

Research Brief

Using Statewide Child Development Accounts as a Delivery Method for Youth Financial Education

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In the financial capability policy known as Child Development Accounts (CDAs), incentives with investment accounts enable families to accumulate assets for children's development and to achieve life-cycle goals. With data from SEED for Oklahoma Kids (SEED OK), a randomized statewide policy experiment, we examine CDA effects on the use of mainstream financial services among young mothers aged 18 to 24 ($N=825$; treatment = 410 and control = 415). Results suggest that, after 4 years of CDA implementation, asset- and debt-product usage is higher among young mothers in the treatment group than among their counterparts in the control group. This difference, which we conceptualize as a difference in financial access, partially results from the combination of CDA policy with young treatment mothers' financial knowledge and skills.

Overall, findings suggest that statewide CDAs provide key elements for experiential learning (i.e., access to financial services and opportunities to apply knowledge and skills) while encouraging young mothers to accumulate assets for their children. Seven states have created statewide CDA policies to include all children in the state. For example, about 140,000 newborns in Pennsylvania are automatically enrolled in CDAs each year. This policy platform provides an opportunity to deliver financial education for young parents (whose children are beneficiaries of CDAs) as well as for their children as they grow up. Compared to other financial products that may promote experiential financial education (e.g., checking accounts and savings accounts), statewide CDAs are more comprehensive, efficient, and scalable given their universal and centralized design. Statewide CDAs can reduce the costs of financial education substantively. Efficiencies and cost savings can occur in marketing, enrollment, administration and evaluation. In contrast to other delivery methods for financial education (e.g., school-based or community-based), CDAs offer immediate potential for financial education directly related to finance of youth. Financial education curriculum and evaluation can be built on CDA program features and activities. Because CDAs are a long-term policy, financial education based on CDAs will have sufficient time to build longstanding interactions with individuals, with new financial learning at different stages of child and family development.