CFED

This Little Piggy Went to College

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WASHINGTON — WHEN her son, Cole, came home from his first day of kindergarten at a public school in San Francisco two years ago, Lauren Sigurdson, a single mom who struggles to pay basic expenses, found a welcome surprise tucked in his backpack: a flier announcing that Cole would be getting his own savings account, with an initial $50 deposit.

The account was for Cole's college education. Donors would match whatever deposits she (or anyone else) made. Since the account officially opened in January 2013, Ms. Sigurdson has saved $20 almost every month. Cole's account is now worth $785.34.

Cole is one of more than 13,000 children in San Francisco who have benefited since 2010 from the Kindergarten to College program, which provides every public school student entering kindergarten with a Children's Savings Account containing either the $50 deposit or, if the child is enrolled in the National School Lunch Program, $100.

Nationwide, C.S.A. programs are still small. They currently have the potential to serve a little more than 200,000 students, instead of the millions who could benefit. C.S.A.s are hardly the only solution to the college affordability puzzle, but they force families to start a conversation about planning and paying for higher education early.

This matters. A study published last year in Children and Youth Services Review found that children from low-income families with as little as $500 (or even less) in an account like this were three times more likely to attend college and four times more likely to graduate.

There are also remarkable ripple effects. Researchers at Washington University in St. Louis observed that the social and emotional development of children with C.S.A.s was better than it was for those without the accounts. Perhaps even more tellingly, their mothers were both less depressed and more optimistic.

Because C.S.A.s make it possible for families to lift themselves up through savings, they are a comfortable fit for Republicans and Democrats. Different versions have been proposed by Republican senators, including Jeff Sessions of Alabama, and by Democrats, including Charles E. Schumer of New York.

Ron Wyden, an Oregon Democrat who is the chairman of the Senate Finance Committee, said earlier this year that he had rarely seen an idea with such a "strong level of support from all ends of the political spectrum." Last month, Representative Joseph Crowley, a Democrat from New York, introduced a proposal in the House to open a flexible savings account for every child.

Creating a system of college savings accounts, starting in kindergarten or as early as birth, could be accomplished with relatively little cost, primarily through long-overdue changes in higher-education tax spending.

Congress should start by eliminating the $600 million deduction for college tuition and fees, which is essentially a Pell Grant for the wealthy. The 20 percent with the highest incomes receive more than 90 percent of the support from the program, while the bottom 60 percent, on average, get nothing.

Yes, eliminating a handout for high-income households would cause political problems, but the hundreds of millions of dollars wasted annually on this deduction should be used instead to provide a starter savings account for the four million babies born in America each year.

The money could be rolled into tax-preferred college savings accounts, which are used almost exclusively by wealthier families. How exclusively? The savings of the bottom half of earners make up 1.1 percent of all the savings in these accounts.

Reforming the American Opportunity Tax Credit, which also covers college tuition and fees (as well as books) could also help boost college savings. The majority of the $16.6 billion spent in 2013 on this credit went to upper-income households who could afford to pay college expenses up front and then file for reimbursement at tax time.

Why not allow low- and moderate-income families with C.S.A.s to receive the credit ahead of time? This would increase college savings while making the credit accessible to those who can't afford to front the full cost of tuition months before tax time. This reform would be politically frictionless because it would have no effect on households who currently benefit from the credit.

Promising C.S.A. models, which typically include a financial education component, also exist at the state and local levels. Kindergarten to College uses city government money for administration and seed deposits, while philanthropic, corporate and individual donors provide matching incentives through vehicles like the 1:1 Fund, an online tool created by my organization that lets donors make direct contributions to C.S.A.s. To give another example, the money for Nevada's College Kick-Start Program, which provides $50 in a college savings plan to 35,000 kindergartners, is generated through grants, private sponsorships and program management fees.

Not everyone goes to college, of course, but C.S.A.s can be used for any postsecondary education, including trade school. They are a simple, cost-effective solution for families who assume a college education is only for those higher up the economic ladder.

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