Hawai‘i Island Kids Savings Initiative

A Pathway To Family Financial Empowerment

July, 2012

“Mama may have, Papa may have, but God bless the child that's got his own.”

God Bless the Child, Billie Holiday

This report was prepared by the Hawaiʻi Alliance for Community-Based Economic Development (HACBED) for . . .

Department of Research & Development
County of Hawaiʻi

Hoʻowaiwai
NETWORK

. . . in fulfillment of the terms of Hawaiʻi County Contract C.003327.

Surprisingly, family income, household net worth, and parent savings for youth are not significant predictors of college attendance for youth.

However, whether or not youth have accounts and whether or not they have savings set aside for school are important predictors.

Students with savings accounts in their own names are seven times more likely to attend and complete college than peers with no savings accounts of their own.

William Elliott, 2010

I. Introduction

The idea of endowing all children at birth with an account to call his or her own – a Children Savings Accounts (CSA) or Child Development Accounts (CDA) – is an idea developed and championed by Michael Sherraden, named one of the 100 most influential people in the world in 2010 by *Time* magazine. In *Assets and the Poor* (Sherraden, 1991), he suggested that the way out of poverty is not through consumption alone but through the accumulation of assets, and that having assets will lead to positive outcomes for individuals and families. Just as another asset-based policy, the GI Bill, promoted human capital development in the middle of the 20th century – with enormous payoffs in educational attainment, increased productivity and incomes, and widespread home ownership – a children's savings policy would democratize educational opportunity, spread the distribution of wealth, build stronger households, and promote economic growth (Curley and Sherraden, 2000).

In the summer of 2010, the County of Hawai'i partnered with Dr. Michael Cheang, the Hawai'i Alliance for Community-Based Economic Development (HACBED), and Hawai'i Island federal credit unions and elementary schools to pilot a Kids Savings Initiative. With the success of this early effort and with Jose Cisneros (Treasurer, City of San Francisco) and Bob Friedman

Bob Friedman (CFED President), Mayor Billy Kenoi, and Jose Cisneros (Treasurer, City of San Francisco) at the 2010 Hawai'i Asset Building Symposium.

(CFED President) at his side, Mayor Billy Kenoi launched a campaign at the 2010 Hawai'i Asset Building Symposium to help establish savings accounts for every child on Hawai'i Island to

Hawaiʻi County has one of the lowest annual wages and highest costs of living in the nation. The stress from these challenges creates instability for island families and communities: high debt, poor health, addiction, homelessness, marital distress, and crime and violence. This combination of low wages and high expenses makes building financial assets extremely difficult.

Assets & Opportunity Scorecard: Hawaiʻi County, CFED, 2010

provide them with a jump start in realizing their dreams – whether it be for college or other aspirations.

This report documents the progress made on this initiative to date and provides:

- the context and rationale for the Hawaiʻi Island Kids Savings Initiative;
- an overview of the state of the field of children's savings;
- lessons learned from the Hawaiʻi Island experience and that of national and international children's savings efforts; and
- guiding principles and action recommendations for moving forward.

II. Background & Context

A. The State of Hawaiʻi County Families

Almost one in four Hawaiʻi Island families are *asset poor – they have insufficient net worth to support themselves at the federal poverty level for three months in the absence of income*. In other words, families don't have the reserves to enable them to weather crises without having to turn to public assistance crises such as job loss, an illness in the family that depletes what little reserves may have existed, or not being able to meet monthly housing expenses. This also means that families do not have sufficient resources to invest in their future – to invest in a home, business, or education for their children.[1]

Many households in Hawaiʻi County struggle to meet their most basic financial needs. Nearly 20% of children under 18 are living in poverty compared to 10% for the City and County of Honolulu. In addition, over 44% of single adults, 51% of single parents with one child, 81% of single parents, and 26% of families of four, all have household incomes below the FESS level (Family Economic Self-Sufficiency Standard). Combine these statistics with the fact that Hawaiʻi County is heavily reliant on importing energy, food, consumer products and transportation fuel it is clear that many families in the County struggle with their monthly expenses.[2]

Other highlights from the *Assets & Opportunity Scorecard: Hawaiʻi County* (CFED, 2010) include:

- 25% of Hawaiʻi County families live in asset poverty.
- 54% of Hawaiʻi County residents have subprime credit scores.

. . . yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything, in short, except that which makes life worthwhile.

Robert F. Kennedy
March, 1968

- 49% of Hawaiʻi County homeowners are cost overburdened.[3]

These statistics point to a strong need to create savings opportunities as early on as possible in life to develop savings behaviors that can contribute to positive outcomes for Hawaiʻi County residents.

B. The County of Hawaiʻi's Response

1. An Asset Policy Roadmap – More Than Just Financial

In June 2011, Hawaiʻi County and the Hawaiʻi Alliance for Community Based Economic Development (HACBED) released the *Hoʻowaiwai Hawaiʻi Island: Building Genuine Wealth*[4] report that sets forth integrated and coordinated policies and initiatives that the County of Hawaiʻi, the public and private sectors, and families themselves can act on to help increase family and community self-sufficiency on Hawaiʻi Island (see Appendix 1). The policy roadmap encourages people to accumulate, develop, and preserve all categories of assets – financial knowledge, access to credit, savings, and investment while also developing human and social assets through personal determination, knowledge and skill building, and community networks.

The Hawaiʻi Island asset policy framework is also rooted in the following values and beliefs shared by Hawaiʻi Island families throughout the policy development process:

- *more than just financial* – wealth is more than the accumulation of money and goods – it relates to ʻohana, the quality of our relationships, the resilience that comes through the support of community networks, and our ability to share and leave a legacy for future generations.
- *hoʻowaiwai* – for island families and communities, wealth is also rooted in the concept of hoʻowaiwai (*to enrich*) – the time tested indigenous wisdom of Native Hawaiians that to be, thrive, and prosper in these islands, we must hold sacred our interrelationship and interdependence with ʻāina – *that which feeds us.*

Thus, the County of Hawaiʻi's approach to family and community financial empowerment and genuine wealth building is to affect *Earn It, Keep It, Grow It, & Share It* strategies within the values base and context of cultural, environmental, and community sustainability and supported by on-going learning. This strategy

Hawaiʻi Island Genuine Wealth & Self-Sufficiency

Family & Community Financial Empowerment ↔ **Cultural, Environmental, & Community Sustainability**

Hawaiʻi Island framework for an asset building approach to increasing genuine wealth and self-sufficiency for families and communities.

brings life to the concept of *ʻohana economics* – an asset building approach designed to increase productivity at the family level. It acknowledges that the root word of *economics* is *oikonomia* – a Greek word meaning "*management of household*" and advances the belief that:

- *Earn It* – IF we increase earning opportunities through economic localization and development . . . THEN families will have a stable employment base for building assets.
- *Keep It* – IF we support families as they manage risk and reduce expenses . . . THEN families can better manage their household expenses and increase their options for building assets.
- *Grow It* – IF we help families increase their assets . . . THEN families will increase their self-sufficiency and have more choice and control in their lives to have *financial security* against difficult times; to create *economic opportunities* for themselves; and to *leave a legacy* by protecting our island community and environment for future generations' quality of life.

The leverage areas for policy and action in the *Hoʻowaiwai* report should be viewed in the context of whole systems where asset building is embedded in County efforts that build thriving families and communities. This approach is grounded by the idea that a comprehensive asset-building agenda seeks to catalyze opportunities to coordinate multiple initiatives to achieve greater benefit for Hawaiʻi County residents. The asset-building initiatives are intended to build stronger relationships within and between families to reinforce the strengths and resiliency exhibited on a daily basis. Building family and community assets is a collective responsibility that ultimately should support greater health; cultural awareness and pride; and environmental sustainability.

The *Hawaiʻi Island Kids Savings Initiative* is one of the primary entry points into this broader family financial empowerment agenda. By making intentional and deliberate investments in building the assets and positive development of children and youth, including encouraging intergenerational mentoring relationships that facilitate the transfer of knowledge across generations, we help strengthen their capacity to become the future agents of positive change in their families and communities.

2. A Network & Embedding Approach

Using a network and embedding approach to *hoʻowaiwai empowerment* efforts ensures their long term viability and contribute to building and strengthening the communities in which Hawaiʻi Island families live, work, and play. This involves:

- *networks* – using a network strategy to weave relationships, assets, and local wisdom to advance family and community financial empowerment efforts. Hawaiʻi County works to build family and community assets by playing the roles of connector, weaver, collaborator, and facilitator of public, private, and community partners that are promoting and acting on strategies to effectively support families as they pave their own pathway to increased economic self-sufficiency.

- *embedding* – integrating and embedding asset building into existing public, private, and community sector programs and services nurtures a culture, mindset, and attitude of asset building across sectors that can generate synergistic and innovative strategies to maximize the efficient and effective use of limited resources. As a member of the *Cities for Financial Empowerment Coalition*, the County of Hawai'i gets technical, information exchange, and research support for this work from Coalition members which include the municipal governments from New York City, San Francisco, Chicago, Los Angeles, Miami, Newark, Providence, San Antonio, Savannah, Seattle, and Louisville.

III. **Children Savings Accounts** (CSAs)

A. **Why Are CSAs Important?**

More than a third of the 4 million American children born each year – and more than 40% of minority children – are born into families with negligible savings to weather emergencies or invest in their futures. Yet 81% of poor American children live in families where someone works full or part time.

In Hawai'i County, more than 30% of the island's population is 24 years old or younger. Of those under 18 years of age, almost 10,000 live below the poverty level, accounting for 23.4% of those living in poverty on the island. In addition, these young people live in families of which one in five are asset poor; 16% of which live in extreme asset poverty; and live amongst a population where 73% do not have at least a bachelor's degree (CFED, 2010).

Further challenging the future of Hawai'i Island's children and youth is the fact that by 2018, nearly 63% of all jobs will require a college education, thereby making a college degree increasingly important (Carnevale et al, 2010). In addition, people with a bachelor's degree earn more than 80% more, on average, than those with only high school diplomas (Brooks et al, 2009).

Recent research has highlighted the strong implications of teaching children and their parents the fundamentals of early savings and financial education. These findings of potential benefits include:

- the direct correlation between early savings and college enrollment/completion (Jappeli, 2011).
- the consistent demonstration across demographic groups of the correlation between early savings and college enrollment/outcomes.[5]
- the positive impact on the attitude, expectations, and reflections of college students and their parents alike with minimal savings efforts (Gurria, 2010).
- the positive attitudes towards financial institutions and the benefits of savings created by early savings.[6]
- evidence that children are significantly more likely to maintain a relationship with financial institutions and have greater financial assets later in life when they own a savings account earlier in life.[7]

The Canada Education Savings Grant (CESG) provides low income families a vehicle to encourage savings for a child's post-secondary education. As of June 2007, over three million children have received government contributions amounting to 3.5 billion CAD (3.1 billion U.S. Dollars).

Loke & Sherraden, 2009

The multiple benefits of CSAs through behavior and attitudinal changes, education outcomes, and savings accumulation support an aggressive approach to creating savings opportunities at a young age.

B. State of the Field

The CSA field has been growing over the last ten years. Notably, the Corporation for Enterprise Development coordinated the *Saving for Education, Entrepreneurship, & Downpayment* (SEED) multi-year pilot to better understand the benefits of early savings and financial education as well as the most appropriate types of savings structures. During this time other local and state efforts were created to encourage child savings including Maine's College Challenge Program[8], Arkansas's Aspiring Scholars Matching Grant, and Oklahoma's SEED 529 initiative[9]. More recently, San Francisco launched the Kids to College effort to open a savings account for every student entering public schools[10]. CFED is also working with the W.K. Kellogg Foundation to pilot child savings in Michigan and Mississippi.

CFED's SEED pilot is the source of the most definitive knowledge to date on program implementation.[11] Some of its key findings include:

- The idea of child savings accounts is *broadly supported* across political and geographic lines.
- Families of all income levels can and will save – despite high levels of poverty and limited financial knowledge, significant percentages of SEED participants made regular deposits to their accounts.
- Savings are *achievable* but by no means easy – key challenges included low incomes; high costs of food and energy; long-term goals competing with short-term needs; predatory lending and excessive credit; complicated financial products; and inaccessible financial institutions.
- *Account structure* is important. For example, there is some indication that limiting withdrawal privileges might help longer-term savings.[12]

Internationally, there are a range of initiatives targeted at developing innovative youth savings products, services, and policies to address the economic and financial situation of the more than 1.2 billion people in the world that are between the ages of 10 and 24. In developed economies, policies for Child Development Accounts (CDAs) have been established and are being implemented by the governments of Canada, Hong Kong, Singapore, South Korea, and the United Kingdom (Loke & Sherraden, 2009).

In developing countries where 90% of the world's youth reside, children and youth savings programs are being developed by multi-sector partners (government, non-governmental organizations, financial providers, social researchers, and policymakers) to help prepare young people to take part in building their country's economy and society. This includes initiatives that are showing encouraging results in Guatemala, Kenya, Malaysia, Mexico, Sri Lanka, Thailand, and Uganda.

These demonstrations in developed and developing economies show that low-income, disadvantaged, and vulnerable youth and their families are making savings deposits in programs that provide structures and incentives to encourage participation. They also suggest that youth saving and asset building programs have the potential to improve the well-being of these youth, especially in educational attainment and in health and enterprise development.

Locally, the *Hawai'i State Asset Building & Financial Education Taskforce* established by the legislature reviewed options for the creation of universal child savings accounts in the State. The recommendations included a range of near term goals such as expanding current opportunities through the State 529 Program; exploration of funding support programs; and piloting local efforts to experiment with different savings incentives and supports. These efforts were intended to support a long term goal of developing a statewide universal child savings account program.[13]

IV. **Hawai'i Island Kids Savings Initiative**

A. **The Approach**

Universal Child Savings Accounts (CSAs) is a key component of Hawai'i County's *ho'owaiwai* approach to family and community asset building. As part of its efforts to develop an asset policy roadmap, the County of Hawai'i initiated a partnership with Dr. Michael Chang from the University of Hawai'i at Mānoa and HACBED to establish a pilot demonstration child savings account project.

The methodology used was developed by Dr. Cheang and based on his research that included a 2008 survey of parents of children at 17 public elementary schools across Hawai'i. The survey showed that:

- *Desire To Save* – 98% of parents thought saving for the future was very important and 99% wanted to save more regularly.
- *Not Currently Saving* – 40% indicated they were not saving and 49% said that they had not started their children saving.
- *School-Based Program* – 93% of parents liked the idea of a school-based savings effort and 92% said they would help their children save if a school-based program was started.

The following are the key components of Dr. Cheang's model for the pilot demonstration project:

- *School* – an elementary school that would provide [a] access to the children and their parents and family; [b] support to promote the program to parents and children; [c] the venue to allow in-school collection by the credit union of regular deposits made by the children on a monthly (sometimes bimonthly) basis; [d] assistance and a venue for parent/children gatherings around kids savings (i.e., orientations, updates, focus groups); and [d] coordination support with the credit union and the County of Hawaiʻi.

- *Financial Institution* – a federal credit union that would provide [a] a range of services and products to encourage children savings and parent support and involvement; [b] staff support to coordinate and implement regular monthly/bi-monthly in-school deposits; [c] development and implementation of promotional materials and activities to encourage kids savings; and [d] support to collect savings data.
- *Savings Incentive* – funding support to provide $25.00 per child that would be used to [a] open the account ($5.00/child provided to the credit union and deposited directly into the child's account) and [b] provide an incentive to every child that meets their savings goal by the end of the school year ($20.00/child provided to the credit union and deposited directly into the child's account).

With this modest incentive structure the CSA pilot recruited almost 500 children who saved a combined total of $37,411 in one year. This represents an almost 3:1 rate of return ($3.00 saved by the children for every $1.00 invested) for the demonstration project.

As a result of this initial success, the County of Hawaiʻi launched an initiative to scale up children's savings support to provide every child on the island the opportunity to save and get a jump start on building their assets for education and other aspirations. Building off of Dr. Cheang's pilot demonstration model, the County of Hawaiʻi and its partners added the following components to help expand the initiative and maximize its impact:

- *Financial Education* – test innovative financial education approaches that can be linked to children's savings. Recent research (Sledge, Gordon, Knisley, 2011) points to the need for interventions that help people move from financial education to financial capability – helping people to directly translate financial knowledge and guidance into better financial behavior in their everyday lives. Financial capability programs link financial products (i.e., children's savings accounts) with financial education that is:

    - *relevant* – addressing participants' specific concerns and financial situations;
    - *timely* – coinciding with key life events or moments of decision;
    - *actionable* – enabling consumers to put newly gained knowledge into action right away; and
    - *ongoing* – developing long-term relationships to provide support and accountability.

    Spendsafe.ly . . .

    In this regard, the County of Hawaiʻi provided support to conduct a psychographic survey and alpha pilot test of an innovative financial management tool, called *Spendsafe.ly*, that could be linked to the Hawaiʻi Island Kids Savings Initiative. *Spendsafe.ly* is an SMS text message-based personal finance management tool that helps families to track spending behavior. It empowers users to manage their discretionary income by texting in and categorizing their purchases, at point of sale. Behavioral interventions and gamification mechanics are employed to enhance user engagement.

- *Multiple Entry Points* – a key design element that emerged from the SEED Initiative learnings was to build systems to deliver large-scale financial education and other support for children's savings products by employing networks, systems, and community-based organizations that are connected to large numbers of children and youth (Rist & Harger, 2006). To build off of school-based efforts, the County of Hawai'i added the following strategies to broaden the Hawai'i Island Kids Savings Initiative:

  - *Ho'owaiwai Network Hawai'i Island* – engaged the range of public sector and nonprofit community-based entities that comprise the network which is focused on affecting asset and genuine wealth building on Hawai'i Island.

  - *ResourcesMatch* – worked in partnership with HACBED and the Mission Asset Fund to establish a Resources Match (RM) system for Hawai'i Island. RM is an online matching and referral application software that facilitates the intake, screening, and referral process to effectively and efficiently connect low-income people to an array of different government programs, community-level services, and financial products. The application is built on the Salesforce CRM platform. RM increases the range of "entry points" for potential CSA participants and addresses the frustration that individuals and families feel when they try to find help and support.

- *A Network Approach* – Lawrence CommnunityWorks (LCW) in Massachusetts is one of the best examples of providing asset building support and services to families through a network approach. They apply network theory, a set of ideas that come from the technology and economics fields, to shape a strong *demand environment* for change. The idea of a demand environment is based on inclusive, democratic deliberation and decision making that gives rise to a robust marketplace where the individual and collective voices of thousands of residents begin to shape policy, service delivery and the community development agenda.

  LCW invests in the community's capacity to produce demand, by providing abundant opportunities for people to come together, articulate and act on those things that are important to them. Another way to think about it is that a demand environment is proactive – residents create the network of relationships that support productive deliberation, and practice this process at the institutional, neighborhood and city levels to shape the community they want.

  To affect this approach, the County of Hawai'i:

  - *Weavers* – is developing a system of support to nurture network weavers across the island to help maintain and sustain the primary nodes of the Ho'owaiwai Network – Hawai'i Island.

  - *Co-Learning* – developed regular co-learning opportunities among network members to learn from their practice to expand and improve upon their asset building work. This included providing support to the federal credit unions to encourage the exchange of information and the identification of lessons learned and best practices for their children's savings efforts.

  - *Low Cost/No Cost Strategies* – building momentum by identifying low cost/no cost strategies and actions that CSA partners can move on in the near term to grow the children savings campaign in order to better determine where resource investments are most needed and have the greatest opportunity to leverage impact.

With the help of 21 schools, 6 financial institutions, and a range of community-based organizations, 2,428 students have opened up savings accounts to build toward their future. Of these students, 1,382 received savings incentives and collectively saved $102,686 over the last two school years.

County of Hawai'i, Department of Research & Development, 2012

B. **Results**

At the start of the 2011-2012 school year, the County conducted a survey of the families of the children participating in the savings initiative. With 258 respondents from 21 schools around Hawai'i Island the County was able to better understand the demographic and psychographic aspects of the 'savers' families. The following are some demographic highlights from the survey:

- 61.24% were married.
- 62.79% were high-school educated.
- 87.21% of respondents were female.
- 37.21% of respondents were of Native Hawaiian decent.

Over 97% of respondents stated they felt it was important to save early whereas only 53% had already begun to do so. Parents resoundingly confirmed that having a savings account opened in their child's name encouraged them to put aside money for their child's savings on a regular basis. This implies that having an open account for one's child leads to savings on a regular basis.

Over the two years of the Hawai'i Island Kids Initiative, it has grown from a pilot demonstration project to an island-wide campaign that utilizes a network of 21 schools, 6 financial institutions, and a range of community-based nonprofit organizations as partners. This has resulted in a total of 2,428 students who opened savings accounts to build toward their future. Of these students, 1,382 were direct participants in the savings program and collectively saved $102,686.

The other group of 1,046 students is comprised of siblings of program participants and/or classmates who, while not enrolled in the program, opened savings accounts at four of the participating credit unions. This provides some evidence of the "spillover" effect of the CSA effort.

The County, through the *Ho'owaiwai Network – Hawai'i Island*, provided marketing and outreach support, standardized publicity materials, incentivized savings opportunities, training and technical assistance, financial education, and evaluation support. This "weaving" support on the part of the County was a critical element to the work of local credit unions to sustain the CSA campaign after the pilot demonstration was completed. The financial institutions developed their own children's savings programs, and continued to work closely with partnering schools which resulted in an increase of over 150% in student participation and cumulative savings island wide.

In regards to *Spendsafe.ly*, full results of the psychographic survey and alpha test work are described in Appendix 3 – *Moving Families Towards Financial Capability: Innovative Approaches to Empower Families to Improve Financial Behavior* (Asio Corporation, 2012). Quantitative and qualitative results coupled with comprehensive feedback from both clients and experts in the field of personal finance – including Denise Labuda (Director of Marketing at Learning Times and former manager at Quicken Kids);, Jim Del Favero (former product manager at Quicken and currently Vice President of Products at Personal Capital), and Shlomo Benartzi (Save More Tomorrow) – lead to the conclusion that a foundation for a promising and innovative approach to improving financial capability has been established. The pilot has shown that *Spendsafe.ly* in combination with current financial counseling services can help to improve financial capability, specifically helping families to improve the following financial behaviors:

- being able to cover monthly expenses;
- tracking spending; and
- planning ahead and saving for the future.

The information gathered will shape the next phase of the work, the beta launch, and the integration of relevant, timely, actionable, and on-going financial education support into the CSA campaign that helps move children, youth, and their families towards financial capability.

V. Recommendations & Next Steps

A. Lessons Learned from the Field & Hawai‘i Island

Based on findings from SEED initiative, the following are key design elements suggested for Children's Savings Initiatives (CFED, 2012):

- *Financial Education* – is helpful but there is no one single curriculum that can adequately meet the needs of all target populations.
- *Savings Incentives* – provide account incentives to encourage positive savings habits and help build assets, although they vary in terms of their impact on overall savings outcomes as well as savings behavior change.
- *Networks* – use networks and systems connected to large numbers of children and youth to recruit participants.
- *Champion* – there needs to be a committed leader and/or champion to help sustain the effort.
- *User Friendly Savings Products* – employ user friendly savings account products. IRAs, 529s and Coverdell accounts have been the primary vehicles for CSAs, but new accounts and structures are evolving.
- *Account Custodian* – oversees and manages the accounts.

Below is a brief discussion of some of the lessons learned that have emerged from the field and through the experience of the Hawai‘i Island Kids Savings Initiative. They relate to some of the design elements identified above – financial education, savings incentives, networks, and champions – in addition to other areas of learning.

Financial Education

Financial educators and scholars have learned that children are more excited by and may learn more when financial education curricula are experiential, include discovery and other experiential applications, and take advantage of teachable moments (Hilgert, Hogarth, & Beverly, 2003; Lopez-Fernandini & Murrell, 2008); Lucey & Giannangelo, 2006). By their very nature, CSAs offer an opportunity for experiential learning. Financial capability requires both the ability to act (knowledge, skills, confidence, and motivation) and the opportunity to act (through access to beneficial financial products and institutions) (Sherraden, 2010).

In addition to the idea of experiential learning, the following are some key characteristics found in successful financial education programs that can serve as guidance for designing effective programs which allow people to be active participants in their education and which are customized as much as possible to their individual needs (Parrish & Servon, 2006):

- *Seven Universal Concepts* – the National Endowment for Financial Education identified seven universal concepts which must be present in order to effect a change in behavior: readiness, resources, relevance, respect, responsibility, reward, and replication (NEFE, 2004).
- *Individualized Approach* – it also appears that the more individualized the approach, the more successful the intervention with evidence suggesting that the most effective financial education programs are delivered in person, through seminars, workshops, or one-on-one (Bayer et al., 2006). Financial education programs should be tailored to the individual and focus on client values (Ciccotello and Elger, 2004).
- *Active Rather Than Passive* – financial education experts also recommend that this education be active, rather than passive. People tend to learn better when they believe the material is relevant to their lives and when they are able to practice what they learn.

In addition to the above, important learnings from the SEED initiative around financial education as it relates to children's savings include the following (Rist & Harger, 2006):

- *No One Size Fits All* – the learning needs of participants in CSA efforts vary by age, language ability, and ethnicity and, therefore, no single curriculum can meet them.
- *Don't Forget The Parents* – parents play a key role in teaching children about money, especially with younger children who lack their own source of income and rely on their parents to contribute savings to their accounts.
- *Involving Parents Adds Complexity* – involving parents in financial education can be challenging since they have many other demands competing for their time and attention.
- *Incentives* – incentives for participation in financial education may be helpful but it is not a panacea. Research points to other factors that encourage participation such as a high level of trust between sponsoring agencies and families; topics that are initiated by parents and delivered at levels appropriate to the learners; high quality offerings that address participant needs; availability of dinner and/or child care; and easy accessibility and convenient location.
- *School-Based Financial Education* – providing financial education at school is one obvious way to solve the challenge of full participation, however, the numerous demands facing public schools make implementation an up-hill struggle.

By providing a match to deposits in targeted accounts owned by children in lower-income families, there would be both an incentive to save and assistance in preparing the child to pursue a college degree. It would also have the practical implication of providing additional and much needed financial resources for low- and moderate-income children to cover the costs of their post-secondary education.

William Elliott III, 2011

As we shift to ensure financial education that truly empowers individuals and families with financial capability, it is important to remember that this effort is targeted at affecting the following behaviors (Sledge, Gordon, Knisley, 2011):

- being able to cover monthly expenses with income;
- tracking spending;
- planning ahead and saving for the future;
- selecting and managing financial products and services; and
- gaining and exercising financial knowledge.

The Center for Financial Services Innovation emphasizes that the most effective interventions to achieve the above are those that are relevant, timely, actionable, and ongoing. As indicated by the result of the alpha testing of *Spendsafe,ly*, this unique platform can serve to augment traditional approaches to financial education to address the above lessons learned from the field.

With *Spendsafe.lyh*, users are empowered to be intimately and honestly connected with their spending and savings behaviors. Users interact with the Platform by texting simple commands to enter and categorize purchases, check balances, and save money. For instance, "BALANCE" returns the families latest balance.

The Platform responds with texts that are personalized and locally appropriate. The system supports an unlimited database of phrases ensuring a fresh and chatty experience. Additionally, gamification mechanics, social networking tools, and behavioral economic principles are employed to enhance usability and long-term engagement. For instance, users earn points as they take positive actions while competing against fellow users for prizes that are customized to further increase family monetary savings.

Savings Structure & Incentives

3-In-1 Accounts . . .

While CSAs have typically been designed to solve the problem of financing college when children reach college age, recent findings suggest that a better design may be to allow children to access a portion of their savings on a more regular basis to pay for day-to-day expenses. This ability to use part of their savings for day-to-day expenses may help children, particularly low-income children, to associate savings with solving problems in their life that matter to them, further strengthening their sense of perceived control (Elliott, Destin, & Friedline, 2011). Perceived control is one of the most robust predictors of student resilience and academic success (Skinner, Wellborn, & Connell, 1990).

Other reasons to include short and intermediate term accounts in designing CSAs include:

- *young children's cognitive capacity* – children lack the cognitive capacity to foresee future difficulties (i.e., paying for college) and, for very young children (under the age of 12), value saving for short term goals (consumption goals) over long term goals (Furnham & Thomas, 1984).
- *hierarchy of needs* – people will attempt to fulfill higher-level needs (growth needs) only after lower-level needs (survival needs) have been met (Maslow, 1954).

Based on the above, a 3-in-1 account, which would be a single account that earmarks savings for short-term, intermediate, and long-term goals, should be considered. While this entails a greater degree of accounting, mechanisms already exist to establish such accounts. The savings in these accounts would be used for:

- *short-term account* – available for discretionary spending but would not be interest-bearing and money deposited would not be matched or incentivized.
- *intermediate account* – would encourage savings for intermediate goals such as school fees, books, supplemental tutoring, SAT/ACT preparation and/or fees associated with advanced coursework, and computers. Money deposited would matched dollar-for-dollar up to a specific amount per year and can only be withdrawn a limited number of designated times during the school year to be eligible for the match.
- *long-term account* – matched and interest bearing account for longer term goals such as savings for college.

Savings-Linked Conditional Cash Transfers . . .

The following research findings on financial incentives and children's allowances from their parents may also help inform how effective incentives for asset building should be structured:

- incentives targeted at strategies for doing well in school, such as completing homework assignments, reading books, and attending class are more effective than incentives for performance on tests and this suggests that directing incentives toward the acquisition of skills may lead to better educational outcomes (Fryer, 2010).
- receipt of money is not by itself linked to increased savings or financial literacy but rather the conditions around receipt of the allowance appear to matter a great deal. Receiving allowance has been found to be a statistically significant predictor of children's behavior depending on how the conditions of receipt are evaluated (e.g., do children see it as entitlement or as a way of working toward a goal such as college); the extent of work obligations (e.g. is it unconditional or do they have to do well in school); and whether there are constraints on the amount, use, and withholding of the allowance (e.g., are they required to save a certain portion) (Mandell, 2010).

An emerging version of conditional cash transfer (CCT) programs links cash transfers to deposits in savings accounts for specific desired behaviors or actions (Zimmerman & Holmes, 2011). Findings from a growing number of international efforts have linked CCT programs to significant improvements in earnings and savings as well as education and health outcomes (Gertler, Martinez, & Rubio-Codina, 2006; Ravallion, 2009; Zimmerman & Moury, 2011).

Networks

Through the *Hoʻowaiwai Network*, which brings together over 100 organizations, the County has and should continue to organize collaboratively around actions that address asset poverty and that build wealth and financial stability for Hawaiʻi Island families and communities. This partnership delivers culturally appropriate and standardized financial education; one-on-one counseling on foreclosure prevention and homeownership; credit counseling; tax services; budgeting; guidance on financial products; culture-based mentoring and coaching; and entrepreneurial development.

Schools & Financial Institutions . . .

Local school leadership is key to the success of offering accounts to students. It may be beneficial to convene participating school leaders to discuss their experience and further understand how best to partner with individual schools. These leaders may also be called upon to champion the CSA initiative to fellow colleagues.

Financial institution partnership and active participation is extremely important. Experience has shown that long-term commitment can be challenging. The County could convene leaders of local financial institutions to explore current account structures and reasons for participating to insure ongoing partnerships.

The underlying network approach and partnerships with credit unions and local schools has been extremely successful in expanding the CSA initiative. The County should utilize this infrastructure to continue expansion of Child Savings Accounts.

Comprehensive Approaches – Financial Empowerment Centers

Recent analysis of the *Spendsafe.ly* psychographic survey data indicated that while children's saving is a strong motivator for families to save, external support is necessary for long-term success. Generally, respondents had a positive outlook on their families' current and long-term financial situations and had long-term financial goals. At the same time, many reported living paycheck to paycheck and thought that if they could better manage the money they have, they would feel like they were thriving or doing well. The study also indicated that the adults believed in the efficacy of certain budgeting skills such as breaking up long-term savings goals into chunks, asking a trusted individual to keep them accountable to their goals, and attending money management classes in order to stay on track with their finances. These findings point to the importance of a financial empowerment center where families could find the most effective tools to match their needs with regard to financial management also demonstrates the opportunity to work with the entire family when their child signs up for a CSA.

The objective of the CSA initiative is to serve as one entry point into a broader set of family financial empowerment services using a similar approach to the "Supervitamin" approach of New York City that seeks to embed asset building supports into the core human services delivery systems.[14] Coordinating CSA participation with support tools such as SpendSafe.ly, Resources Match will enable the County to fully implement a family financial empowerment network agenda.

B. **Recommendations & Next Steps**

Based on the results and lessons learned discussed above, it is recommended that the Hawaiʻi Island Kids Savings Initiative be expanded through the development of *Hoʻowaiwai Empowerment Centers* (HECs). The HECs can be physical or virtual centers that provide families and communities easy access to a range of asset and genuine wealth building products and services through a continuum of support tools such as children savings accounts, *Spendsafe.ly*, ResourcesMatch, free tax preparation services (VITA – Volunteer Income Tax Assistance support), and other educational, financial, entrepreneurial, social, and health services support.

The following are the intended outcomes at three levels that will result from the "hoʻowaiwai journey" that individuals and families will undertake at the HECs:

- Build Genuine Wealth & Financial Security at the *Individual & Family Level*;
- Improve Productivity & Viability at the *Private & Public Sector Level*; and
- Nurture Sustainability & Resilience at the *Community Level.*

Realizing intended outcomes at three levels will develop *layers of resiliency* that will not only serve to increase individual and family financial security and self-sufficiency but also strengthen the public, private, and community sectors. While the HEC network primarily focuses on providing support to individuals and families as they take action towards increased self-sufficiency, it also works to tap the network of local government, business, and community and faith based partners to generate synergistic and mutually beneficial employer/employee relationships, entrepreneurial opportunities, and public/private partnerships.

The key steps in the *Hoʻowaiwai Empowerment Center* process are described below. In addition, goals, actions, and outcomes for individuals and families will be developed to address the key asset building components of *Earn It, Keep It, Grow It, Share It.*

Step 1. **Raising Awareness & Mindfulness**

Raise the awareness and mindfulness of individuals and families as they intentionally set off on a "hoʻowaiwai journey" by having counselors work with them to:

A. *SpendSafe.ly* – create a budget, including setting spending limits and savings goals, and orient them to *SpendSafe.ly* as their tool for on-going tracking, monitoring, and management of their household expenses and savings efforts.

B. *Resources Match* – using *ResourcesMatch.org,* conduct a benefits screening and link them to appropriate programs and service providers.

Step 2. **Action Plan**

Counselors work with individuals and families to develop an action plan for their "hoʻowaiwai journey", including:

A. working with them to identify hoʻowaiwai and financial empowerment goals and outcomes (near, intermediate, and longer term) for themselves and their family.

B. identifying near and intermediate action steps.

In addition, counselors work with HEC partners to identify, coordinate, broker, and link public and private services, programs, and opportunities to support individual and family plans.

Step 3, **Progress Indicators & Outcomes**

Individual & Family Level – Build Genuine Wealth & Financial Security

Earn It –

- Banking – access and use mainstream financial accounts and services.
- Credit – establish credit and monitor credit history.
- Tax Credits – when applicable, access VITA support and make EITC/CTC claims.
- Living Wage Employment Opportunities – access and capitalize on educational, training, and certification opportunities to increase income generation.
- Entrepreneurial Opportunities – access and capitalize on entrepreneurial training and development opportunities.

Keep It –

- Debt – debt management plan.
- SpendSafe.ly – regular use of the tool and support services.
- Financial Education – access financial education and counseling services when needed.
- Management of Household Expenses – energy consumer education; tracking and monitoring food, transportation, and other expenses; health care management.

Grow It –

- Savings – establish savings

Private & Public Sector Level – Improve Productivity & Viability

Workforce Development & Employment Opportunities –

- Living Wage Jobs.
- Green Jobs.
- Lifelong Learning Accounts.
- Increased Productivity – through employer based asset building strategies for employees.
- Employee Wealth Sharing Programs.

Entrepreneurial & Small Business Development Support –

- Tax Time Strategies – for entrepreneurial support.
- Business Incubators & Other Support Services (i.e., Hilo Hub, Green House)
- Worker Owned Cooperatives.

Public Sector & Industry Development

- Green Government plan.
- Green Industry Development & Growth.

Community Level – Nurture Sustainability & Resilience

Community-Based Initiatives –

- Workforce Development Programs.
- Entrepreneurial Development Support.
- Cooperatives & Community Land Trusts.
- Resident Owned Businesses.
- Self-Help Housing.

Community Development Financing & Funding –

- Access to Capital – CDFIs, micro-financing, CDCUs.
- Shared Equity

Community Building & Planning –

- CDPs.
- Network Building.
- Regional Flavor Development.
- Energy Sustainability Plan.

(CSAs, IDAs) accounts and establish savings goals. ▪ Homeownership. ▪ Small Business Development. *Share It* – ▪ Intergenerational and mentoring relationships		

The following are the recommended actions to expand the Hawai‘i Island Kids Savings Initiative through the establishment of a network of Ho‘owaiwai Empowerment Centers.

1. Pre-feasibility Assessment – *assess how to embed and sustain Ho‘owaiwai Empowerment Centers in existing services and programs of community based, business/employer, and local government partners.*

   This work includes:
   - *Protocols & Templates* – developing protocols and templates for assessing feasibility and embedding/integrating *HEC* services and activities in existing programs.
   - *Pre-feasbility Assessment* – conducting pre-feasibility assessment with HEC program partners.

2. Establish Initial Ho‘owaiwai Empowerment Centers – *with community-based, business/employer, and local government partners.*

   This work includes:
   - *Protocols & Templates* – developing protocols and templates for establishing HEC operations within a minimum of three different settings – community-based, employer based, and county government based.
   - *Counseling Certification* – work with key partners to establish a counseling certification program.
   - *Primary HEC Services* – work with HEC program partners to establish primary HEC services including Resources Match, SpendSafe.ly, VITA, and CSAs.
   - *Training & Technical Support* – as needed, provide training and technical support to HEC program partners to establish and operate services.

3. Data Collection & Evaluation –

   This work includes:
   - *Design & Implementation* – designing and implementing a data collection and evaluation framework, methodology, and system to track and monitor the progress and outcomes of the *HEC* initiative.

4. Technical Support –

   This work includes:
   - *Training & Technical Support* – providing, on an as needed basis, training and technical support for a range of concerns including using a network approach, embedding/integrating asset building into existing services, and other on-going support to program partners (community-based, employer, and county government).

Appendix 1

Ho‘owaiwai Leverage Actions

from County of Hawai‘i’s “Ho‘owaiwai Hawai‘i Island: Building Genuine Wealth

A. **Earn It Strategies**

Working families are earning a living that allows them to survive and thrive in their community.

A.1. Expand Services That Increase Financial Capability - Increasing financial capability requires expanding access to financial education in combination with access to appropriate savings products and services such as Volunteer Income Tax Assistance (VITA).

A.2. Increase Access To Income-Boosting Tax Credits – The expansion of Volunteer Income Tax Assistance sites across Hawai`i County would increase the amount of eligible federal dollars claimed by county residents.

A.3. Expand Research & Development Of Local Workforce & Industries That Create Living Wage Jobs - Workforce development and businesses support from the county should be targeted to high growth industries, such as green jobs, that create living wage jobs.

A.4. Encourage Anchor Institutions To Invest In Their People, & Leverage Their Purchasing Power To Develop The Local Economy - Supporting anchor institutions (schools, hospitals, churches and resorts) to purchase and invest locally will increase the circulation of dollars in the local economy thereby creating jobs and increasing wages.

B. **Keep It Strategies**

Working families access a range of financial services and products that help them protect their income and lower their cost of living in their community and region.

B.1. Encourage Access To Appropriate Financial Accounts - The County can partner with local financial institutions and credit unions to adopt a local Bank On Hawai`i County initiative to increase the number of residents who actively utilize a checking or savings account.

B.2. Matched Savings Accounts For Youth & Adults - The County can provide financial support for matched savings accounts and the administrative costs to support such efforts.

B.3. Improve Consumer Protections To Enhance Financial Stability - The County should strengthen and expand its partnership with the State Department of Commerce & Consumer Affairs (DCCA) and other consumer protection organizations to provide information and awareness of protecting assets.

B.4. Ensure Access To A Range of Transportation Options & Prioritize Transit Oriented Development (TOD) Opportunities - The County should continually solicit community feedback and input into the bus schedules and stop locations. Where bus transportation may not be consistently feasible the County can support a continuum of transportation options through zoning and financial incentives:

- *Park & Ride* – Parking facilities at transit stations, bus stops and highway onramps, particularly at the urban fringe. Some include bicycle parking.

- *Affordable Car Purchases* – Insufficient credit or income can make car purchases difficult. A growing number of organizations are offering alternative ways to purchase a reliable car so residents can get to a job.

- *Vanpool* – A vanpool is a group of 7 - 15 people who commute together on a regular basis in a van. Each vanpool has a primary driver/coordinator and one or more alternate drivers. The vanpool participants share cost of the van and all other operating expenses.

B.5. Promote Access To Healthy, Local Food Sources - The County can provide financial support to organizations implementing farmers markets, food coops, community gardens, farm to school strategies, and it can also make available County land for such activities.

B.6. Increase Energy Efficiency Through Financing Options & Improving Outreach – The County should implement the recommendations in the report, *Energy Efficiency In Low-Income Communities On Hawai�i Island,* (June, 2011), by the Center for Industrial Ecology at Yale School of Forestry & Environmental Studies that includes financing options such as third-party loans, revolving loan funds, property-assessed clean energy models (PACE), and on-bill financing.

C. **Grow It Strategies**

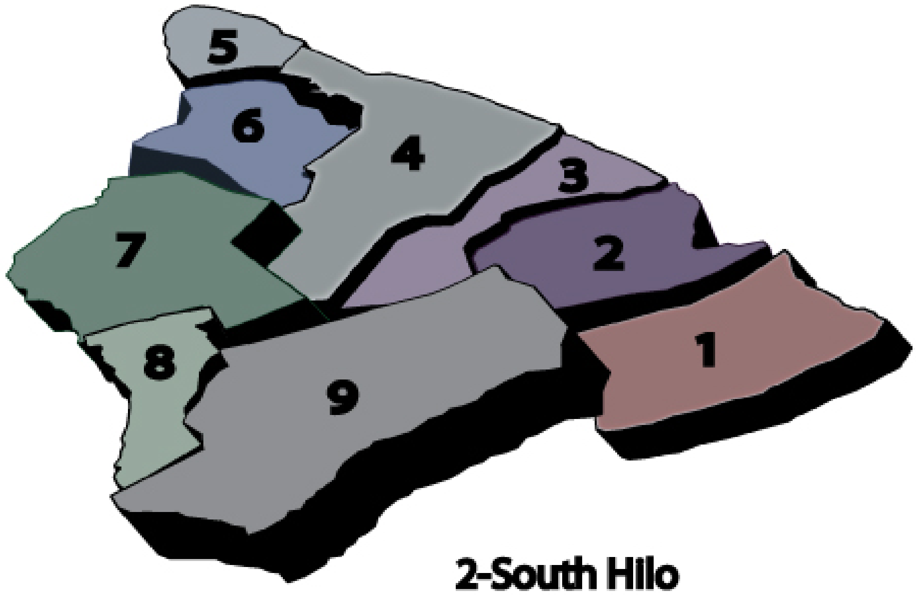
Working families and their communities are accumulating and maintaining assets that are gaining value over time.

C.1. Enhance Access To Housing Ownership & Availability Of Affordable Rentals - .
The County can support homeownership by:
- Improving homeownership education for first time homebuyers.
- Providing infrastructure investment to develop workforce housing.
- Supporting Rent-To-Own, shared ownership, affordable rentals, and self-build/sweat-equity homeownership.

C.2. Encourage & Identify Appropriate Community-Based Investment Models - The County can support A variety of strategies are available to promote and support local development and job creation including Community Development Financial Institutions (CDFIs) and Co-operatives (Coops).

C.3. Support Asset Building & Community-Based Economic Development Through Implementation of Community Development Plans (CDPs) - The County should encourage, support, and implement asset building and community investment models that are consistent with and relevant to the community vision, values, and strategies identified through the County‘s CDP process.

Appendix 2



1-Puna

Median Income After Cost-of-Living and Rent - $28,833.48
Children's Savings Accounts Open (2011-2012) - 130
Total Dollars Saved By all Children In District - $11,822.50
Average Amount Saved By Active Child Over School Year - $108.46

2-South Hilo

Median Income After Cost-of-Living and Rent - $32,408.31
Children's Savings Accounts Open (2011-2012) - 17
Total Dollars Saved By all Children In District - 105
Average Amount Saved By Active Child Over School Year - $26.25

3-North Hilo

Median Income After Cost-of-Living and Rent -$30,292.44
Children's Savings Accounts Open (2011-2012) - 116
Total Dollars Saved By all Children In District - $12,724.47
Average Amount Saved By Active Child Over School Year - $122.35

4-Hāmākua

Median Income After Cost-of-Living and Rent - $32,175.52
Children's Savings Accounts Open (2011-2012) - 151
Total Dollars Saved By all Children In District - $5,877.89
Average Amount Saved By Active Child Over School Year - $53.68

5-North Kohala

Median Income After Cost-of-Living and Rent - $24,453.48
Children's Savings Accounts Open (2011-2012) - 214
Total Dollars Saved By all Children In District - 10,152.22
Average Amount Saved By Active Child Over School Year - $62.47

6-South Kohala

Median Income After Cost-of-Living and Rent - $30,300.26
Children's Savings Accounts Open (2011-2012) - 81
Total Dollars Saved By all Children In District - $4,029.99
Average Amount Saved By Active Child Over School Year - $53.26

7-North Kona

Median Income After Cost-of-Living and Rent - $27,571.01
Children's Savings Accounts Open (2011-2012) - 141
Total Dollars Saved By all Children In District - $8,294.28
Average Amount Saved By Active Child Over School Year - $95.34

8-South Kona

Median Income After Cost-of-Living and Rent - $27,298.48
Children's Savings Accounts Open (2011-2012) - 143
Total Dollars Saved By all Children In District - $9,259.67
Average Amount Saved By Active Child Over School Year - $112.92

9-Ka'ū

Median Income After Cost-of-Living and Rent - $25,326.25
Children's Savings Accounts Opened From Initiative -
Total Dollars Saved By all Children In District - $
Average Amount Saved By Child Over One School Year - $

Appendix 3

(See appended *Moving Families Towards Financial Capability: Innovative Approaches to Empower Families to Improve Financial Behavior*, Asio Corporation, 2012)

Endnotes

[1] Department of Research and Development, County of Hawai'i. *Ho'owaiwai Hawai'i Island: Building Genuine Wealth*. June 2011, pg. 3.

[2] Data excerpted from *Ho'owaiwai Hawai'i Island: Building Genuine Wealth. Pgs. 6-9.*

[3] Corporation for Enterprise Development (CFED). "Assets & Opportunity Scorecard: Hawai'i County." Pg. 1, 2010. http://www.Hawai'icountyrandd.net/hoowaiwai/resources

[4] Department of Research and Development, County of Hawai'i. *Ho'owaiwai Hawai'i Island: Building Genuine Wealth*. June 2011. http://www.Hawai'icountyrandd.net/hoowaiwai/resources

[5] Elliot III, William. "Why Policy Makers Should Care about Children's Savings." New America Foundation, Jan. 2012, pgs. 5-8.

[6] Ibid., pgs. 4-5.

[7] Friedline, Terri. "The Case for Extending Financial Inclusion to Children." New America Foundation, May 2012, pg. 1.

[8] http://www.500forbaby.org/

[9] http://www.ok.gov/treasurer/SEED_OK/index.html

[10] http://www.k2csf.org/

[11] http://cfed.org/programs/abc/research_resources/practice/

[12] http://cfed.org/programs/abc/initiatives/seed/key_lessons_from_seed/

[13] http://assetshawaii.org/resources/state/

[14] Department of Consumer Affairs, New York City. *Municipal Financial Empowerment: A Supervitamin for Public Programs.* *http://www.nyc.gov/html/ofe/html/publications/research.shtml*