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GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK

Building Assets from Birth

A Global Comparison of Child Development Account Policies

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2008

CSD Working Papers
No. 08-03

Campus Box 1196 One Brookings Drive St. Louis, MO 63130-9906 • (314) 935.7433 • www.gwbweb.wustl.edu/csd



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Building Assets from Birth: A Global Comparison of Child Development Account Policies

Asset building is a growing theme in public policy, and building assets from birth in the form of Child Development Accounts is now occurring in several countries. This paper provides an overview of the Child Development Account policies in Singapore, Canada, the United Kingdom, and Korea, and the proposed policy in the United States. The key elements of inclusiveness, progressivity, coherence and integration, and development are explicated and discussed.

Key words: *assets; asset-based welfare; child development account; social policy; savings*

In today's globalized and knowledge-based economy, income by itself is often insufficient to provide for the well-being of individuals and families. To succeed in the post-industrial economy, people must continually invest in themselves and expand their capabilities. While income is important for consumption, it does not by itself enable people to improve their circumstances over the long term. Development occurs through asset accumulation and investment (Sherraden, 1991). Assets provide individuals with control over resources, financial security, and ability to meet unanticipated lumpy costs. Assets also facilitate investments in future aspirations, and enable people to seize opportunities that might otherwise be closed to them (New America Foundation, 2005; Paxton, 2001, 2002; Sherraden, 1991).

Public policy in today's technologically changing world should be about inclusive wealth creation, not simply redistribution (Giddens, 2000; Sherraden, 1991). Asset-based policy is one such policy innovation that is occurring in many countries (Emmerson & Wakefield, 2001; Gregory & Drakeford, 2006; OECD, 2003; Regan & Paxton, 2001; Sherraden, 2002, 2003b). Proposed by Sherraden (1991), asset-based policies are, broadly speaking, all public policies that encourage individuals to accumulate, hold, or develop assets (Emmerson & Wakefield, 2001; Loke & Sherraden, 2006).

Including children in asset-based policies, and opening Child Development Accounts (CDAs) beginning at birth, may be a promising policy direction. First, asset building is a long-term process and starting early can provide a life-time potential for asset accumulation, resulting in greater accumulations. Second, asset holding may change outlook and attitudes in positive ways (Shobe & Page-Adams, 2001; Yadama & Sherraden, 1996), and it is easier and more effective to change outlook and attitudes earlier rather than later in life. Third, asset-based policies targeting children may have a multiplier effect by engaging the larger family in the asset-accumulation process. Members of the extended family may learn from this process, and parental expectations for children may also be positively affected (Zhan, 2006). Fourth, asset-based policies for children may also be

This is an updated version of the following previously published working paper:

Loke, V. & Sherraden, M. (2006). Building assets from birth: A comparison of the policies and proposals on children savings accounts in Singapore, the United Kingdom, Canada, Korea, and the United States (CSD Working Paper 06-14). St. Louis: Washington University, Center for Social Development.

the most direct and effective way to alter class reproduction and diminish intergenerational transmission of poverty (Sherraden, 2002).

Several countries have recently implemented or are proposing policies that build assets for every child starting from birth. Among the countries that already have some form of national CDA policy are Singapore, the United Kingdom, South Korea, and Canada. The United States has legislation on CDAs moving through Congress at present. The Hong Kong government announced that it has earmarked HK\$300 million in the 2007 Budget for the establishment of a Child Development Fund in order to support NGO-initiated CDA projects (Government of the Hong Kong Special Administrative Region, 2007).

Purposes and strategies adopted by each country for CDAs are different. In this paper, we provide an overview of the CDA policies in Singapore, Canada, the United Kingdom, and Korea, and the proposed policy in the United States. Key elements of these policies are explicated and discussed.

Overview of Child Development Account Policies

Singapore

Asset-based policies are the mainstay of social development in Singapore, where a comprehensive cradle-to-grave asset-building policy is highly innovative. Presently Singapore has three asset-building programs targeting children. Beginning at birth to age 6, children benefit from the Baby Bonus scheme; from ages 6 to 16, there is the Edusave account; and between the ages of 7 and 20, there is the Post-Secondary Education Account. Unused balances are eventually rolled over to the Central Provident Fund (CPF)¹ account that follows the account holder into retirement.

Edusave

Singapore's Edusave Scheme is probably the first universal child asset-building program in the world (Curley & Sherraden, 2000). Implemented in 1993, it benefits school-going children in that each child can expect to receive S\$4,000 in their Edusave accounts over their ten years in school (Goh, 1990). The funds in these automatically opened interest-earning Edusave accounts are used only for enrichment programs for the children and for approved school fees. Unused balances are transferred to the child's Post-Secondary Education Account (PSEA) when the child reaches the age of 16 or when he/she leaves secondary school, whichever is later. The Edusave Scheme is funded by the interest earned from an S\$5 billion Edusave Endowment Fund established from government general funds.

Baby Bonus

In 2001, the Singapore government introduced the Baby Bonus Scheme as part of the government's overall effort to increase fertility rates and create an environment conducive to raising a family.

¹ The Central Provident Fund is a system of individual savings accounts that every employed person contributes to, with matched contributions from employers. The savings, while primarily meant for retirement, may also be used for certain medical expenses and for a variety of asset-building purposes such as the purchase of homes, investments, life insurance, and tertiary educational expenses. More information on the Central Provident Fund is available at <http://www.cpf.gov.sg>.

Comprised of two tiers, the first tier consists of an unrestricted cash gift from the government of S\$3,000 for the first and second child, and S\$6,000 for the third and fourth child. This cash gift is deposited directly into a savings account. The second tier consists of a Children Development Account (SCDA) for the second to fourth child.² Families can save into these interest-earning SCDA's over a period of six years and have their contributions matched one-to-one up to the cap of S\$6,000 for the second child and a cap of S\$12,000 each for the third and fourth child (Singapore Ministry of Community Development Youth and Sports, 2006).

Funds in the SCDA's may be used from birth to age six for expenses related to childcare, preschool, special education or early intervention programs, medical expenses, and medical insurance. Unutilized account balances are transferred to the child's Post-Secondary Education Account (PSEA) once the child enters primary school.

Post-Secondary Education Account

The Post-Secondary Education Account (PSEA) was created in 2005 to help families build up a resource pool so that they could “invest in the best education that their children can get, which is the best investment they can make” to prepare their children for the economy of the future (Lee, 2005). To kick-start the scheme in 2008, the government has allocated S\$400 million to start the accounts of 650,000 eligible children (Shanmugaratnam, 2007). Depending on the financial situation of each household, children between ages 13 and 20 will receive S\$200 or S\$400 in 2008, and the same amount again in 2009. Children between ages 7 and 12, who have more opportunities for government top-ups in the future, will receive S\$100 or S\$200 each year over the same period.

Families may contribute into the PSEA when the account holder is between the ages of 7 and 18. These contributions attract a one-to-one government match for the savings, capped at a combined government contribution to the PSEA and SCDA of S\$6,000 for the second child, and S\$12,000 for the third or fourth child (Singapore Ministry of Education, 2005). Funds in the PSEA can be used for post-secondary education expenses, and unutilized balances are transferred to the account holder's Central Provident Fund (CPF) account by age 30 (Shanmugaratnam, 2007).

Canada

The Canada Education Savings Program (CESP) administers two federal programs, the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB). Both programs use the Registered Education Savings Plan (RESP), a tax-deferred savings vehicle, as the vehicle to achieve and encourage savings for a child's post-secondary education. Monies accumulated in the RESPs from private contributions, CESG, and CLB can be withdrawn without penalty for qualified post-secondary educational expenses, or transferred to another child without CLB monies. However, if the savings in the RESPs are not used for post-secondary educational purposes, all monies received through CESG and CLB must be returned to the Canadian Government (Human Resources and Skills Development Canada, 2006).

² The Baby Bonus Scheme is a pro-natal policy aimed at encouraging families to have more children – in particular, their second and third children. The policy has been criticized for the differential treatment of each child based on birth order. For example, see Sherraden's (2001) comments on the scheme when it was initiated.

Canada Education Savings Grant

Introduced in 1998, the CESG pays a 20% match on the first C\$2,000 or less contributed to a child's RESP each year. To help lower-income families increase their savings, families with annual net incomes of C\$37,178³ or less in 2007 receive an additional 20% grant on the first C\$500 contributed to a RESP, while families with net annual incomes between C\$37,178 and C\$74,357 receive an additional 10% grant on the first C\$500 contributed. The total CESG amounts paid (additional and basic grants) are subject to a C\$7,200 lifetime limit, and an annual limit of C\$500 (Human Resources and Skills Development Canada, 2007a).

Canada Learning Bond

The Canada Learning Bond (CLB) is a government entitlement to help modest-income families save for their child's post-secondary education. Announced in 2004 and implemented in July 2005, the CLB provides an initial entitlement of C\$500 to a child's RESP if he or she is born after 31 December 2003, and the family is eligible for the National Child Benefit Supplement. In addition, as long as the family continues to receive the National Child Benefit Supplement,⁴ the child will get an extra annual payment of C\$100 for up to 15 years. The lifetime limit of the Canada Learning Bond per child is C\$2,000. An additional C\$25 is paid with the first C\$500 bond to help families cover the cost of opening a RESP. If the eligible family or child does not open a RESP by the time the child turns 21, the CLB entitlements will be forfeited (Human Resources and Skills Development Canada, 2007c).

United Kingdom

The Child Trust Fund (CTF) was implemented in April 2005 as a new long-term savings and investment account for children born on or after 1 September 2002. The policy objectives of the CTF are to help people understand the benefits of saving and investing, encourage parents and children to develop a saving habit and engage with financial institutions, ensure that in the future all children have a financial asset at the start of adult life, and build on financial education to help people make better financial choices throughout their lives.

In the CTF, the government makes an initial contribution of £250 in the form of a CTF voucher at birth and an additional top-up of £250 on the child's seventh birthday. The CTF voucher can only be invested in one of three CTF account types – a stakeholder account, a non-stakeholder shares account, or a non-stakeholder savings account. A supplemental £250 is paid into the CTF accounts of children from lower-income families at birth and at age seven. Parents, family, and friends can contribute up to a total of £1,200 per year to a CTF account with the earnings exempt from tax, while children in care will receive £100 per year from the government (HM Treasury, 2007).

Funds in the CTF account can be withdrawn by the child only after reaching the age of 18, unless the child is terminally ill. There is no restriction on use of the money in a CTF account after withdrawal. Funds in the CTF could also be rolled over into an Individual Savings Account on maturity (HM Treasury, 2007).

³ This amount is updated each year based on the rate of inflation.

⁴ The National Child Benefit Supplement is generally for families with a net annual income of C\$37,178 and below in 2007. The income requirement is updated based on the rate of inflation each year.

Korea

The South Korean government began establishing Child Development Accounts (KCDA) for children in 2007, which can be accessed at age 18 for education, housing, or micro-enterprise start-up. It is envisioned that the KCDA's will help narrow the gap between the rich and poor and boost national economic growth (Han, Kim, & Zou, 2006).

To be rolled out in phases, 41,500 institutionalized children were targeted for KCDA's in 2007, the first year of implementation. In 2008, the target group of children will expand to include all children born into low-income families. Children of all the working poor will be included in the program in 2009. And by 2010, the government intends for the program to cover all children born into low- and middle-income households, encompassing approximately 50% of all Korean newborns.

As an incentive to save, the proposal provides a one-to-one savings match of up to 30,000 won by the government for deposits made into the KCDA's each month. In addition, to help institutionalized children and orphans begin accumulating assets, the policy calls for a 60,000 won monthly deposit into the KCDA's of these children, with 30,000 won funded by organizational sponsors and another 30,000 won in match dollars by the government. Starting in 2010, the Korean government plans to provide matched deposits twice, 200,000 won at birth and another 200,000 won at age seven (Nam et al., 2007).

United States

Several asset-based policies targeting children have been introduced in the US Congress in recent years.⁵ The America Saving for Personal Investment, Retirement, and Education Act (ASPIRE Act) aims to encourage savings, promote financial literacy, and expand opportunities for young adults by establishing a Kids Investment and Development (KIDS) account for every child born after 31 December 2007. This bill would establish the KIDS Account Fund within the Department of the Treasury and endow every child with a one-time US\$500 contribution into the KIDS account, opened automatically with the issuance of the Social Security card. Children in households earning below the national median income would be eligible for a supplemental contribution of up to US\$500, as well as additional matching funds for private contributions saved in the account. The annual one-to-one matches would be capped at the first US\$500 contributed and phased out for households with incomes between 100% and 120% of the national median adjusted gross income (AGI).

Private, voluntary after-tax contributions, capped at US\$2,000 annually, could be made to each account until the accountholder reaches age 18. Contributions after age 18 would be allowed according to Roth IRA rules. A range of investment options, similar to those offered by the Thrift Savings Plan – including a government bond fund, a fixed income fund, and a common stock fund – would be made available to the accountholders and their custodians. No withdrawals could be made from a KIDS account until the accountholder reaches the age 18. Between the ages of 18 and 25, only withdrawals for post-secondary education are allowed. Thereafter, withdrawals for homeownership and retirement security will be permitted. However, a minimum balance equal to

⁵ A list of congressional CSA proposals is found at a website of the New America Foundation: http://www.assetbuilding.org/resources/childrens_savings_accounts

the amount of the automatic initial contribution, initially US\$500, would have to be maintained until retirement age.

Key elements of CDA policies

As evident from the above overview, while the Child Development Account policies adopted by the different countries share certain commonalities, they diverge in several key aspects. Sherraden (2003a) suggests that asset-based policy should be shaped by the four core principles of inclusiveness, progressivity, coherence and integration, and development. This framework will guide the discussion of the various CDA policies (see Appendix).

Inclusiveness

The most important policy consideration is that of inclusiveness. At its most basic, inclusiveness provides universal access to the policy. A higher degree of inclusiveness seeks to ensure the participation of all eligible citizens, especially those at the bottom of the socio-economic ladder. The highest degree of inclusiveness provides equal benefit to all participants.

Although the various CDA policies are generally inclusive, they differ in the extent to which they are inclusive. All are potentially universally available, with the exception of the CDA in Korea. The KCDA, as currently implemented, targets low- and middle-income households, and thus does not yet satisfy the core principle of inclusiveness with respect to providing universal access to the policy. The KCDA's emphasis on children at the bottom, however, is preferable to an emphasis on children at the top.

Even when the policies are universally accessible, none of the countries have attained 100% inclusion in their policies in terms of participation rates or in terms of equal distribution of benefits. In the United Kingdom where accounts are either opened by parents or by the government in default, it is estimated that 2% of eligible children do not have Child Benefits claimed for them and thus do not receive the CTF vouchers. Consequently these children are excluded from the CTF (Financial Times Adviser, 2006). In Singapore, about 40% of children born since 2002 are excluded from the SCDA due to its underlying pro-natal and family planning focus (Singapore Department of Statistics, 2006). In Canada where subscribers need to sign up for the programs, the participation rate for the CESG stood at 35% as of 31 March 2007, while less than 8% of eligible Canadian children receive the CLB (Human Resources and Skills Development Canada, 2007b).

The experiences in the United Kingdom, Canada, and Singapore have also shown that lower-income families have lower awareness of the programs, are building up their children's assets at a much slower pace, and hence benefit from the policies at lower levels than their wealthier counterparts (Human Resources Development Canada, 2003; Sodha, 2006). For example, only 15% of accounts from lower-income families had additional contributions in the CTF accounts, compared to 28% among the higher-income families (HM Revenue and Customs, 2007b). Special efforts are required to ensure that lower-income families participate and benefit from policies at the same level as higher-income families. There is neither a practical nor an ethical rationale for giving more public support to those who are better off.

Progressivity

One way to help lower-income families benefit at the same level as higher-income families would be to introduce progressive elements into these policies. At minimum, Sherraden (2003b) argues, everyone should receive equal monetary benefits regardless of income. A progressive ideal would be for lower-income families to receive greater benefits from the policies than those with more wealth.

With the exception of the Baby Bonus scheme in Singapore, which is pro-natal in purpose, the various policies described in this paper in key respects subscribe to the higher ideal of progressivity with progressive elements built into them. The KCDA targets children from the lower half of the economy, while lower-income families receive supplemental contributions in the CTF, CLB, and in the ASPIRE Act. Lower-income families also receive additional or higher match rates in the ASPIRE Act and the CESG. In addition, children in care receive supplemental contributions in the CTF and in the KCDA.

While the various policies all include certain progressive elements, it remains to be seen if the differential and preferential treatment of the modest- and lower-income families will bring about a narrowing of the gap between children from lower and higher-income families. For example, while CESG provides higher match rates for low- to modest-income families, all families are subject to the same lifetime cap, regardless of income level. In addition, there is the question of the adequacy of the progressivity. Using the CTF as a case in point, if families are not able to make any additional contributions into the accounts beyond the initial endowment and subsequent top-up, would the estimated £1,650⁶ in the CTF be adequate and meaningful in enlarging opportunities and capabilities when the accounts mature at age 18? In comparison, those who are able to make regular contributions of £100 per month to their CTF would have about £29,030 available when the accounts mature.

Coherence and Integration

Coherence and integration can be viewed from two perspectives – at the policy level and at the institutional level. At the policy level, asset-based policies would integrate the various asset-building structures into a single, simple, multi-purpose yet coherent system that follows the child through the life-course (Sherraden, 2003a). On the institutional level, asset-based policies would build on and extend existing institutional infrastructure to beneficiaries of the policy. For example, asset-based policies would leverage and extend existing financial arrangements to engage low-income households, which are less likely to have bank accounts (Boshara, 2003; Carney & Gale, 2001; Hogarth & Lee, 2000), in the financial mainstream.

The various asset-based policies in Singapore are the best example of a coherent and integrated system. While there are three different asset accounts for children at the policy level, these accounts are integrated in the sense that unused funds are seamlessly rolled over from one account to the next, with use of the accounts calibrated for the developmental and life-cycle needs at each life stage. Eventually, unused funds in the child asset accounts will be rolled over to the Central Provident

⁶ This assumes a government contribution of £500 at birth and at age seven, with no additional contribution to the account, growing at 5% per annum in a stakeholder account. Figures calculated by the Child Trust Fund Calculator found at http://www.childtrustfund.gov.uk/templates/Calculator_1250.aspx.

Fund. In addition, the Edusave accounts and the PSEA ride on and extend the existing Central Provident Fund infrastructure. The Baby Bonus Scheme also extends financial institutional arrangements in that it engages beneficiaries in the financial market by utilizing commercial bank accounts as the platform to manage and disburse the benefits of the scheme. In this manner, every beneficiary – both trustee (usually the parent) and the child – would have a bank account opened. Financial arrangements and relationships that may not have been available to low wealth individuals previously are extended to them through the scheme.

On the institutional level, the CTF, KCDA, and the Canadian schemes measure well as they engage account holders with existing financial institutions, with accounts held and managed by the private market. In addition, the Canadian schemes ride on the existing RESP infrastructure. However, the sheer amount of investment choices available may prove daunting for some, leading to lower engagement rates as seen in the UK (Kempson & Atkinson, 2006).

At the policy level, coherence and integration could be improved. While the CTF now allows for funds to be rolled over to an Individual Savings Account on maturity (HM Treasury, 2007), it is not integrated with any other policies as the CTF outstrips the progress of any other contemporary asset-based schemes in the UK (Gregory & Drakeford, 2006). In Canada, the CESP and CLB require separate application processes. In addition, the RESP accounts are held in the name of the subscribers (usually parents) with the child named as beneficiaries, and are limited to post-secondary education purposes. As such, the accounts cannot ‘follow’ the child through the life-cycle, resulting in a lack of continuity in asset accumulation for the child.

The KIDS accounts in the United States do not measure as well against the principle of coherence and integration at the policy or the institutional level. As currently proposed, KIDS accounts require the establishment of a new structure within the Treasury Department to administer the accounts, rather than leveraging an existing policy structure. In addition, the policy does not engage the beneficiaries with existing financial institutions, nor does it extend other private sector financial arrangements to them.

Development

Asset-based policies are primarily about development, about enhancing opportunities and capabilities of people, empowering individuals and families to be in control of their lives, and enabling greater contribution to society and the economy. Asset-based policies are not about amelioration of specific problems or even about fighting poverty (Sherraden, 2003a). Against this yardstick, the various asset-based policies discussed in this paper all measure well.

The CTF, CESP, KCDA, and the KIDS Accounts all have as their stated purpose the objective of making a pool of resources available for account holders as they enter adult life at age 18. In the case of the CESP, it is for the purpose of enlarging the opportunities for accessing post-secondary education. For KIDS accounts and KCDA, monies in the accounts could be used for a range of asset-building purposes, such as post-secondary education, home purchase, and saving for retirement. A focus on development in the CTF is also reflected through emphasis on financial education, through self-management of the accounts, and through the eventual control over how the monies in the account will be utilized after maturity. Unlike the other policies discussed, the CTF has no restriction on use after withdrawal (Gregory & Drakeford, 2006).

The various asset-based policies targeting children in Singapore perhaps measure the best on the criterion of development. What sets the Singapore policies apart is the emphasis on facilitating development of both financial and non-financial assets throughout childhood, rather than accumulating assets for a better start in adulthood. By allowing withdrawals during each stage of childhood, accountholders have greater access to both human and non-human capital development opportunities that build non-financial assets early in life, as well as for purchase of medical services and insurance. This in turn may increase the ability to access higher education and accumulate greater wealth and income in the adult years. The phased nature of the accounts also ensures that there are adequate funds for each stage of childhood, and that all savings are not depleted within a single stage. In addition, the Edusave Scheme provides an annual government grant into Edusave accounts without the need for any co-savings on the part of accountholders. In 2005, over 399,340 Edusave account holders withdrew around S\$71.5 million from their Edusave accounts for developmental purposes (Singapore Ministry of Education, 2006). In addition, 69% of SCDA's had seen withdrawals for developmental purposes by January 2007.

Conclusion

The Child Development Account policies in Canada, Singapore, the United Kingdom, and Korea, while still in early stages, already have an impact on long-term savings and on the future pool of resources available for children. As of June 2007, over three million children have received benefits amounting to some C\$3.5 billion under CESG. In comparison, there were only 700,000 accounts opened prior to the launch of the Canada Education Savings Grant, according to Marc Lebrun, Acting Director General of the Canada Education Savings Program (personal communication, February 14, 2006).

In Korea, over 30,000 or 94% of eligible institutionalized children had opened Child Development Accounts by June 2007, just two months after the implementation of the policy. In addition, some 3,892,000,000 won was accumulated in the Child Development Accounts during these two months from the donations of sponsors and from government matches. Institutionalized children who have challenging futures can now look forward to having a potential resource pool of 21,600,000 won as they enter adult life (Korean Government Information Agency, 2007).

As of January 2007, the government of Singapore had disbursed S\$420 million to parents of 133,000 newborns since the launch of the Baby Bonus Scheme in April 2001. Over the same period, 89,000 Children Development Accounts were co-funded with government matches amounting to S\$270 million (Loke & Sherraden, 2007). This translates to an average government match of over S\$3000 per account, with each child having over S\$6,000 on average available for developmental purposes during their first six years of life. A further S\$125 million was disbursed to the Edusave accounts of some 440,000 school children in 2005, with each child's resource pool for developmental purposes increasing by least S\$270 in that year.

In the United Kingdom, over three million CTF vouchers had been issued by September 2007, with 75% of CTF accounts opened by parents before the end of the 12-month expiry of the vouchers (HM Revenue and Customs, 2007c). As of April 2007, assets worth over £1,324 million were held in the 2.6 million CTF accounts that had been opened. In addition, 24% of these accounts received additional contributions on top of the CTF initial contribution (HM Revenue and Customs, 2007a).

With regard to long-term savings for children, David White, CEO of The Children's Mutual, one of the major CTF providers, states that families are saving 333% more now with CTF than they had previously (personal communication, February 7, 2006). In addition, 38% of CTF accounts at Children's Mutual are being topped up with an average of £24 a month, whereas only 18% of children had regular savings and at only £15 a month on average, prior to the introduction of the CTF. More significantly, 23% of CTF accounts belonging to the very low-income families are having monthly contributions made (personal communication, September 4, 2007).

While most of the asset-based policies targeting children measure well against the principles of inclusiveness, progressivity, coherence and integration, and development, more can be done to increase the levels of participation and savings in the various schemes. Lower levels of participation and savings are associated with lower income levels. Awareness is also associated with income levels. To help lower-income families benefit more from Child Development Accounts, policies should go beyond being universally available and progressive. Automatic enrollments and deposits are highly desirable. Additionally, communication and publicity materials should be tailored to reach out to lower income groups.

Child Development Accounts appear to be emerging as a new social policy instrument. Discussions are underway in other countries as well. The potential of CDAs may be promising, but long-term performance and outcomes are not yet known. Inclusive and progressive design principles are fundamental, and careful research will be required to assess CDA policy delivery and outcomes.

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Appendix 1. Comparison of Child Development Accounts

	Baby Bonus Scheme, Edusave Scheme & Post-Secondary Education Account (Singapore)	Child Trust Fund (United Kingdom)	Canada Education Saving Program (Canada)	Child Development Accounts (Korea)	Proposed KIDS Accounts (United States)
Purposes	<p>Increase fertility rates (pronatal policy)</p> <p>Support families in raising children</p> <p>Maximize the human capital development opportunities for children at each stage of childhood</p>	<p>Help people understand the benefits of saving and investing</p> <p>Encourage parents and children to develop a saving habit and engage with financial institutions</p> <p>Ensure that in future all children have a financial asset at the start of adult life</p> <p>Build on financial education to help people make better financial choices throughout their lives</p>	<p>Encourage savings for post-secondary education for the Canada Education Savings Grant (CESG)</p> <p>Kick-start savings for post-secondary education among low- to modest-income families for the Canada Learning Bond (CLB)</p>	<p>Address the growing division between the rich and the poor</p> <p>Boost national economic growth</p>	<p>Encourage savings</p> <p>Promote financial literacy</p> <p>Expand opportunities for young adults</p>

Appendix 1 (continued)

	Singapore	United Kingdom	Canada	Korea	United States
Target Age	<p>Birth to age 6 (Baby Bonus Scheme)</p> <p>Age 6 to 16 (Edusave Scheme)</p> <p>Age 7 to 20 (PSEA)</p>	<p>Birth to age 18</p>	<p>Birth to age 17 (CESG)</p> <p>Birth to age 21 (CLB)</p>	<p>Birth to age 18</p>	<p>Birth to age 18</p>
Opening of Accounts	<p>Baby Bonus Scheme - Application at the same time as registration of birth of child. Child Development Accounts automatically opened for 2nd to 4th child born on or after Aug 1, 2001</p> <p>Edusave and PSEA – accounts automatically opened</p>	<p>CTF vouchers automatically sent to eligible children born on or after 1 September 2002, once Child Benefits are awarded. Custodians open accounts with private providers, or accept default in which accounts are automatically opened upon expiry of CTF vouchers after 12 months.</p>	<p>Families open Registered Education Savings Plans (RESP) and apply separately for the CESG and CLB</p>	<p>Eligible children required to apply for the opening of the accounts</p>	<p>KIDS accounts automatically opened for every child issued with a Social Security number born after December 31, 2007</p>

Appendix 1 (continued)

	Singapore	United Kingdom	Canada	Korea	United States
Benefits	<p><u>Baby Bonus Scheme</u></p> <p>Cash gifts of S\$3,000 for 1st and 2nd child, and S\$6,000 for the 3rd and 4th child</p> <p>Matched co-savings of S\$6,000 for the 2nd child, and S\$12,000 for the 3rd and 4th child</p> <p><u>Edusave Scheme</u></p> <p>Annual government contributions of at least \$170 in each Edusave account</p> <p><u>PSEA</u></p> <p>Initial contribution of between \$200 and \$800 to start the accounts (only in 2008 and 2009)</p> <p>Top-ups of unspecified amounts where government budgets allow in the future</p> <p>Unutilized match-cap from CDA carried over</p>	<p>£250 initial contribution</p> <p>£250 supplemental contribution for low-income families</p> <p>Unmatched private contributions of up to £1,200 per year</p> <p>Top-ups of £250 (or £500 for children from low-income families) when the child reaches the ages of 7. Additional top-up planned for age 11.</p> <p>Earnings tax-free</p>	<p><u>CESG</u></p> <p>Savings match of 20% on the first C\$2,000 contributed to the RESP subject to a annual cap of C\$500 and a lifetime cap of C\$7,200</p> <p><u>CLB</u></p> <p>Initial contribution of C\$500 and an annual payment of C\$100 for up to 15 years and a lifetime limit of C\$2000 for eligible modest-income families</p> <p>C\$25 to cover the cost of opening a RESP account</p>	<p>Matched savings of up to 30,000 won (US\$30) per month</p> <p>Starting in 2010, matched deposits of 200,000 won (US\$200) at birth and at age 7</p>	<p>US\$500 initial contribution.</p> <p>Up to US\$500 supplementary contribution for children from low-income families</p> <p>Matched savings of up to US\$500 per year for eligible children from low-income families up to age 18</p> <p>Private contributions up to US\$2,000 per year</p> <p>Earnings tax-exempt</p>

Appendix 1 (continued)

	Singapore	United Kingdom	Canada	Korea	United States
Progressive Elements	<u>Baby Bonus Scheme</u>	Supplementary contributions for children from low-income families	Additional grants of up to 20% for the first C\$500 contributed to the RESP under the CESG	Children from lower-income families targeted for the scheme	Supplementary contributions and matched savings for children from lower-income families
	No progressive elements				
	<u>Edusave Scheme</u>	Children in care receives additional £100 per year in their CTF	Eligible for the CLB	Institutionalized children receive up to 30,000 won per month from sponsors, and an equivalent amount in government match	
	Edusave merit bursaries for low- and modest income families				
	<u>PSEA</u>				
	Lower wealth households receive higher quantum of initial contribution and future top-ups in their accounts				

Appendix 1 (continued)

	Singapore	United Kingdom	Canada	Korea	United States
Withdrawals and Use of Funds	<u>Baby Bonus Scheme</u>	Withdrawal permitted only when accountholder turns 18	Funds can be withdrawn for qualified post-secondary educational expenses or transferred to another child for the same purpose	Withdrawal permitted only when accountholder turns 18 for education, housing, and micro-enterprise start-up	Withdrawal permitted only after accountholder turns 18. Funds restricted for use according to Roth IRA compliance and distribution rules. Use of funds for first-time home purchase and post-secondary education permitted without penalty
	Funds can be withdrawn before age 6 for childcare, preschool, special education, early intervention, and medical expenses and insurance incurred by the account holder or a sibling	No restriction on use of funds			
	Unused balances rolled over to the PSEA	Option of rolling-over monies to an Individual Savings Account available			
	<u>Edusave Scheme</u>				
	Funds can be withdrawn for approved enrichment programs and fees				
	Unused balances rolled over to the PSEA				
	<u>PSEA</u>				
	Funds can be withdrawn for post-secondary education in approved institutions				
	Unused balances rolled over to the CPF				