

LAUNCH: College and Career Savings Accounts



The Issue

Young people are the workforce of tomorrow. With today's competitive global economy, ensuring that teens and young adults successfully make the transition to a productive adulthood has never been more important. Growing numbers of young people face new challenges in becoming prepared for good jobs in today's high-growth industries. Nationwide, more than 6.7 million young adults – more than one in six – are unable to gain a foothold in the labor market and either drops out of high school or become disconnected from the post-secondary education they need for a pathway to a productive life and career.

Why it matters

Today's jobs – even blue-collar jobs – require a post-secondary degree or credential. More than three of every five jobs today require a college or career credential, and that number is expected to continue increasing.

The Approach

Young people – many are the first in their families to attend college – are given the opportunity to set the goal of, and to save for, a post-secondary degree or credential by opening a Career Readiness Savings Account. Participants are low-income young people who typically face multiple daunting challenges such as poverty, homelessness or “aging out” of foster care.

Young people save up to \$500 and receive an eight-for-one match for their Career Readiness Savings Account. The funds can then be used for degree or credential expenses at an accredited college, university or trade school. To date, 160 participants have leveraged not only their own savings, but also matching funds, to save \$636,447.27

United Way secures matching funding to support the savings account program through a federal program called Assets for Independence (AFI). In AFI's report to Congress, they reported that participants are twice as likely to engage in post-secondary education compared to non-participants. Research has shown that educational savings accounts have important and life-changing implications for low-income students, such as having a significant and positive impact on degree enrollment, providing access to post-secondary education they might not otherwise have, decreasing student loan debt, and providing crucial financial literacy education.

This opportunity not only strengthens the long-term financial stability of young adults, but also helps to break the cycle of poverty for the next generation, since we know that the education level of parents is one predictor of future child poverty.

Working in Partnership:

United Way convenes multiple community-based organizations working to help at-risk young people strengthen their college and career planning. Current active partners include Catholic Charities of Kansas City-St. Joseph, Guadalupe Center, Inc., Hispanic Economic Development Corp., reStart Inc., the Choice Neighborhood project and Whatsoever Community Center.

Financial Capability and Asset Building:

Building a secure future also requires knowledge of financial systems and the ability to accumulate and protect financial assets, such as savings for emergencies, transportation, home purchase, retirement and other investments. Consequently, embedding financial capability is both a key strategy and a requirement for every Career Readiness Savings Account participant. Key banking partners include UMB and Central Bank of Kansas City which helps participants to develop early and positive connections with financial institutions.

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United Way also partners with PREP-KC and UMKC's Office of Financial Literacy at metro area high schools to offer Mad City Money financial simulations. This is a hands-on, project-based learning experience for high school students on the financial management skills they will need in real life. More than 700 students are expected to participate this year.

Focus on Results

Performance is tracked in centralized software to monitor outcome achievement. Key results include:

- » College and Career Savings Accounts opened with current savings plus match of nearly \$650,000
- » Young people are exposed to the financial capability skills building that results in putting the following outcomes into action: budgeting, setting savings goals and using mainstream banking products
- » Young people also learn to identify and navigate the systems of supports that will help them persist and succeed in their college or post-secondary credential goal
- » 94 young adults have taken post-secondary courses with the help of this program

Why Learning to Save Matters

- » Savings as little as \$500 can make a low- or moderate-income child three times more likely to enroll in college and four times more likely to graduate
- » Low-income savers with some emergency savings were documented to reduce their reliance on fringe financial services
- » Savings are how families make progress – 71 percent of children born to low-income, high-saving parents move up from the bottom quintile, compared to 50 percent from low-saving households
- » Over half (55 percent) of low-income young people with savings accounts moved up from the bottom quintile, compared to only 34 percent who did not save