Child Development Accounts in the COVID-19 Crisis: Lessons from the Great Recession

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All Children Can Reach Their Potential: A CDA Conference
July 16, 2020
Research During the Great Recession: A Window into the COVID Crisis

- Wave 1 and Wave 2 surveys: 2,704 (full sample) 2007-2008 and 2011
- In-person interviews: 60 (sub-sample) 2009-2010
- OK 529 plan account and savings data quarterly

Sherraden, Clancy, Beverly & Huang, 2020
CDA Initial Value Almost Doubled Despite Great Recession

Investment Growth of the SEED OK CDA $1,000 Initial Deposit: Dec 2007-Dec 2019

Despite a loss at the Great Recession, the initial deposit into the CDA almost doubled over about 12 years.

Sherraden, Clancy, Beverly & Huang, 2020
Unemployment and reduced work cause every dollar to be spent for basic living expenses.

“I have to worry about my gas tank and I have to worry about her diapers, her wipes. That’s my first priority.” Nicole

Our truck tires “keep going flat….I just cannot do it. All of our money goes to our truck payment.” Sherry
CDA Offers Mothers a Positive Outlook

blessed

ease

hope

security

Sherraden, Clancy, Beverly & Huang, 2020;
CDA Offers Mothers a Positive Outlook

The CDA makes me feel “a whole lot better... like I have some hope for at least one of my kids.”  Sherry

“It gives me a better outlook. [The CDA] made it feel like they actually cared about my child along with me.”  Jasmine

“It gives me a sense of relief. It just says this state is being proactive in trying to encourage parents to save for college or start something.”  Beth

CDA Has Positive Financial and Family Effects

Effects are sometimes greater for the most financially vulnerable families, during and after the financial crisis of the Great Recession.

Kim et al, 2015; Huang, Sherraden, Purnell, 2014; Huang et al., 2019; Huang et al., 2014
• CDAs focus on long-term development rather than short-term consumption.

• Yet, positive effects of the CDA occur long before the money is spent on postsecondary education.

• CDAs expected to have positive impacts on financially vulnerable households during and after the COVID-19 pandemic.

Sherraden, Clancy, Huang, & Beverly, 2020
Focus *first* on building assets for all children, and *second* on improving individual savings.

- Adopt a universal CDA policy and automatically deposit funds at birth.
- Include additional deposits, particularly for low-income children.
- Integrate CDAs with other services for the most vulnerable families.

Sherraden, Clancy, Huang, & Beverly, 2020
“There’s other people that do care about what happens with our kids. They’re not just my kids, they’re everybody’s kids.” Tamara

Publications and Resources

https://csd.wustl.edu/publications-margaret-clancy/

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