



Keystone Scholars Families Start Out with \$100 for College — and High Expectations

Belief that it's 'Too Early to Save' linked to lower expectations, demonstrates importance of Pennsylvania Treasury's Keystone Scholars Program

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Ninety-eight percent of parents expected their newborn to pursue at least a bachelor's degree in Pennsylvania Treasury's groundbreaking survey conducted alongside the launch of its child development account (CDA), Keystone Scholars. Sky high expectations were found across income, parental education, geography, race, and ethnicity. In particular, a greater share of African Americans, Latinx, and Asians expressed confidence that their child would pursue a bachelor's degree than white parents.

From May 2019 to June 2020, Pennsylvania Treasury (Treasury) sponsored a baseline survey of Keystone Scholars families and a control group, which was designed and administered by Dr. Robert Nathenson, Senior Researcher at the American Institutes for Research. The year-long survey launched just as parents of the first babies eligible for the new Keystone Scholars statewide program received letters from Treasury notifying them of their child's account.

Keystone Scholars is a universal, opt-out child development account established for every Pennsylvania child at birth and funded with a \$100 starter deposit for post-secondary education. Keystone Scholars accounts can be used for qualifying expenses at vocational schools, apprenticeship programs, community colleges, and baccalaureate degree granting institutions. It is the first program of this kind to be enacted through legislation, and with approximately 135,000 births a year to Pennsylvania families, it is also the largest such program currently in operation in the U.S.

Just under 6,000 parents took the survey. Response data is not necessarily generalizable to the overall Keystone Scholars population; however, it provides important insights into Pennsylvania families with newborns, with variation across demographic subgroups including race, ethnicity, parental education, urban-rural classification, marital status, and income level.¹ The survey provides baseline information on parents' expectations for their newborns' future education, as well as on their savings behavior, assets, and trust in financial institutions and markets. Parental expectations are of particular interest because prior research has found that CDAs positively affect parental expectations for their children's future education, which in turn benefits child development and academic performance.² Treasury plans to administer a follow-up survey in 2023 to gauge changes in respondents' views, especially related to future expectations for their children.

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Parental Expectations

We find that Pennsylvania families have remarkably high expectations for their child's educational future. Throughout the state across all race/ethnicities, incomes, marital status, and education levels, new parents typically want their child to attain more education than they had. This is especially evident for families that are less advantaged, including single parents, low-income parents, and parents of color.

¹ We note that our findings are derived from families with new babies in 2018 and 2019 that chose to complete the survey. Results are therefore not necessarily generalizable to the full set of Pennsylvania households who recently had new babies. In addition, results are descriptive, not causal.

² Beverly, S. G., Elliott, W., III, & Sherraden, M. (2013, November). *Child Development Accounts and College Success: Accounts, Assets, Expectations, and Achievements* (CSD Perspective No. 13-27). St. Louis, MO: Washington University, Center for Social Development. <https://doi.org/10.7936/K7805247>.

These aspirations also manifest with 98% of all parents wanting their child to pursue at least a four-year bachelor's degree. This college-bound mentality is found across all demographic groups identified in the survey, with more than nine in ten parents in each demographic group expecting their child to earn at least a four-year degree. In fact, higher proportions of African American, Latinx, and Asian parents as compared to white parents reported wanting their child to earn a bachelor's degree.

While over 90% of families across all demographic categories say their child "probably will" or say they are "very sure their child will" pursue at least a bachelor's degree, the proportion reporting "very sure" decreases from 57% in the largest metropolitan areas down to about 33% in more rural areas. Parents in rural areas retain high expectations, but express less certainty about their child's educational future. Also, as rurality increases, fewer families expect their child to earn a master's or doctoral/professional degree.

The survey results also show that families have a strong preference for Pennsylvania's public higher education institutions. For those who stated a preference, they preferred in-state institutions to those out-of-state 91% of the time, and public institutions to private ones 83% of the time. This preference is particularly strong in rural parts of the state.

CDA programs like Keystone Scholars are designed to provide motivational and financial supports to families with the specific aim of bolstering postsecondary aspirations as children grow and in assisting families translate aspirations into attainment.

Financial Trust, Assets, and Savings Behavior

A series of financial information questions from the survey were collapsed into six indices for the purpose of analysis: (1) *Financial Trust*; (2) *Barriers to Saving*; (3) *Financial Assets*; (4) *Limited Ability to Save*; (5) *Initiated Savings Behavior*; and (6) *Believe it is Too Early to be Saving*. See the [Keystone Scholars Baseline Survey Findings](#) report for an explanation and full list of questions for each.

The survey results show that financial assets have a large and significantly positive impact on parents' expectations for their child's educational future. In addition, families that had initiated the act of saving for college had, on average, higher expectations for their child. At the same time, families earning less than \$50,000 a year (compared to those earning more than \$50,000 a year) and each racial/ethnic minority group (compared to white families) were often at a relative disadvantage across the financial indices, including *Financial Trust*, *Assets* (other than Asians), and *Initiated Savings Behavior*. That their expectations are consistently high with fewer assets is a testament to families' belief in higher education as an engine of opportunity. It is precisely why government commitment to and investment in children, as modeled through programs like Keystone Scholars, are so important to the state's future robust workforce and educated citizenry.

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Our findings suggest that parents who reported it was *Too Early to Start Saving* often had lower expectations for the future education of their child, including education level compared to the parent and pursuit of both a two-year and a four-year degree. No other financial measure was so consistently associated with lower parental expectations, suggesting negative consequences to this specific mindset.

Yet, of all the financial indices the survey examines, *Too Early to Start Saving* is likely the most adaptable. Rather than capturing whether a family has started saving or if it has the means to do so, it reflects their **savings mindset**. The downstream ramifications of parents who believe in putting off saving until the future may be severe. These parents will have saved fewer assets and be less able to afford the growing cost of college, which may result in self-fulfillment of their initial lower expectations. This is particularly true for low-income families, as **having a low-income was one of the strongest predictors of reporting *Too Early to Start Saving***. Having or lacking an early saving mindset is therefore an important factor for parental expectations and postsecondary savings, independent of a family's assets. By providing an initial \$100 starter deposit, additional targeted deposits³, and continued financial empowerment messaging, Keystone Scholars is promoting a change in this mindset and, in doing so, improving the future educational prospects of Pennsylvania's youngest residents. For example, evidence from an evaluation of the Keystone Scholars pilot program has shown that the \$100 incentive is successful in motivating Pennsylvania families to take the next step to begin actively saving for their children's future education. The evaluation found that families in pilot counties were twice as likely to open a PA 529 account in the first year of their child's life than families in non-pilot counties. The doubling of account openings among pilot families is a statistically significant finding that is attributable to receiving the \$100 incentive and related outreach efforts from Treasury.⁴ Furthermore, as of June 2021, Keystone Scholars families had saved over \$17 million in their own linked PA 529 accounts.

Keystone Scholars is improving the future educational prospects of Pennsylvania's youngest residents.

The results from the baseline survey report indicate that Pennsylvania parents of newborns have great expectations for their children's futures. The Keystone Scholars program is here to help these families realize them.

³ With funding primarily from the generous support of the Neubauer Family Foundation, the Henry L. Hillman Foundation, the Richard King Mellon Foundation, and the Heinz Endowments, Pennsylvania Treasury is providing an additional one-time targeted \$50 deposit. Called the "Bright Future Booster," the additional deposit goes into the Keystone Scholars accounts of babies born between January 1 and June 30, 2021 whose mothers are enrolled in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Keystone Scholars is currently seeking additional funding sources to sustain the Bright Future Booster, as well as ways to establish additional targeted deposits that would increase the assets of low-income or at-risk youth.

⁴ For more information, see "Keystone Scholars Pilot Demonstration Project: Summary Results Report," (October 2019), Pennsylvania Treasury, <https://www.pa529.com/keystone/pdf/Pilot-Results-Report.pdf>.