



Growing Knowledge from

SEED

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Lessons learned from the
Saving for Education, Entrepreneurship and Downpayment Initiative

Making the Connection: Messages that Advance Children's Development Accounts

By DeQuendre Neeley-Bertrand

Growing Knowledge from SEED is intended to distill lessons from the Saving for Education, Entrepreneurship and Downpayment (SEED) Initiative. This edition presents findings from research aimed at crafting messages that effectively promote children's development accounts (CDAs), such as those implemented in SEED, to the public. On behalf of CFED, Peter D. Hart Research Associates conducted a national survey with a large sample of registered voters, including a sample of parents with young children. The goal of the research was to help refine SEED's strategic approach by studying public perception of the need and rationale for CDAs, opinions about how the accounts should be structured and used and public reaction to various messaging strategies.

Also known as children's savings accounts, CDAs are universal, long-term savings and investment accounts established at birth and allowed to grow over the course of a lifetime. Seeded with an initial deposit and built by contributions from family, friends and accountholders, as well as augmented by other public and private sources, CDA savings are restricted for the primary purposes of financing education or job training, starting

a business, buying a home or saving for retirement. We use the term CDA to distinguish the accounts from other children-targeted savings accounts offered by financial institutions.

Introduction/Background

In the spring of 2007, CFED commissioned Washington, DC-based Peter D. Hart Research Associates to conduct a national telephone survey of 801 registered voters, as well as a sample of 433 voters who were either parents of children age 11 or younger or prospective parents at the time. The polling was conducted to explore public perceptions of children's development accounts (CDAs). More specifically, the survey aimed to document the responses of people from a broad range of political ideologies when presented with a case for a national children's development account policy.

Respondents heard several statements that they could endorse or reject on a Likert-type scale (agree, strongly agree, disagree, strongly disagree). The statements included a general proposal describing how children's development accounts would work, various advocacy messages about how the accounts could make our nation stronger by leveling the playing field for children from less fortunate families and assertions that college tuition and student loans

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are a growing problem for families that could be mitigated by these accounts. In addition, some statements tested proposed features of a universal children's development account policy, such as a financial literacy component. This research was supplemented with qualitative findings from six focus groups convened with a sample of voters and opinion leaders prior to the phone survey. The focus groups especially aided in providing a more nuanced picture of how people view the idea of CDAs, particularly their reasoned objections.

The results of the research undertakings shed light on what voters and parents view as the accounts' potential benefits – both for their families and for society at large. Important lessons for SEED and our partners can be drawn from the work about: 1) framing and constructing core messages about CDAs, 2) addressing common criticisms and doubts about the efficacy of the accounts and 3) making specific policy recommendations in working toward establishing a national children's development account policy.

Lessons and Key Observations

Constructing Core Messages about CDAs

This research revealed significant elements of a persuasive argument for CDAs to the masses. To deepen their level of understanding and activate them, respondents (voters and parents) needed to understand what problems these accounts solve and what the motivation for them is. Almost all of the messages that convinced and heightened the enthusiasm of our sample were consistent with the strong American ideals of equality, pursuit of education and achievement. Specifically, participants repeatedly responded well to the recurring themes of opportunity, achievement and contribution to society. Nevertheless, most also favored

restrictions on the use of funds in the accounts and had varying attitudes on the role of government in helping people with matters of personal economic development.

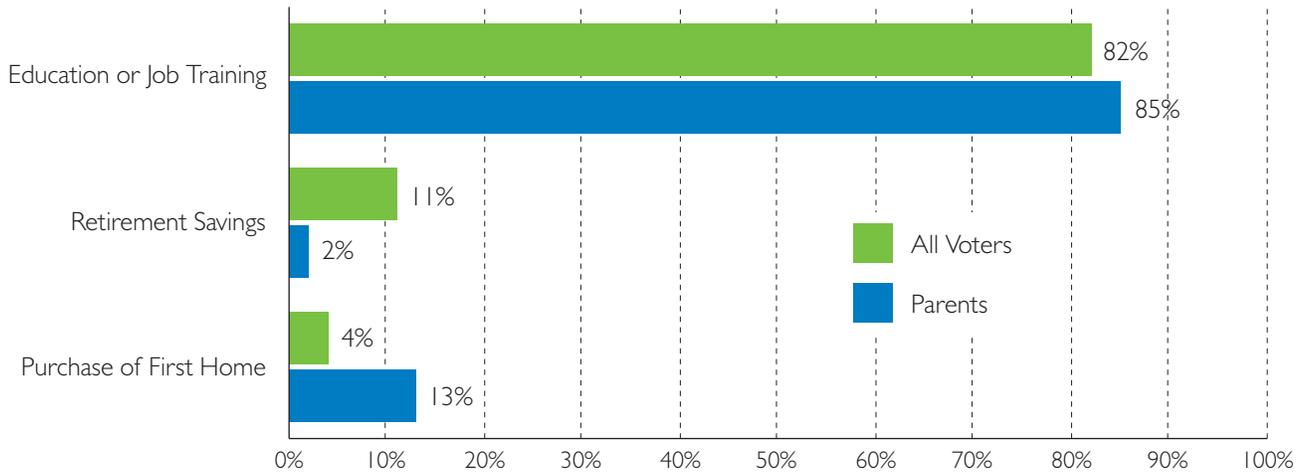
■ **The Children's Savings Concept.** When introduced to the idea of CDAs – that is, an account opened at birth for every child in the nation with an initial deposit made by the federal government and allowed to grow tax-free with contributions for later use on approved purposes – respondents broadly endorsed the idea regardless of their party affiliation, political ideology or geographic location. Close to seven out of every 10 voter respondents (69%) and more than three-quarters of parents (78%) articulated support for it. Just 22% of voters and 15% of parents initially opposed the idea.

When asked to elaborate on their reactions to CDAs, supporters mentioned benefits such as giving kids a head start, helping pay for college and encouraging an early habit of saving. Indeed, the research concluded the central element in an effective message frame for CDAs is the idea that the accounts will give more children the opportunity to achieve and contribute to our economy, by saving for the future and more generally by raising their aspirations. Fifty-five percent of voters strongly agreed with a test statement saying that “establishing these accounts will send a message to children in less fortunate families that they are valued, and encourage them to aim high as they think about education and their career...”

For some it was important that CDAs be of benefit to all children. Two-thirds of voters (66%) and nearly three-quarters (73%) of parents believed the accounts could help middle-class, not just low-income, families. The statement they endorsed emphasized opportunity and suggested that children from low-income households were not being given a hand-out, but a hand-up to help them succeed with their peers. Fully 66% of voters said they believe the government's priority should be providing a “ladder of opportunity that helps people achieve independence.” Only 13% supported the government's role as a “safety net” provider for families.

Most Important Use of Funds

Percentage of Respondents Selecting Each as the Single Most Important Use of the Accounts



Source: Peter D. Hart Research Associates. 2007. *Messages for Promoting Children's Savings Accounts*. [unpublished data]

- **Use of Funds.** Respondents in our sample were concerned with how the money in an account could be used once the accountholder comes of age. Paying for college was the most effective use to get buy-in from our sample, and thus constitutes a second significant element of an effective message to promote CDAs. Eighty-two percent of voters and 85% of parents supported using CDAs for higher education or job training. The high cost of pursuing a college education – and the substantial debt burden placed on students and their families – made CDAs ripe for more investigation by our sample. They saw the accounts as a way to solve the affordability crisis. By contrast, participants were not convinced that all possible uses of account funds are equally important or acceptable. Only 11% of voters thought retirement savings worthy, and just 4% selected home purchase as a reasonable use (see table on “Most Important Use of Funds”).

Retirement may have been viewed as too distant an issue to make a compelling case for accounts for newborns. Alternatively, some participants were wary of these accounts being a backdoor attempt to privatize Social Security. And although homeownership is not as far off as retirement, respondents were inclined to think of buying a home as a personal responsibility as opposed to a worthwhile use of these types of funds.

Addressing Common Criticisms and Doubts about CDAs

The research identified several factors that can undermine public support for children's development accounts. It revealed that both ends of the political spectrum have different concerns, but they fundamentally boil down to three common doubts about CDAs:

- **“There Are Better Ways to Spend the Money.”**
- **“It’s Too Expensive.”**
- **“It Won’t Work.”**

The survey and focus group efforts tested strategies for crafting messages that anticipate these concerns and presented effective counterpoints for these three main lingering doubts that participants offered.

- **“There Are Better Ways to Spend the Money.”** One of the most convincing arguments against CDAs goes, “We should be spending the limited resources we have on programs that provide direct services to children – such as decreasing class sizes, funding Head Start and providing health insurance – instead of these accounts.” This opposition registered strongly among liberals and Democrats, voters who would otherwise be inclined to

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support a proposal to help children from low-income families. Fortunately, advocates have an effective response:

A system of savings accounts and financial education does benefit children from a young age because it teaches them the importance of saving. And the accounts will encourage many families and children who might never have considered college to strive for a better future.

This counterargument persuaded more participants than the criticism that the money is better spent elsewhere – by a 61% to 31% margin. Again, the notion of transforming lives and raising young people’s expectations is the central reason the response resonated among participants. They can see how the process of a family establishing and funding an account, with the child’s participation, could help nourish a broader sense of possibilities. Moreover, some young people may set their sights on attending college who might not otherwise have even considered it a real option. So in this sense, savings accounts are a form of early intervention which voters, especially liberal ones, value.

- **“It’s Too Expensive.”** The price tag of the program was probably the most frequently voiced objection. Voters worried that the government could not afford to create such an ambitious program, especially given that the national budget is already in deficit, and the nation is showing signs of recession. Some respondents agreed with the criticism that the program would increase the federal budget, resulting in higher taxes and fewer services later. The best response to a cost-based critique was to demonstrate the value of the program. If the program serves an important goal, the price becomes acceptable.

The public investment in accounts will largely pay for itself in the long run, by encouraging more savings and by helping many low-income children to improve their education and become self-sufficient adults.

Again, the statement of support received 62% agreement compared with the challenge’s 32% agreement. This statement respects the concern about taxpayers’ output, but points out that they will receive a substantial return on this kind of investment. It may be worth noting that some participants heard an alternative counterpoint: “The accounts are not really very expensive – costing less than two-tenths of one percent of federal spending – considering the long-term benefits to families and the nation.” This response was strong only among Democrats, and very weak among Republicans. The return-on-investment message was across-the-board more acceptable.

- **“It Won’t Work.”** Many believe poor people won’t save enough money – even with a match – to make a difference. This concern crossed all partisan and ideological lines and was easily the greatest challenge to effective advocacy for CDAs.

Anticipating this challenge, the research tested messages that highlighted how much money would be in a typical account. Assuming a voluntary contribution of just \$250 per year, a typical account would hold about \$21,000 tax-free dollars by the time the child turned 18. Participants were not impressed. They felt that \$21,000 was a drop in the bucket compared to the cost of a typical four-year college.

In the survey, an experiment was conducted to determine whether telling people what this \$21,000 could buy would be an effective response. When told this money could pay for more than three years at a public college, support dramatically increased. Even more were impressed when presented with the idea that \$21,000 is enough to pay off the college loans of an average American student. Support climbed from 35% to 55% once tangibles were added to the argument.

Policy Recommendations

The survey research yielded data from which several policy considerations and recommendations may be gleaned. Respondents identified a number of features that they like about CDAs, which if included in a proposal, would make a national children's development account policy more agreeable.

- **Highlight Education, But Not at the Expense of Opportunity.** For all intents and purposes, respondents viewed CDAs as a vehicle to open doors for disadvantaged youth and to help all youth pay for college. These are the strongest selling points and should be used generously in messaging strategies. However, they are not the only selling points and should not be the exclusive focus given that these accounts were conceived and developed as comprehensive building blocks for financial security for all. If messages are entirely limited to these strongholds, they are vulnerable to the counterarguments that the nation should instead concentrate on existing college aid such as the Pell grant and offer more favorable terms for student loans. Advocates should also spend time talking about how CDAs open up new possibilities and transform the lives of children, as well as how a national policy could help families save money.
- **Universalize.** Egalitarian beliefs are highly palatable to Americans, so advocates need to sell the idea that the goal is to make CDAs available to all children – not means-tested. More than two-thirds (67%) of respondents said so; only 28% liked the idea of limiting the accounts to children in families with incomes of \$40,000 or less, even though doing so was thought to help contain program costs. Drawing lines of eligibility turns these accounts into a “poor people's program.”
- **Nix the Rhetoric.** People don't link IRAs, 401(k)s and mortgage interest deductions to “asset subsidies” for the middle-class, and statements that “blamed the rich” were the least well received messages in the focus groups. The mostly middle-class respondents felt attacked because

The ABCs of Financial Literacy

As originally conceived, CDAs are supplemented by comprehensive financial education. Voters and parents in our sample liked this component, but didn't find it compelling. Advocates therefore need not build strong messages around the idea of financial literacy or “addressing the national savings crisis” as a way to advance CDA policy.

Our sample did not get a sense of urgency to address this issue through these types of accounts. Researchers tested reactions to seven specific statements in favor of accounts, and the three receiving the lowest endorsement dealt with encouraging general savings and financial literacy:

- Improving national savings rate (14% voters, 17% parents)
- Instilling the value of savings (12% voters, 10% parents)
- Improving financial literacy (12% voters, 11% parents).

In constructing messages about CDAs, be aware that this recommendation is based on research aimed at the general public. Business leaders or policymakers, for whom these are critical issues, may be more receptive to this focus.

they value and depend on these long-held tax-breaks and don't consider themselves “rich” because of them. However, respondents favored providing an additional deposit of up to \$500 and dollar-for-dollar matching funds for children from households earning incomes below the national median, although by a lesser margin. Forty-seven percent of voters and 48% of parents endorsed this option.

- **Use Concrete Examples.** Advocates may be inclined to throw out figures to show just how much money could grow in the accounts over time, but our sample was not impressed with numbers as headlines. It took telling participants just how far that money could go toward paying for college or paying back loans before they warmed up to the idea. Many people have unrealistic views of college costs, which may have fed into these perceptions. However, the overall lesson is that people

need concrete examples of the difference a CDA would make for them and their family.

■ **Strike a Balance Between Restrictions and Choice.**

Seventy percent of the sample of voters (and 76% of all parents) said they would support a universal children's development account policy if it allowed private, voluntary after-tax contributions from any source to be made to the accounts. More than two-thirds of participants (68% of voters and parents) supported limiting the use of the funds to paying for higher education at a two-year or four-year college or a legitimate job-training program, at least until accountholders reached age 25. In designing a CDA program, policymakers and advocates will need to decide when to provide more options and when to limit choices so that the policy achieves its desired goals and is easy to sell to the public.

A sum of money deposited into an account by the government as a means of eliminating wealth disparities, eradicating poverty and leveling the playing field for young people to succeed is a radical notion for Americans. This research demonstrated high levels of support for CDAs across political, ideological, demographic and socioeconomic groups, but effective messaging must deal with the legitimate criticisms about the program and successfully incorporate policy implications. When framed in terms of "opportunity," a way to pay for a college education or as help to transform lives, the messages about CDAs begin to resonate, and the notion of CDAs itself transforms from a "good idea" to a more urgent need that activates public support.

¹Peter D. Hart Research Associates. 2007. *Messages for Promoting Children's Savings Accounts* [unpublished manuscript].

²Peter D. Hart Research Associates. 2007. *Public Support for Children's Savings Accounts*. [unpublished manuscript]



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