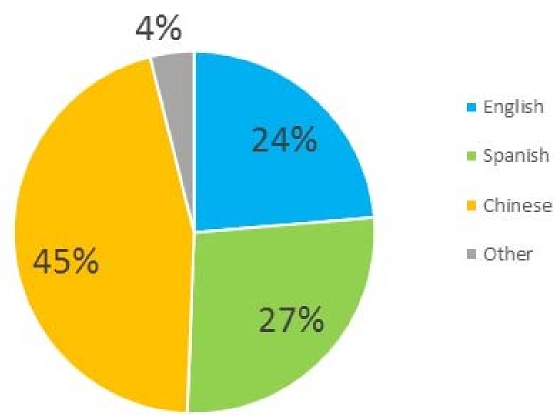
As shown in Figure 8, 38% of parents do not have a high school diploma or GED, while 39% of parents received a high school diploma or GED but no further schooling. Just 6% of parents have completed a bachelor's degree. Figure 9 shows that 60% of Savers are married, while 40% are single parents for a variety of reasons, including separation, divorce, or death of a spouse.

Figure 6. Distribution of Savers by Race/Ethnicity



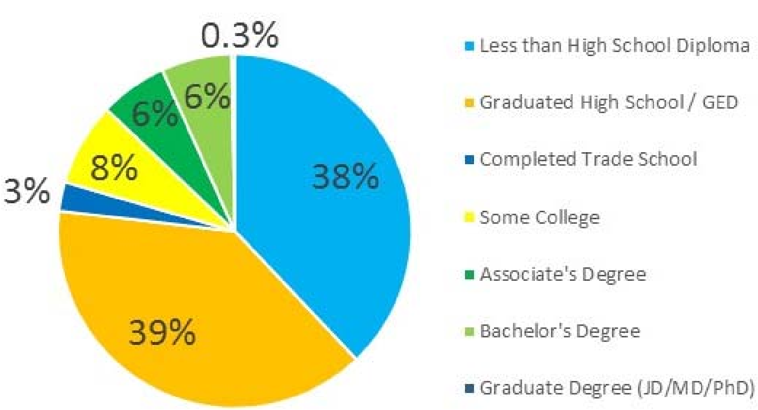
Source: EARN Pre-Survey, N=1961

Figure 7. Distribution of Savers by First Language



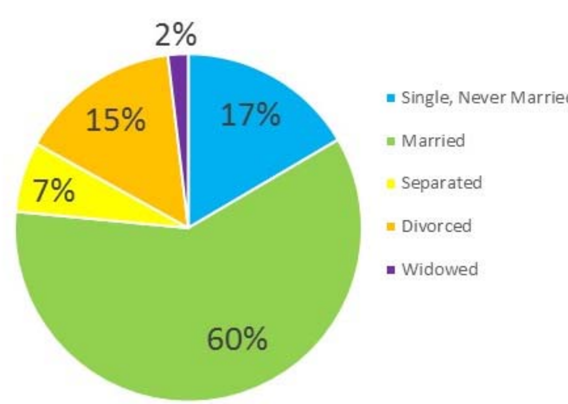
Source: EARN Pre-Survey, N=1964

Figure 8. Distribution of Savers by Education Completed



Source: EARN Pre-Survey, N=1735

Figure 9. Distribution of Savers by Marital Status

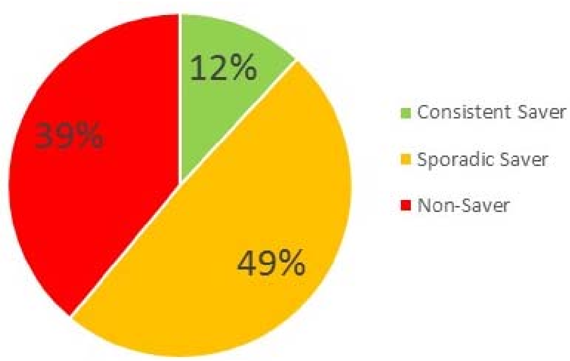


Source: EARN Pre-Survey, N=1911

C. Household Savings Behaviors at Enrollment

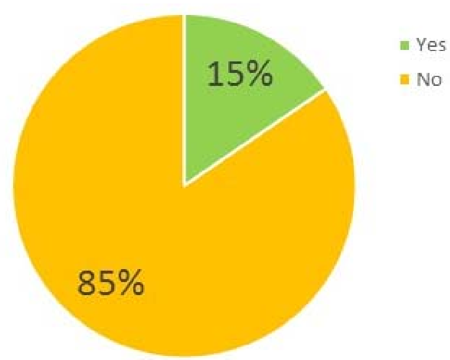
At the time of enrollment, 39% of parents were non-savers, meaning that they did not set aside any money as savings. Approximately 50% of parents were sporadic savers, setting aside money when they were able but not regularly, while 12% of parents were consistent savers who set aside money every paycheck or every month. Figure 11 shows the distribution of families by whether or not the household had already begun saving for education. At enrollment, 85% of parents had not saved any money for their children's education.

Figure 10. Distribution of Savers by Savings Habits at Enrollment



Source: EARN Pre-Survey, N=1260

Figure 11. Distribution of Savers by whether the Household has Already Saved for Education

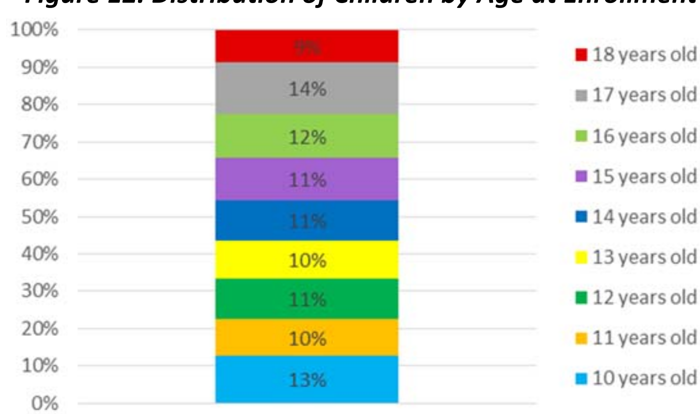


Source: EARN Pre-Survey, N=1703

D. Information about the Children

Among the children, there is a fairly even age distribution for ages 11-16, with each age accounting for 10-12% of children at the time of enrollment. However, 18 year olds are slightly under-represented in the program, accounting for 9% of all children, while 10 and 17 year olds are slightly over-represented at 13% and 14% of children, respectively.

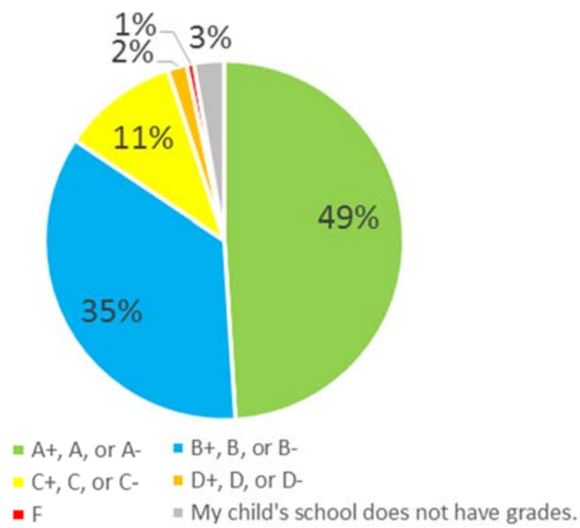
Figure 12. Distribution of Children by Age at Enrollment



Source: EARN Pre-Survey, N=1716

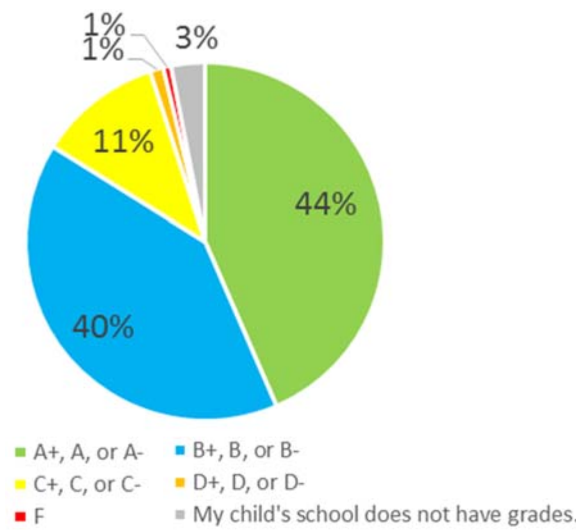
The children generally receive high marks at school, as reported by parents on the EARN Pre-Survey, with 85% of children receiving A's or B's in math and 85% receiving A's or B's in reading & writing. In addition, parents have high expectations of their children: 42% of parents expect their child to complete graduate school, defined as a master's degree, PhD, JD, MBA, MD, or other schooling after completing a bachelor's degree. Approximately one third of parents expect their child to obtain a bachelor's degree.

Figure 13. Percent of Children by Math Grades



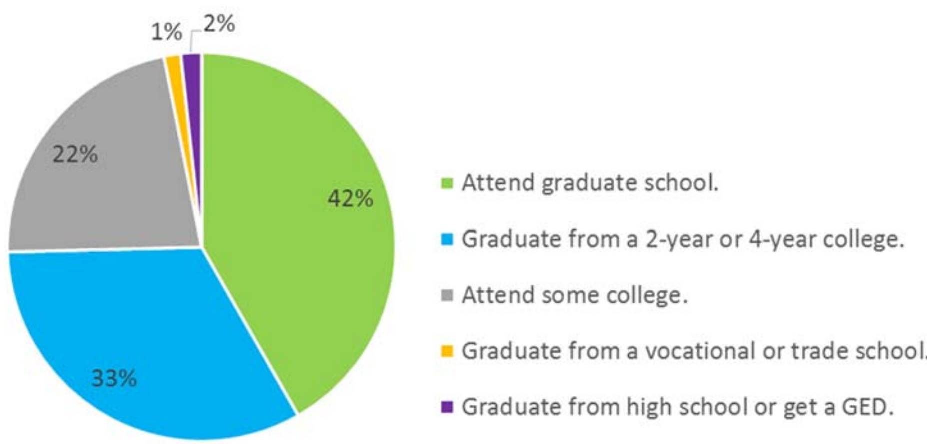
Source: EARN Pre-Survey, N=1730

Figure 14. Percent of Children by Reading / Writing Grades



Source: EARN Pre-Survey, N=1731

Figure 15. Distribution of Children by Parents' Educational Expectations



Source: EARN Pre-Survey, N=1733

VI. FINDINGS ON IN-PROGRAM ACTIVITIES

For this study, EARN has sought to understand how families engage with their accounts and with EARN while enrolled in our children's savings programs. To that end, we analyzed transaction-level deposit data from our banking partner, Citibank. We also gathered data from Savers through the required Exit Survey, which Savers complete at the time of their first withdrawal and includes questions on which strategies they used to make their deposits. Additionally, customer service requests were evaluated by exporting data from our customer service platform, Zendesk. These in-program findings are presented in three major sections below: deposit activities & strategies, participation of children in their accounts, and customer service.

A. Deposit Activities & Strategies

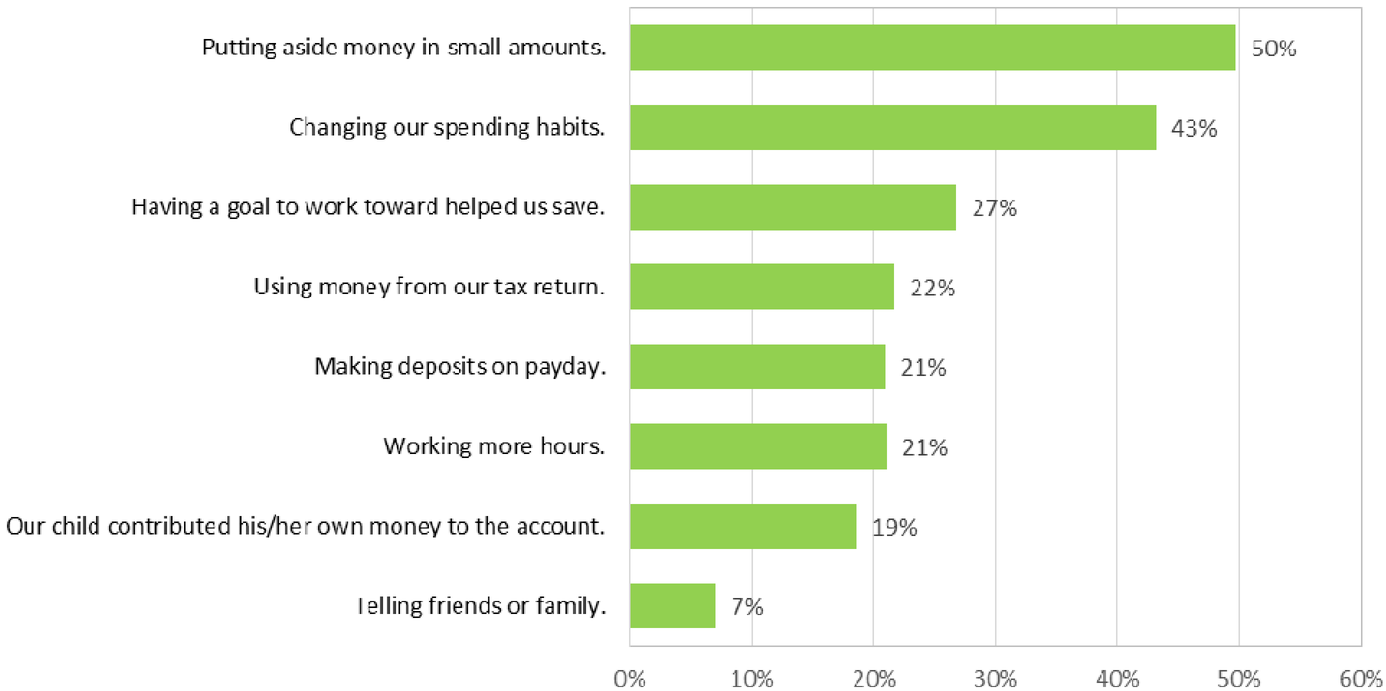
As shown in Figure 16 below, across the 2,740 accounts, Savers deposited $1.336 million of their own money in 15,617 deposits. This averages to $86 per deposit and 5.7 deposits per account. Savers earned more than $4 million in match funds, which were provided by EARN from private sources of philanthropy including foundations and individual donors. No federal government dollars were used to support the match for this program. It is worth noting that Savers were not allowed to deposit more than $500 per account, to avoid excess Saver liability on EARN's books. Thus, the maximum dollars that Savers could deposit across all 2,740 accounts was $1.37 million. Impressively, across all accounts, Savers deposited 97.5% of this program-wide maximum. Please note that 145 accounts were still open as of March 31, 2016. Additional deposits are still being made by Savers into those open accounts.

Figure 16. Deposit Data for EARN Children's Education Savings Accounts, 2003 - present

Number of Accounts	2,740
Dollars Deposited	$1,335,800
Total Number of Deposits	15,617
Average dollars per deposit	$86
Total Match Earned	$4,007,262
Average Deposits per Account	5.7
Average Dollars Saved per Account	$488
Max Program-Wide Deposits (2740 accts)	$1,370,000
% of Program-Wide Deposit Max Reached	97.5%

Source: EARN Business Intelligence 2016, Data through 03.31.2016.

Figure 17. Strategies for Making Deposits into EARN Children's Education Savings Accounts



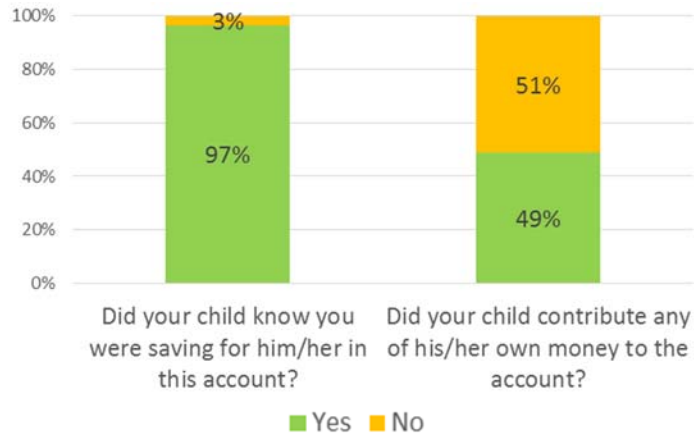
Source: EARN TripleBoost Exit Survey, N=1496

On the Exit Survey, we asked families to share with us their top strategies for making deposits. Savers could share as many strategies as they wished. Most frequently, families reported that they were able to make deposits by setting aside money in small amounts (reported by 50% of Savers), changing their spending habits (43%), and having a goal to work toward (27%). Other strategies that were utilized by a smaller portion of parents included making deposits on payday (21%), working more hours (21%), and using money from a tax return (22%). Approximately 7% of Savers told friends or family to keep them accountable toward their goals.

B. Role of the Children

As shown in Figure 18, 97% of the children were aware of their accounts, and approximately 50% of children contributed some of their own money. However, as noted above in Figure 17, just 19% of parents reported that the children's deposits were a key strategy for reaching their deposit goal. In interviews with parents we learned that most deposits made using the child's funds were a tool for teaching the children how to save. Children were generally taken to the bank by a parent to make a one-time deposit of birthday money or allowance money. For the majority of families, children's contributions were not considered a strategy for reaching the goal. Rather, they were symbolic of the child learning to save and learning how to engage with their account.

Figure 18. Role of Children in their EARN Education Savings Accounts



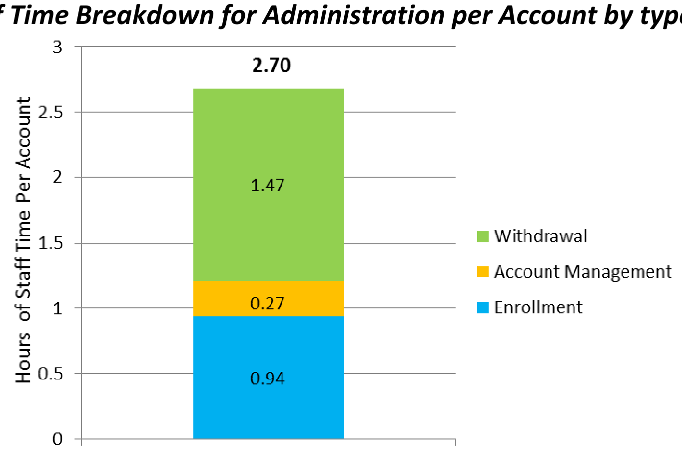
Source: EARN TripleBoost Exit Survey, N=1496

C. Program Management and Customer Service

To track customer service emails & telephone calls, EARN began using the software platform Zendesk in 2014. Every incoming email and phone call is logged as a "ticket," and all responses are contained within that same ticket. This means that each ticket represents one conversation with a Saver or one issue in need of resolution. Throughout the lifecycle of an educational account, starting with application and concluding with account closure, EARN receives 10-12 customer service tickets per account. Approximately 90% of tickets were received via email. We anecdotally believe the prevalence of email communication has to do with its convenience.

In addition, based on a timesheet analysis completed by EARN, TripleBoost account administration averages 2.70 hours per acct. This includes reviewing applications & enrolling Savers, managing accounts during the program, and processing withdrawals. The majority of time (55%) is spent on withdrawals. This is purely time for account administration and does not include Saver recruitment, marketing, fundraising for match dollars, or other necessary tasks completed by the organization in support of these accounts.

Figure 19. Staff Time Breakdown for Administration per Account by type of Activity



Source: EARN TripleBoost Exit Survey, N=1496

VII. PROGRAM OUTCOMES

Within this section, we present critical findings about various types of programmatic outcomes. Specifically, we present: data from our Randomized Controlled Trial; program success rates and closed reasons; how these accounts impacted participating children; data on the educational investments supported by EARN's program; and findings on how our children's education savings accounts impacted the long-term savings habits of participating households.

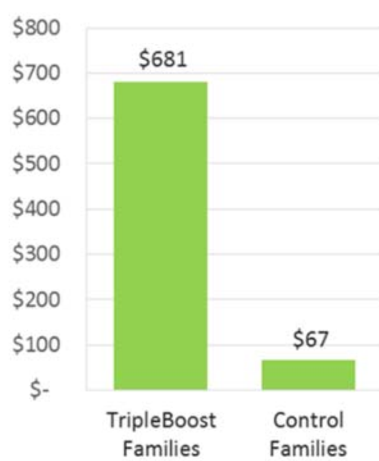
A. New Savings: Results from the Randomized Controlled Trial

With the tremendous savings success of our families who set aside 97.5% of the program's maximum dollars, EARN staff had a burning question: would families have saved these dollars for their children's education anyway, even without the program? To answer this question, EARN commissioned a Randomized Controlled Trial (RCT) to understand how the first six months of TripleBoost participation influences the amount of money that families save for their children's education.

To conduct the study, qualified TripleBoost applicants were randomly placed into one of two groups: a Treatment group or a Control group. The Treatment group immediately began participation in TripleBoost, while the Control group was placed on a waiting list for six months. The savings behaviors of the Treatment and Control groups were then monitored for six-months to understand how our program is impacting families.

The RCT revealed that during the first six months of the program, TripleBoost families saved an average of $681 for their children's education, more than 10 times the average amount saved by families in the Control group. A majority of families in the Control group saved $0 during the study period, while 90% of TripleBoost families saved $500 or more. The results are statistically significant. Thus, EARN's TripleBoost program drives families to set aside 10x more in savings for their children's education than they would have saved without the program. More information about the RCT is shared in EARN's November 2015 report called, "Saving 10x for Education."

Figure 20. RCT Results: Average Dollars Saved for Children's Education



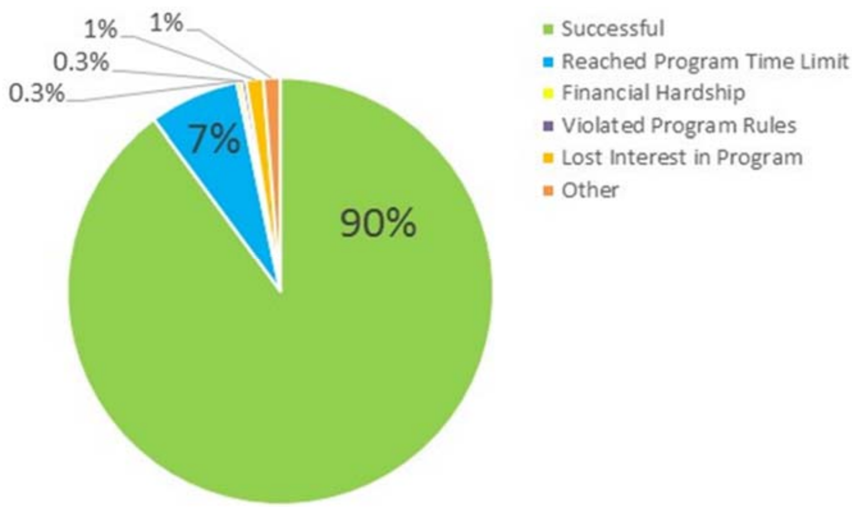
Source: EARN TripleBoost Randomized Controlled Trial, N=276 families

B. Program Success Rates & Closed Reasons

Savers are eligible to make qualified education investments that leverage both their personal funds and their match dollars if they have reached two criteria: 1) they have saved $500 in their child's account, and 2) the withdrawal request date is 6-24 months after the account open date. Savers can withdraw their own personal funds at any time in the event of an emergency. However, in such cases, all match dollars earned are forfeited and the account is closed.

Of the 2,595 children's education accounts that have been closed to date, 90% have been closed successfully, exceeding our target success rate of 85%. Successful closures are defined as accounts where the $500 deposit goal was reached and the family made at least one matched withdrawal to invest in their child's education. Approximately 7% of savers reached the program time limit, meaning that they were not able to save or spend their money within the 24-month time period of the program. It is worth noting that most of these Savers had saved the full $500, but did not have any immediate plan to spend the money. These users could have rolled their funds over into a 529 but chose not to, for reasons discussed on page 17 of this report. Very small percentages of Savers closed their accounts due to financial hardship, losing interest in the program, violating a program rule, or some other reason, such as moving to an area where there are no Citibank branches. Please note that 145 accounts are still open.

Figure 21. Reasons for SAFE and TripleBoost Account Closures



Source: EARN Business Intelligence, N = 2595

Notes: *145 accounts are still open as of 03.31.2016*
Successful: Saver reached $500 savings goal and made at least one matched withdrawal.
Reached time limit defined as: Saver unable to save or spend their money within 24-mo
Financial hardship: Saver experienced a hardship and had to close their account.
Violated program rules: Saver violated a program rule like an unauthorized withdrawal.
Lost interest in the program: Saver lost interest and did not wish to continue.
Other: Includes all other reasons for closure, such as a Saver moving out of the area

C. Children's Involvement in Household Finances

Participating children became more involved with household finances after their families saved in EARN's programs for education. EARN gathered key information from parents at the time of application, including how often they discuss money with their children and how the children are involved with the household's finances. These same questions are asked of families at the time of their first withdrawal on our Exit Survey.

We compared families' responses at the start of the program to their responses at exit and found several relevant findings. First of all, after program participation, money was discussed more frequently with 39% of children. In addition, 43% of children became more involved with the household's finances. At program exit, more than 40% of children were actively participating in making decisions about household spending and saving.

D. Investments in Education

EARN analyzed internal withdrawal data to understand how families invested their funds. From 2012 through 2015, EARN families invested $3.5 million in their children's education. Investment choices are made at the end of the program, and for 87% of accounts, parents and children decided together how to spend the funds. As shown in Figure 22, 89% of dollars were invested in pre-college expenses, such as tutoring, computers, enrichment activities, and required books or supplies. This is important to note because in some instances, these expenditures were critical for the children. For example, a child who is failing math or a teen with poor SAT scores benefits tremendously on the path to college from tutoring and test preparation, respectively.

Figure 22. Educational Investments by Account: Jan 1, 2012 – Dec 31, 2015

Type of Expenditure	Number of Accounts	Percent of Transactions	Dollars Spent	Percent of All Dollars
Books & Supplies	811	26%	$ 334,417	10%
College Tuition	153	5%	$ 180,148	5%
Computer	1447	47%	$ 2,237,166	64%
Enrichment Activities	334	11%	$ 259,812	7%
Transfer to 529	122	4%	$ 196,619	6%
Tutoring / Test Preparation	221	7%	$ 262,384	8%
TOTAL	**3088**	**100%**	**$ 3,470,547**	**100%**

Source: EARN Business Intelligence

This expenditure analysis includes data from January 1, 2012 through December 31, 2015, which accounts for more than half of all money invested through EARN's children's education savings accounts. The number of withdrawals exceeds the number of accounts because parents can make more than one withdrawal per account, and can make more than one type of withdrawal. The choice to analyze expenditure data from this timeframe was driven primarily by our management information systems, which make accessing and reporting on historic expenditure data more challenging as we go back farther in time. In addition, we believe that recent expenditures may be more representative of current spending patterns than older expenditures, especially as technology and computers have become an increasing necessity. As shown in Figure 22, 64% of funds were spent on technology investments, such as one computer and/or one printer per account, while funds for books/supplies, tutoring/test preparation, and enrichment activities accounted for 10%, 8%, and 7% of dollars spent, respectively. Approximately 5% of dollars were directly spent on tuition at college or trade school, and 6% of dollars were rolled over into 529 college savings plans for future post-secondary expenses.

E. 529 Rollover Initiative

EARN led a 529 rollover initiative. EARN staff members connect with every Saver several months before their program deadline via phone, email, or both. This includes a subcategory of Savers who had reached their $500 savings goal (thus earning the $1500 match), but had not spent any of the funds despite their upcoming deadline. Among these Savers, we learned that the vast majority planned to use their $500 in personal savings for educational expenses in the future, and had no intention of making any qualified expenditures prior to their deadline, despite the fact that they would lose $1,500 in match. With EARN's program structure, such families could elect to roll over their funds into a 529 college savings plan, which would enable them to use the full $2,000 on future post-secondary expenses and not forfeit the $1,500 match. However, these families told EARN they did not have enough information about 529 college savings plans to know if a rollover was right for them.

In response, EARN led an effort to educate families about 529s and offer support during rollovers, specifically to ensure that families did not needlessly lose the $1,500 match they earned. EARN created custom brochures about 529s, designed specifically for our target market. Our customer service staff also called Savers proactively to tell them about the 529 option, to walk them through the 529 enrollment process, and to answer any other questions. EARN staff members are trained to explain the facts about 529s but do not provide financial advice.

As noted in Figure 22, 4% of EARN families signed up for a 529 from 2012 to 2015. Yet even with this small percentage, EARN's program rolled over 122 EARN accounts into 529s, virtually all of which were newly opened. From families who did not elect to open a 529 and instead chose to forfeit match funds, we learned that the 529 product did not work for many parents for several reasons. First, families were concerned about the perceived or actual investment risk associated with these accounts. As EARN's prior research has shown, more than 80% of low-income families nationwide believe it is important that any money they deposit into an account will not lose value.[3] Thus, the fact that 529s are investment accounts is an immediate concern for these parents, even though certain states have no-risk investment options. At the same time, the enrollment process felt overwhelming to parents, specifically the cumbersome sign-up process and the fact that parents felt discomfort making investment choices. They were fearful of making the "wrong" choice and losing money as a result. Many parents, when faced with these complexities, did not wish to continue their 529 enrollment, even with EARN's support. An additional hurdle was the fact that 529 providers are generally unfamiliar brands, so there was less familiarity and trust with the institutions. The number one reason families exited the program unsuccessfully was that parents wanted to use the funds for future educational expenses, but did not want to open a 529.

[3] Jade Shipman, "Retirement Savings among Lower-Income Adults: Challenges and Opportunities to Improve the Effectiveness of the Saver's Tax Credit." EARN Research Institute, 2012.

F. Long-Term Savings Habits

As noted previously, our children's education savings programs have had strong impacts in terms of programmatic success, new dollars saved, and boosting children's involvement with household finances. At the same time, we strive for each program to generate long-term savings habits among participants. We believe a regular savings habit is critical because research shows that it is a predictor of economic mobility and allows for greater financial stability in the event of economic shocks.[4]

When we compared this program with two other EARN offerings, we learned that this program was less effective at instilling regular savings behaviors over the long term. Figure 23 shows a comparison between these three EARN programs' features, specifically program length, savings goal, match rate, and monthly deposit requirements. We are comparing EARN's education savings accounts with one program that is longer and one program that is shorter. We are comparing it to one program that has a higher savings goal, and to one with a lower savings goal. Both comparative programs have lower match rates for the financial incentives. Both comparative programs have a monthly deposit requirement or incentive.

Figure 23. Comparison Chart of 3 EARN programs

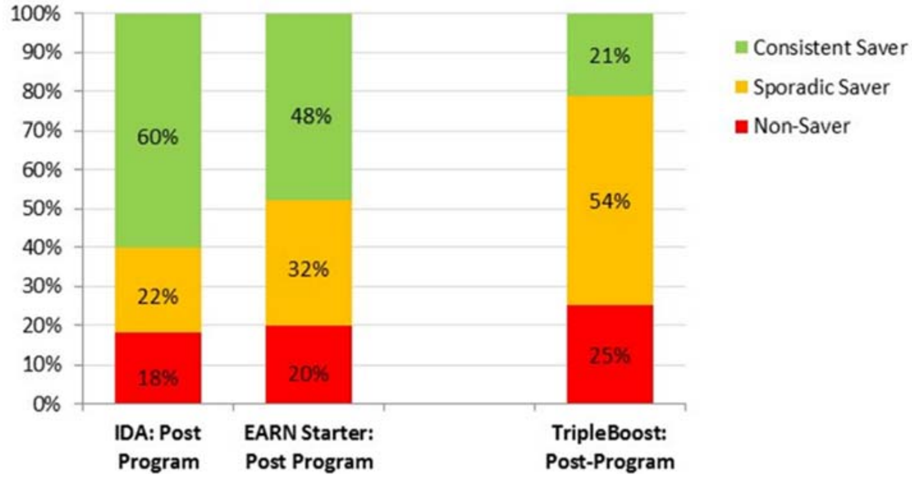
	TripleBoost program	IDA program	Starter Savings program
Program Length	6 – 24 mo	Longer: 24 – 48 mo	Shorter: 6 mo
Savings Goal	$500	Higher: $2,000	Lower: $120
Match Rate	300%	Lower: 200%	Lower: 50%
Monthly Deposits	Not required	Required to stay in program	Required to earn match

Source: EARN Business Intelligence

In Figure 24, we share post-program savings habits of our families. Generally, families complete a Post-Survey 12-24 months after program completion. Across all EARN programs, households have initial savings behaviors that are very similar to those shown in Figure 10, where 12% of families have a regular savings habit at enrollment, 49% are saving sporadically, and 39% are not saving at all. So, all of the programs are moving the needle on savings behaviors to some extent. However, the IDA and Starter Savings programs are more effective than TripleBoost at instilling a regular savings habit.

[4] Stuart Butler, William Beach, and Paul Winfree, "Pathways to Economic Mobility: Key Indicators," Pew Charitable Trusts, 2008.

Figure 24. Post-Program Savings Habits by EARN Program



Source: EARN Business Intelligence

To understand why this may be the case, we conducted interviews with our families across all three programs. We believe that the critical difference is monthly deposit requirements or incentives. Monthly deposits appear to be key when instilling a long-term savings habit, because these deposits functionally teach households how to make room for savings in their monthly finances, and how to make depositing part of their regular monthly routine. Families in programs with monthly deposit requirements learned how to save and make deposits even during months with unexpected expenses or when families received less income than expected. Deposits in such months may have been small, but they supported the Savers' new behaviors and allowed the habit to form. Our children's education accounts did not have this feature, and a lower percentage of participants became consistent savers.

VIII. CONCLUSION

There is tremendous opportunity for organizations and governments to create and support programs that help families save for their children's education. Parents want to save for this important purpose, are concerned about affording college, and have the capability to save with thoughtfully designed accounts and programs. Such programs should include monthly deposit incentives or requirements, if seeking to create long-term savings habits. Interested parties who are creating their own programs are encouraged to bear in mind that the children of working families have educational expenses that precede college tuition, which may be critical in helping the child access college down the line.

We hope this research is of use to practitioners and others in the field who are interested in these types of programs. We believe this research strengthens the evidence about the importance of education savings. Our hope is that there will be broader adoption of programs that support children across the income spectrum in their educational pursuits, and that such programs will assist participating families in establishing a regular savings habit that will allow them greater financial stability and economic mobility for years to come.

ABOUT THE AUTHOR

Jade Shipman is the Director of Research & Innovation at EARN. She conducts research throughout the program lifecycle for all of EARN's programs, as well as other programs that seek to increase prosperity for working families. Ms. Shipman joined EARN in 2011 after working in economic development for six years. Ms. Shipman holds a Master's degree in City and Regional Planning from the University of Pennsylvania, and a B.A. in Sociology with High Honors from the University of California, Santa Barbara.

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FOR FURTHER INFORMATION

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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 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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