Asset gaps by socioeconomic class reduced when low-income families create savings program for children

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(PhysOrg.com) -- Opening a bank account for a young child in a low-income family could someday lead to a society with a reduction in asset gaps by socioeconomic class, a new study says.

The research by the University of Michigan, University of Georgia and University of Kansas the efficacy of and inform policy for a national system of savings and asset-building accounts for children. In particular, their research found that lower-income families with children may benefit from holding assets such as savings for future developmental goals like college education or business start-ups.

Using data from an initiative called Saving for Education, Entrepreneurship, and Downpayment (SEED), researchers used responses from 381 lower-income parents of children enrolled in Head Start, a federal program that promotes school readiness for three- to five-year-olds in low-income families.

The research indicates that families who opened accounts were so excited about the possibility of saving money for their children's future that very few withdrew money from the accounts even during the tough economic times in Michigan, said Trina Shanks, an assistant professor in the U-M School of Social Work.

"If children living in poor homes and communities had some financial or property assets growing in their names for their adult lives, it is possible that we would see a reduction in the asset gaps by socioeconomic class in future generations," the researchers wrote.

About 46 percent of the account openers had a college education or higher when compared to only about 26 percent of parents without accounts. In terms of income, 70.5 percent of households who did not open accounts had annual incomes less than $25,000.

The results also showed that there were no differences in these factors for account openers and non-account openers, which implies that personal characteristics are not as important as getting incentives and institutional structures right, Shanks said.

Shanks collaborated on the research with lead author David Okech, University of Georgia; Todd Little and Deborah Adams, University of Kansas. The findings appear in the current issue of Research on Social Work Practice.

More information: rsw.sagepub.com/

Provided by University of Michigan

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