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Kindergarten to College

Helping Families Save for College

Children with a college savings account are more than twice as likely to graduate from college than those without. To help support enrollment and graduation, the City of San Francisco launched a publicly funded universal college savings program with the simple goal of helping families of all income levels open savings accounts and set aside money for their children's college.

In 2011, the City of San Francisco launched Kindergarten to College (K2C), a universal college savings program, to help families of all income levels save for college. When a student enters the San Francisco Unified School District, either as a kindergartener or a new arrival to the district, they are automatically given a K2C savings account. The school district coordinates with Citibank and the Office of Financial Empowerment to open the account with an initial deposit of $50. To date, K2C has opened over 20,000 accounts, and families have deposited over $1.3 million of their own money. But while these numbers are impressive, only 15% of accounts have received any deposits beyond the amount contributed by the City itself. The program could be even more impactful if more families actively participate and contribute. This challenge laid the groundwork for a partnership between ideas42 and the City of San Francisco to investigate two broad areas:

Highlights

- College savings accounts increase likelihood of children graduating
- In a San Francisco program, only 15% of people are contributing their own money to the default accounts opened for them by the city
- Behavioral design helps inform how to increase participation in beneficial savings programs

1. How to increase the number of first-time deposits into K2C accounts.
2. How to encourage more middle- and low-income families to save more frequently in their K2C accounts.

The ideas42 team spent time in San Francisco interviewing parents, K2C staff, and community partners, as well as observing a Kindergarten to College field trip and a Save for College day to better understand the behavioral barriers families may encounter in contributing to their K2C accounts. We identified seven barriers that could be addressed with behavioral design.

The insights gathered from these interviews are split into two categories: ***1. the intention to save and 2. following through on the intention to save.*** We formulated new tactics and undertook a redesign of the program's communication materials in order to help more families take advantage of this useful program.

Barriers to the intention to save

Many parents want to save for college, but not everyone has a concrete plan for how to do it. The K2C program can help, but ideas42 found that certain features of the program itself, as well as college savings in general, can inadvertently get in the way of that important goal.

1. *A time consuming, complex process can be a barrier*

A long delay between the start of the school year and the account creation combined with a potentially confusing intake process and the effects of financial and time scarcity mean that families with new accounts may not take the first steps toward using it. Due to a lag period of about two months between the start of kindergarten in early September (a time parents are most motivated to start using the account), and the opening of the K2C account in late October, the momentum to save can be lost. Additionally, while parents face many constraints including shortages of time and attention from the constant juggling of responsibilities between work and family life, most lower-income families also struggle financially with the high cost of living in San Francisco. When families are stretched either financially or for time and attention, their decision-making process is impacted and longer-term goals are put on the back burner.

2. *Parents are unsure of the norms around saving for college*

The behavior of our peers is a powerful influencer on our own behavior. In the case of college savings, most parents operate in an informational vacuum and report not discussing college savings plans with other school parents. By not knowing the savings habits of other parents, they are unclear about what is the norm. More transparency around college savings is an opportunity to use social norms as a motivator.

3. *Misinformation about the program can justify inaction*

Many parents believe that the funds might reduce their eligibility for public benefits or reduce their child's financial aid awards in college. Another concern is that the money in the account could disappear if the family left the district. And undocumented families fear that participating in the program carries a risk of exposure. While all of these are misconceptions, it can be difficult to correct deeply held but untrue beliefs, especially for people who have not started using the program or experiencing its benefits. These misconceptions end up being both a barrier to participation and a justification for inaction. The myths about the program must be addressed in order to increase the participation rate.

Following through and saving

4. *By removing small hassles, participation increases*

Reducing process-related hassles has tremendous potential for improving deposit rates. For example, research has shown that allowing families to file their Free Application for Federal Student Aid (FAFSA) at the same time as doing their taxes led to a 39% increase in FAFSA completion and a 26% increase in the number of those students who went on to college. This experiment illustrates the disproportionate impact that a small hassle can have on a financial decision. Removing small hassles like the difficulty in finding one's account number has the potential to encourage more families to follow through on their initial intention to save. Eliminating some of these procedural hassles when children are in kindergarten could help families accrue hundreds or thousands of dollars in savings by the time their children get to college, and more importantly, make it more likely that their child attends and graduates from college.

5. *College seems a long way off*

When a kindergartener and their family receive a K2C account, they have 13 years to build savings for college, and starting right away does not feel particularly urgent. In the face of financial constraints, saving for college is easy to put off because the consequences seem far in the future. Research suggests that imposing deadlines on behaviors is an important factor to success, and without them, it is likely that parents will continue to defer saving.

6. *Four ways to deposit, but none are simple*

Once a family has their K2C account number they may still face hassles making deposits using any of the four available methods. In-person deposits can only be made at Citibank branches, which are not evenly distributed around the city, and Citibank employees at a particular branch may not be able to answer questions. Not all families use online banking, and not all banks make online payment easy. Mail deposits face the usual hassles of "Do I have stamps on hand? An envelope? What's the right address?" And while the direct deposit is the simplest option, parents must still remember to submit the form to initiate it. More importantly, direct deposit excludes parents who are not paid through a traditional payroll system.

7. *Time enthusiasm with the ability to make a deposit*

Inspiration to save for college happens during key and predictable moments in a child's life: When children start school, when they talk about their future plans, and when they do well in school. These are times when parents are particularly motivated to plan for their child's future. But there are additional predictable moments when it is possible to capitalize on parental attention such as at the beginning and end of the school year, holidays, and birthdays. Identifying those predictable moments and making it convenient to contribute could help parents make deposits while they are feeling inspired.

Designing solutions to increase participation

ideas42 outlined new tactics for reaching families and helping them save. To begin with, almost every aspect of the program's communication materials was redesigned to establish a clear, helpful intake process that grabs attention, simplifies making deposits, and strongly supports continued deposits in the future. A "Welcome Kit" for families was designed to be distributed when parents first get their accounts in kindergarten. The Welcome Kit focuses on action and lays out clear steps for families to either help them make deposits immediately or support saving in the future. The graphics make it clear where to start and how to find the account number (which is located in multiple locations in the kit). A pre-addressed, pre-paid envelope is included to eliminate another barrier to the first deposit. Because simple plan-making has been shown to be effective in other contexts, the kit contains a plan-making sheet with explicit norms set and prompts to get parents to think about how and when they will make deposits. Another important tactic is simply to remind parents that the opportunity for savings exists, especially at key times of the year. We designed a series of postcard mailings to be rolled out at well-defined points such as back to school and Lunar New Year, which many families in the district celebrate.

The K2C accounts are a beneficial resource for many families. During the collaboration between the City of San Francisco and ideas42, we used behavioral science to produce an effective and easy-to-use set of communications materials that address barriers families face in getting started using their account to save for their children's college education. The City of San Francisco has brought on a research director who can test the efficacy of the various communication materials and make needed adjustments to further increase usage of the K2C accounts. By designing for people's complex lives, we hope to increase the number of families in San Francisco who take advantage of this helpful resource and are able to build meaningful savings balances for college.