



# Improving Education Outcomes through Children's Education Savings

## Ashley's Story



"I wanted to beat the statistics and give my son a good quality of life."

- Ashley Clearsky, Momentum Participant.

Ashley Clearsky needed every ounce of her determination when she became a teenage mother. She joined a Momentum Financial Literacy program and began learning about money management, savings, and getting ahead. She completed high-school and went on to study nursing, with financial help from Momentum.

Realizing that she wanted these educational opportunities for her son as well, she took the Momentum workshop on Registered Education Savings Plans (RESP), opened one for her son, and accessed the Canada Learning Bond to kick-start his education savings.

Ashley's determination is making a difference to the next generation.

Children's education savings accounts are a vital tool in boosting high school completion rates, increasing post-secondary education attainment, and reducing poverty. **Research shows that saving for a child's education is connected to improved child development, greater educational and career expectations, and future financial capability.**<sup>1</sup> While education grants and loans at the time of attending post-secondary are important in addressing the costs of tuition, the promotion of early children's education savings is crucial to increasing the number of children who actually go on to post-secondary education.

There are free government grants for families living on a low income to kick-start their child's savings. For example, the Canada Learning Bond (CLB) is up to \$2000 per child. However, too few families in Alberta are accessing this free money. **In fact, Alberta families have left up to \$400 million in unclaimed federal education money. All of us have a role to play in ensuring this money reaches children in low-income families.**

Momentum invites colleagues across all sectors to explore ways to increase the uptake of the Canada Learning Bond, and thereby increase educational outcomes for Alberta youth.

## WHY ARE RESPs SO IMPORTANT?

### 1. Education savings are linked to high school completion and higher academic performance, in part because they influence post-secondary expectations

- Having an education savings account helps children develop positive expectations about post-secondary.<sup>2,3</sup>
- Several studies show that higher post-secondary expectations may lead to increased academic efforts and achievement.<sup>4</sup>
- Children with education savings have higher math scores than those without savings.<sup>5</sup>
- Children in low-income families with modest savings (even as low as \$500) are more likely to graduate from high school and go on to post-secondary.<sup>6,7</sup>

### 2. Education savings influence post-secondary enrolment and completion

- 80% of children who do not attend post-secondary indicate financial aid as “extremely” or “very” important in making this decision.<sup>8</sup>
- The cost of post-secondary can deter qualified children from completing preparatory coursework and exams, and from even applying to post-secondary and for financial aid. According to Elliott and Rauscher, “even more generous provision of financial aid at the point of enrolment may not be adequate to reverse these effects.”<sup>9</sup>
- In 2008, 36% of Canadian students who completed high school did not pursue post-secondary studies because of a financial barrier.<sup>10</sup>
- Among children who expect to graduate from post-secondary, those who have an education savings account in their name are six times more likely to attend than those who do not.<sup>11</sup>

- In a Government of Canada study, parental financial support was one of six factors identified as having the greatest influence on a student’s decision to enrol in university.<sup>12</sup>
- A Statistics Canada study showed that youth who have set aside some savings for their education are 50% more likely to participate in post-secondary than those who have not.<sup>13</sup>

### 3. Post-secondary education is an inter-generational poverty reduction and prevention tool

- People who complete post-secondary education (PSE) earn higher median incomes than non-recipients of PSE (Statistics Canada, 2006).<sup>14</sup>
- According to a TD Economics report, individuals with a university education earn an average of 61% more each week than those who only have a high school education.<sup>15</sup>
- Families living on a low income can access the Canada Learning Bond when they open an RESP, and do not need to put any of their own money in.

## DID YOU KNOW?

The **Canada Learning Bond** is up to **\$2,000 offered by the Government of Canada** to help families living on a low income save for their child’s future education. To date, only **30% of eligible children in Alberta have accessed this money.**

## HOW CAN PARENTS SAVE?

- Parents can start saving for their child’s education by opening an RESP.
- An RESP can be opened at most major banks or credit unions for free.

- When they open an RESP, families living on a low income can also claim the CLB.<sup>16</sup>
- Families can receive up to \$2000 per child when they access the CLB.
- A family does not need to put any money into an RESP to receive the CLB.

## WHAT IS THE PROBLEM?

- Too few families living on a low-income are opening an RESP: RESP's continue to be concentrated in high-income, high-wealth, and high-education families.<sup>17, 18</sup>
- Barriers to opening an RESP include a lack of knowledge as to how and where to open one, as well as how much money is needed (it is free).
- Over 1.5 million children across Canada (almost 70% of those eligible) have not yet received the CLB.
- Almost 200,000 eligible children in Alberta have not received the CLB. This represents up to \$400 million unclaimed federal education money in Alberta.

## WHAT IS THE SOLUTION?

- Raising awareness of the RESP and the CLB:
  - Government, financial institutions, and non-profits all have a role to play in raising awareness of the CLB.
  - Professionals in our education, health care, and social service systems have a unique opportunity to connect with families with young children and can raise awareness of the CLB.
- Supporting families to open an RESP and access free money through the CLB.
- Momentum provides the following, and we encourage you to explore offering as well:
  - Sharing CLB information directly with families you work with

- Hosting information sessions on the RESP and CLB
- Hosting CLB sign-up events for families
- Offering follow-up support to families, such as obtaining ID or going to the bank

## WHAT IS MOMENTUM?

Established in 1991, Momentum is an award-winning charity in Calgary that offers programs in small business development, microloans, employment training, financial literacy, and asset building. Over 38,000 Albertans have begun to build their assets and a sustainable livelihood through Momentum.

Momentum is not affiliated with any financial institution or seller of RESP's, and provides unbiased support in opening an RESP and claiming the CLB. Momentum has supported families to open RESP's for more than 1865 children and trained more than 150 educators, civil servants, and professionals across Alberta to date.

**Momentum invites colleagues across all sectors to explore ways to increase the uptake of the Canada Learning Bond, and thereby increase the educational attainment of Alberta youth.**

Momentum can support you to explore the ways your organization can do this important work.

### For more information

- RESP Information [www.momentum.org/startsmart](http://www.momentum.org/startsmart)
- Smart Saver [www.smartsaver.org](http://www.smartsaver.org) (information in multiple languages)
- Government grant information [www.canlearn.ca](http://www.canlearn.ca)
- Contact:
  - Momentum Public Policy Team  
AnnaC@momentum.org, 403-204-6184
  - Momentum StartSmart (RESP) team  
startsmart@momentum.org, 403-204-2674

## ENDNOTES

- 1 CFED "Fact File, June 2014: Scholarly Research on Children's Savings Accounts," [http://cfed.org/assets/pdfs/FactFile\\_-\\_Scholarly\\_Research\\_On\\_Childrens\\_Savings\\_Accounts.pdf](http://cfed.org/assets/pdfs/FactFile_-_Scholarly_Research_On_Childrens_Savings_Accounts.pdf)
- 2 William Elliott et al., "The Age Old Question, Which Comes First? A Simultaneous Test of Children's Savings and Children's College-Bound Identity," *Center for Social Development* No. 11-04 (2011). <http://csd.wustl.edu/publications/documents/wp11-04.pdf>
- 3 Mesmin Destin, "Integrating resource-based and person-based approaches to understanding wealth effects on school achievement," *Assets and Educational Achievement* 33 (2013).
- 4 William Elliott, Mesmin Destin, and Terri Friedline, "Taking Stock of Ten Years of Research on the Relationship between Assets and Children's Educational Outcomes: Implications for Theory, Policy and Intervention," *Center for Social Development* No. 11-08 (2011). <http://csd.wustl.edu/publications/documents/wp11-08.pdf>
- 5 William Elliott, Hyunzee Jung, and Terri Friedline., "Math Achievement and Children's Savings: Implications for Child Development Accounts," *Journal of Family and Economic Issues* 31:2 (2010): 171-184.
- 6 Min Zhan and Michael Sherraden, "Assets, Expectations, and Children's Educational Achievement in Female-Headed Households," *Social Service Review* 77:2 (2003): 191-211.
- 7 William Elliott, Hyun-a Song, and Ilsung Nam, "Relationships Between College Savings and Enrollment, Graduation, and Student Loan Debt," *Center for Social Development Research* No. 13-09 (2013): 2. <https://csd.wustl.edu/Publications/Documents/RB13-09.pdf>
- 8 Ryan D. Hahn and Derek V. Price, *Promise Lost: College-Qualified Students Who Don't Enroll in College*. [Washington, D.C.]: Institute for Higher Education Policy, 2008.
- 9 William Elliott and Emily Rauscher, "From Disadvantaged Student to College Graduates: The Role of CSAs (Chapter 4: Brief)" in *Giving children a financial stake in college: Are CSAs a way to help maximize financial aid dollars?* (Biannual Report of the Assets and Education Field). [Lawrence, KS]: Assets and Education Initiative, 2013.
- 10 Statistics Canada. *Access and Support to Education and Training Survey*. 2008, cited in Global Growth Assets Inc. "Registered Education Savings Plan (RESP)," <http://globalgrowth.ca/marketing/new/RESP%20Fact%20Sheet.pdf>
- 11 William Elliott and Sondra G. Beverly, "The role of savings and wealth in reducing 'wilt' between expectations and college attendance," *Journal of Children and Poverty* 17:2 (2011): 165-185.
- 12 Canada. Human Resources Development Canada. Applied Research Branch. *What Influences Young Canadians to Pursue Post-Secondary Studies?*. Report prepared by Julie Dubois. [Hull, QB], 2002. <http://publications.gc.ca/Collection/RH63-1-578-06-03E.pdf>
- 13 Canada. Statistics Canada. Culture, Tourism and the Centre for Education Statistics Division. *Access, persistence and financing: First results from the Postsecondary Education Participation Survey (PEPS)*. Report prepared by Lynn Barr-Telford et al. [Ottawa, ON], 2003. <http://www.publications.gc.ca/Collection/Statcan/81-595-MIE/81-595-MIE2003007.pdf>
- 14 Statistics Canada, 2011 National Household Survey, retrieved April, 2016
- 15 TD Financial Group, "Investing in a Post Secondary Education Delivers a Stellar Rate of Return," TD Economics Topic Paper (2004). <https://www.td.com/document/PDF/economics/special/td-economics-special-ca0104-education.pdf>
- 16 The Canada Learning Bond is a Government of Canada grant for low-income families worth up to \$2,000. When eligible families open an RESP for their child's education, they receive an initial \$500 in free government money through the Canada Learning Bond. An additional \$100 is added to the RESP each year until the child turns 15.
- 17 Kevin Milligan, "Who Uses RESPs and Why," University of British Columbia, Department of Economics — Discussion Paper No. 04-03 (2004). <http://papers.economics.ubc.ca/legacypapers/dp0403.pdf>
- 18 Canada Employment and Social Development Canada. Strategic Policy and Research Branch. *Canada Education Savings Program (CESP): Summative Evaluation Report*. 2015.