FAMILY SAVINGS FOR POST-SECONDARY EDUCATION

A Summary of Research on the Importance and Impact of Post-Secondary Education Savings Incentive Programs

PREPARED FOR *The* OMEGA *Foundation* BY ANDREW PARKIN | **NOVEMBER 2016**

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EXECUTIVE SUMMARY

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The Omega Foundation commissioned this research to better assess the influence of education savings and the federal government's savings incentive grants for saving on post-secondary access. Our hope was to clarify the facts which have until now been largely obscured. This information gap has led to conflicting views on the potential value of savings as a stimulus for participation in post-secondary education (PSE) and has consequently reduced the visibility of the potential opportunity.

During the past six years through our SmartSAVER program, we have met thousands of parents across Canada who have told us of their aspirations for their children. Their message is always the same: obtaining the best education for their children is a top priority.

We believe that higher education is also Canada's best opportunity to effectively overcome the challenges of income inequality and growing need in our society. For individuals, higher education brings advantages ranging from better employment opportunities and higher incomes, to better health and greater resilience. For society, a better-educated population underpins economic growth and prosperity in our knowledge-based economy.

However, access to higher education is not equally distributed. Sixty per cent of post-secondary students in Canada come from the richest 40 per cent of families while only 27 per cent of students come from the 40 per cent of families with the lowest incomes.

Since 2010, SmartSAVER has helped lower-income families to open Registered Education Savings Plans (RESPs) and secure the Canada Learning Bond to establish savings for their children's higher education. While all children can benefit from having savings, we focus on those from low- and moderate-income families who could benefit the most, but who to date have been least helped by RESPs.

The findings of this research only strengthen our resolve. The link between family savings for PSE and PSE access and completion is clear, as is the link between savings and attitudes such as expectations for a child's educational success. What is becoming clearer is that it is the presence of savings that positively impacts those attitudes and behaviours.

Improving access

Canada is considered a world leader in educational attainment, but our performance is less encouraging when looking at university. In university educational attainment, Canada ranks 18th out of 34 OECD countries and participation is clearly skewed by family income.

To make PSE access more equitable for lower-income students, governments in Canada intervene in a variety of ways. The most common route is to offer just-in-time support

through "free" tuition, student loans and grants. However, it is the incentives in the form of tax benefits and savings grants that the federal government offers to encourage families to save for their children's higher education that are the focus of this report.

Up until now, lower-income Canadians have not benefited from federal savings incentives to nearly the same extent as wealthier families.

There are four parts to the federal government's education savings incentive program:

1. The Registered Education Savings Plan (RESP) enables families to save, with any income earned sheltered from tax until withdrawn by the benefiting student to use toward their higher education;
2. The Canada Education Savings Grant (CESG) is a matching contribution equal to 20 per cent on the first $2,500 a family contributes to an RESP annually;
3. The Additional Canada Education Savings Grant (A-CESG) provides an additional matching contribution of 20 per cent on the first $500 a lower-income family contributes to an RESP; and
4. The Canada Learning Bond (CLB) seed funds an RESP for a lower-income child with up to $2,000 with no family contribution required.

Though introduced in 1972, RESPs have become increasingly popular since the introduction of the CESG in 1998 and A-CESG and CLB in 2004. In 1998, only one in 10 Canadian children under the age of 18 received the CESG. By 2015, half of eligible children did.

Yet while 68 per cent of parents with annual incomes over $120,000 have an RESP, only 37 per cent of parents with incomes of less than $32,000 and 46 per cent of those with incomes between $32,000 and $55,000 do. In addition, 23 per cent of lower-income families with RESPs who were eligible to receive the CLB in 2012 did not actually receive it simply because the appropriate application had not been submitted.

In 2012, families eligible for the income-based A-CESG and CLB represented 37 per cent of all families, but received only 24 per cent of savings grants. By contrast, families earning more than $90,000 represented 33 per cent of all families and received almost 50 per cent of the savings incentives.

Of the 2.5 million children who have been eligible for the CLB since the program was introduced, only 33 per cent have received it. That means over 1.6 million have missed out.

Failure to deliver the CLB to 70 per cent of the lower-income children it was created to benefit has been primarily the result of poor promotion and administrative hurdles. These barriers must be overcome. We have seen it done.

The Canada Learning Bond is critical to the building of family savings

Students have traditionally relied on multiple sources of funding to pay for PSE, including summer jobs, bursaries, scholarships and loans. Yet savings now represent the single most important source of funding among more recent high-school graduates.

The advantages for a lower-income family of starting to save early in a child's life are obvious, especially with an RESP. Just receiving matching CESG and A-CESG and the CLB can generate the equivalent of investment returns in excess of 40 per cent annually. The benefits of early investment, however, extend well beyond the money itself.

Most students make up their minds about whether to pursue PSE well before the end of high school – many as early as middle school. And it's their parents that they are most likely to turn to for information and advice in that decision. However, neither students nor their parents have been found to be particularly well-informed about education financing. They tend to overestimate the costs of PSE and underestimate the financial support available from sources outside the family.

Families who start saving early for their child's future education have more time to build up not only financial resources, but also their level of preparedness. Parents can instil in their children both the belief that they will pursue higher education and the confidence that a higher education is within their reach. This affects children's attitudes towards school and their future opportunities.

The performance to date of the CLB as a catalyst demonstrates that lower-income families can and do save. Virtually all – 97 per cent – of RESPs started with the CLB have also received contributions by the family, even though a family contribution is not required. The average annual contribution to an RESP seed-funded by the CLB is over $1,000.

In response to a federal government survey, two-thirds of families with RESPs with incomes under $45,000 reported that the RESP encouraged them to start saving earlier than they otherwise would have. Targeted saving incentives – in particular the CLB and A-CESG – encourage parents to start saving earlier and to save more.

Lower-income children whose families have savings for their education are more likely to access PSE

Research in the U.S. and Canada show similar correlations between savings and education outcomes. Students with savings are more likely to pursue PSE, move more quickly from high-school to post-secondary education and are much less likely to drop out once there. Savings are found to help children form a "college-bound identity" that is not deterred by obstacles that may lie in their path. Canadian researchers find that for most students at the end of high school, the decision to continue their education is less influenced by the availability of funds and more influenced by their motivation and expectations that may have taken years to develop.

> *The evidence indicates that there is a clear link between family savings for PSE and PSE access and completion. Also clear is the link between savings and expectations for a child's educational success.*

If the impacts of saving are so clear, what must be done to ensure that these benefits reach the 1.6 million lower-income children who have yet to receive their CLB?

One idea often proposed is to make enrolment in the CLB automatic. Currently, lower-income families must opt in to receive the CLB by opening an RESP and applying for the CLB. Low awareness of the CLB among eligible families is a major stumbling block in take-up. However, while the merit of automatic enrolment continues to be debated, there is growing consensus among researchers as to the effectiveness of direct, in-person outreach by trusted community agencies to encourage this enrolment. The experience of SmartSAVER's community-based marketing program demonstrates how that direct contact by community partners trusted by eligible families does indeed increase enrolment.

Given the evidence, greater effort is needed to increase RESP and CLB enrolment among lower-income families. The barriers to CLB access faced by lower-income families can be effectively overcome by community agencies that are known and trusted by eligible families. Even one per cent of funds currently dispersed annually by the federal government in education savings incentives to families of all income levels, invested to expand marketing, outreach and research, could transform the benefit to lower-income families of the education savings programs as well as our understanding of their full impact.

LIST OF ACRONYMS

A-CESG	Additional Canada Education Savings Grant
CDA	Child Development Account
CESG	Canada Education Savings Grant
CESP	Canada Education Savings Program
CLB	Canada Learning Bond
ESDC	Employment and Social Development Canada
RESP	Registered Education Savings Plan
OECD	Organization for Economic Co-operation and Development
SRDC	Social Research and Demonstration Corporation

INTRODUCTION

There is widespread agreement that educational attainment is increasingly important to the success of both individuals and societies. For individuals, higher levels of education bring advantages ranging from better employment opportunities and higher incomes, to better health and greater resilience. For societies, a better educated population underpins economic growth and prosperity in a knowledge-based economy.

Canada is in an enviable position in terms of educational attainment. More than one in two Canadians has a college diploma or university degree, a proportion that is greater than that of any other OECD member country (OECD, 2015). This leading position is largely a product of the country's large college sector: one in four adult Canadians has a college degree, a proportion that exceeds by a wide margin the OECD average of fewer than one in 10. By contrast, Canada is only in 18th spot (out of 34 OECD countries) in terms of university attainment – and this falls to 21st spot when considering university attainment among 25- to 34-year-olds. For university degrees beyond the bachelor's level (MA or PhD), Canada ranks 25th.[1]

What's more, access to post-secondary education in Canada, and particularly to university education, continues to be unequal. Canadian youth with parents who earn more than $100,000 per year are twice as likely to access university than are those with parents who earn less than $25,000 per year (Finnie, Mueller and Wismer, 2012, 25). The Parliamentary Budget Officer has estimated that 60 per cent of post-secondary students in Canada come from the richest 40 per cent of families; the poorest 40 per cent of families only account for 27 per cent of students. Moreover, this situation has remained unchanged over the past decade, meaning that participation in post-secondary education is not getting more equitable over time (Office of the Parliamentary Budget Officer, 2016, 15-16).

Governments in Canada intervene in a variety of ways to support educational attainment in general, and more equitable access to post-secondary education in particular. The most widely recognized means is by lowering the up-front cost to students by providing student financial assistance (student loans and grants) to those with financial need. Additionally, since 1972, the federal government has sought to encourage families to prepare to meet the cost of post-secondary education by providing a tax incentive to parents who put aside education savings for their children in a registered account. Since 1998, this tax incentive has been augmented through the provision of savings grants, the purpose of which is "to encourage the financing of children's post-secondary education through savings, from early childhood, in registered education savings plans."[2] These post-secondary education savings incentive programs are

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[1] Even this modest ranking is overstated, however – at least when it is read as a reflection of the performance of the country's education systems – since university attainment levels in Canada are weighted upwards by the contribution of well-educated immigrants who arrive with a university degree in hand. If we considered only those who have progressed through education in Canada, the country's OECD ranking in terms of university attainment would be even lower – probably somewhere between 23rd and 26th place. Canada would cluster with a few low-ranking European countries such as Spain, France and Italy, and would decisively edge out only Mexico, Austria, Chile and Turkey (Parkin, 2015b).

[2] Canada Education Savings Act (S.C. 2004, c. 26).

the focus of this report. Post-secondary education savings accounts and grants have become increasingly important since their inception, not only as a source of accumulated savings but as a source of annual funding for post-secondary students. At the same time, the evidence regarding their effectiveness has begun to crystalize. Some of this evidence remains indirect, relying on well-reasoned extensions of findings related to when and how students make decisions about their future, and to the links between education savings and education outcomes such as enrolment and graduation. Over time, however, the direct evidence is also strengthening, including evidence from research experiments in Canada and other countries designed specifically to test the causal relationship between education savings and education success. Taken together, both the indirect and direct evidence point to the importance of ensuring that as many families as possible take advantage of the education savings incentives available to them, and, more particularly, that the lower-income families that have the most to benefit are not left behind.

What types of programs exist?

There are currently four components of the Government of Canada's post-secondary education savings incentive program (see ESDC, 2015a, 7 ff.; ESDC, 2015b, 3 ff.).[3]

1. The core of the program is the Registered Education Savings Plan (RESP). RESPs allow families to set aside savings in a registered account in which the income that is earned is exempted from tax. Both the savings and the accumulated earned income can be withdrawn by the child once they are enroled in post-secondary education. The accumulated earned income is then treated as part of the child's taxable income, but as the child is enroled in studies, it is assumed that they will in fact have little or no tax to pay.

2. In order to encourage more families to save for their children's post-secondary education by opening and contributing to an RESP, in 1998 the federal government introduced the Canada Education Savings Grant (CESG). The CESG is a matching contribution to an RESP paid by the government and equal to 20 per cent of the first $2,500 contributed annually (thus the maximum annual amount of the grant is $500). Only contributions made to beneficiaries age 17 and under are eligible for a matching CESG. Families who don't receive the maximum amount of the grant in one year can carry forward unused grant room. The CESG is available to any RESP holder regardless of family income.

3. In 2004, in order to encourage more low- and middle-income families in particular to accumulate savings for post-secondary education, the federal government introduced two additional incentives. The first was the Additional Canada Education Savings Grant (A-CESG) which provides an additional contribution of 20 per cent of the first $500 contributed annually to an RESP by low-income families, or an additional contribution of 10 per cent of the first $500 contributed annually to an RESP by middle-income families. As with the basic CESG, only contributions made to beneficiaries age 17 and under are eligible to trigger the A-CESG; in the case of the A-CESG, unused grant room cannot be carried over to future years.

[3] Note that some provinces also provide their own post-secondary education savings incentive programs.

4 The second incentive introduced in 2004 was the Canada Learning Bond (CLB), which is available to lower-income families. While the CLB is also paid into an RESP, its distinctive feature is that it does not require the family to make its own RESP contribution. The government makes a payment of $500 in the child's first year of eligibility and then pays $100 for every subsequent year during which the child is eligible, up until the child reaches the age of 15 (providing a maximum amount of $2,000). The CLB is not, therefore, a matching grant but rather a seed grant that ensures that there is some savings for post-secondary education available to children from lower-income families regardless of how much their parents are able to set aside themselves. To be eligible, children must be born on or after January 1, 2004 and their parents must have incomes within the threshold that made them eligible for the National Child Benefit Supplement. The Learning Bond can be paid retroactively, meaning that families who miss receiving the CLB in any given year can subsequently recoup it provided they open an RESP before the child turns 21 and make the necessary application.

In 2013-14, the total cost of these education savings incentive programs was $1.1 billion. This includes just over $900 million in savings grants (CESGs, A-CESGs and CLBs), as well as smaller amounts consisting of foregone tax revenues from RESP investment earnings and program administration (Office of the Parliamentary Budget Officer, 2016, 18).[4]

Defining low- and middle-income families:

For the purpose of eligibility for the Canada Learning Bond (CLB) and Additional Canada Education Savings Grant (A-CESG), the Government of Canada establishes the following adjusted family net income thresholds (effective in 2016):[5]

- Low-income (eligible for the CLB the 20 per cent matching A-CESG): $45,282 or less
- Middle-income (eligible for the 10 per cent matching A-CESG): $45,282 but not more than $90,563

Researchers who discuss the situations of low- and middle-income families often establish their own income thresholds; where possible, these thresholds are noted in this report.

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[4] The Parliamentary Budget Officer also reports the following: "Assuming program parameters do not change and contribution trends continue along the same trajectory, PBO forecasts the cost of the Canada Education Savings Program including tax expenditures will reach $1.4 billion annually by 2020-21, with growth in program expenditures exceeding the rate of inflation. PBO estimates that by 2020-21, Canada Education Savings Program savings grants and tax expenditures will comprise 81 per cent (about $1.2 billion) of total program expenditures; the remaining 19 per cent or $265 million will be targeted towards means-tested Additional Canada Education Savings Grant and Canada Learning Bond." (Office of the Parliamentary Budget Officer, 2016, 31).

[5] See: http://www.esdc.gc.ca/en/reports/resp_promoters/bulletin/2015_651.page.

HOW WIDELY USED ARE RESPs?

RESPs have become increasingly popular since the introduction of the Canadian Education Savings Grants a little under two decades ago.

- In 1999, Statistics Canada reported that fewer than one in five Canadian families with children under the age of 18 whose parents expected them to go to PSE were saving for their child's post-secondary studies through an RESP. A decade later, just under one in two were; by 2013, the figure had risen to 53 per cent (Knighton et al., 2009,36; Statistics Canada CANSIM database No. 477-0074).[6]

- Figures from the federal government's Canada Education Savings Program (CESP) confirm that the take-up rate for RESPs among families with children under 18 years of age currently remains around 50 per cent; specifically, the take-up rate has risen from about 10 per cent of eligible children in 1998 to 47 per cent in 2013 (the department notes that "of the roughly 6.9 million children under the age of 18 in Canada in 2013, 3.26 million had an RESP and had received the Basic CESG at least once") (ESDC, 2015b, 12). By 2015, the take-up rate had risen slightly to 50.1 per cent (ESDC, 2016, 22).[7]

- This trend is confirmed by the latest results of the Canadian Financial Capability Survey, which show that, in 2014, 52.5 per cent of those financially responsible for one or more children under the age of 18 had an RESP, up from 46.5 per cent in 2008.[8]

RESPs are also clearly the most popular means of saving for a child's post-secondary education. In 2014, 72 per cent of those who were saving to support the cost of their child's post-secondary education were doing so by contributing to an RESP. This compares with 26 per cent who have a dedicated (but not registered) savings plan, and only 2 per cent who had purchased other savings instruments such as savings bonds or GICs.[9]

On average, children with an RESP in their name are about three and a half years old when the RESP is first opened (ESDC, 2016, 10). The average annual RESP contribution is just over $1,500 (ESDC, 2016, 19). By the time they reach the age of 17, the average beneficiary has accumulated about $17,000 in their RESP (an amount that includes the contributions, matching government grants and investment income) – currently enough to cover between

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[6] Statistics Canada reports the proportion of families who are saving for their child's post-secondary education, and the proportion of these savers that has an RESP; the author calculated the proportion of all families who have an RESP by multiplying the two percentages together. Note, however, that Statistics Canada excludes from consideration those parents who do not expect their children to continue their studies past high school, without reporting what proportion of parents fall into this category. For this reason, the figures quoted here likely overestimate the proportion of all families who have an RESP.

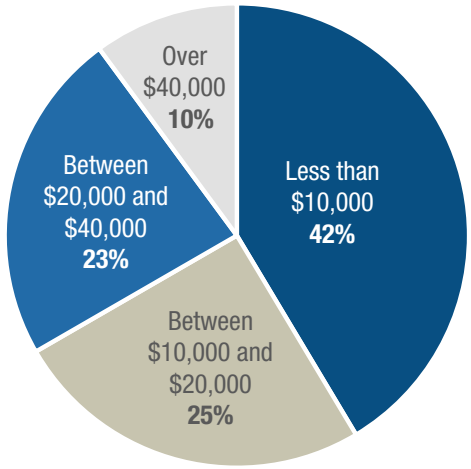
[7] The federal government reports the proportion of children under the age of 18 who have ever received the basic CESG; the basic CESG payment is triggered when a contribution is made to an RESP.

[8] This data is based on the Statistics Canada Canadian Financial Capability Survey, 2008 and 2014. All computations, use and interpretation of these data are entirely that of the author.

[9] This data is based on the Statistics Canada Canadian Financial Capability Survey, 2008 and 2014. All computations, use and interpretation of these data are entirely that of the author.

two and four years of average undergraduate tuition at a Canadian university, depending on the province of study (ESDC, 2015b, 24) (see Chart 1).

Chart 1: Average total amount accumulated in RESP accounts of beneficiaries at age 17 (2013)

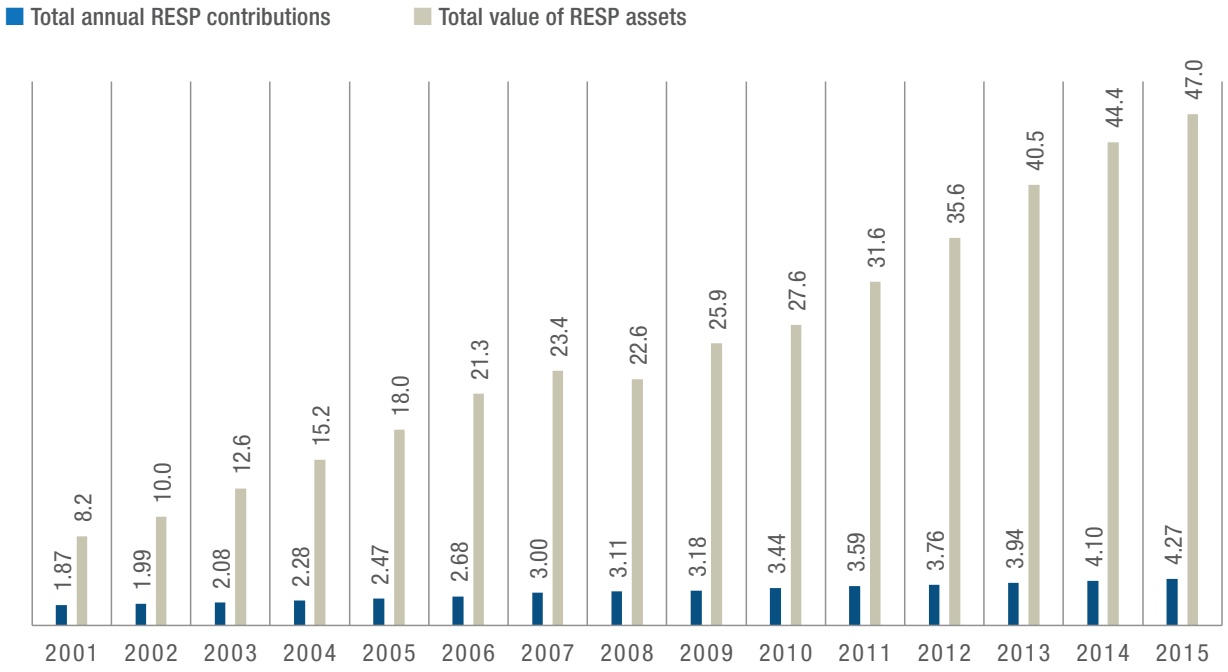


Source: ESDC, 2015b, 24.

As more families open RESPs, the total amount of savings contributed annually and the total accumulated savings have both grown dramatically (see Chart 2). In 2015, Canadians contributed over $4 billion to their RESPs, and the total value of all RESPs reached $47 billion. The total amount accumulated in RESPs has more than doubled since 2008 and quadrupled since 2002 (ESDC, 2016, 14, 18).

Perhaps most importantly, withdrawals from RESPs have become an increasingly important source of funding for post-secondary students. In 2015, withdrawals surpassed $3.2 billion – 395,027 post-secondary students made use of funds that had been set aside for them in their RESPs, with an average amount of $8,283 per student (enough at least to cover average undergraduate university tuition in all provinces) (ESDC, 2016, 37) (see Chart 3). As the federal government notes, "withdrawals of funds from RESPs were comparable to that of the Canada Student Loan disbursements in 2014, indicating that RESP savings are increasingly important in improving students' access to PSE and reducing student debt" (ESDC, 2015a, 14).

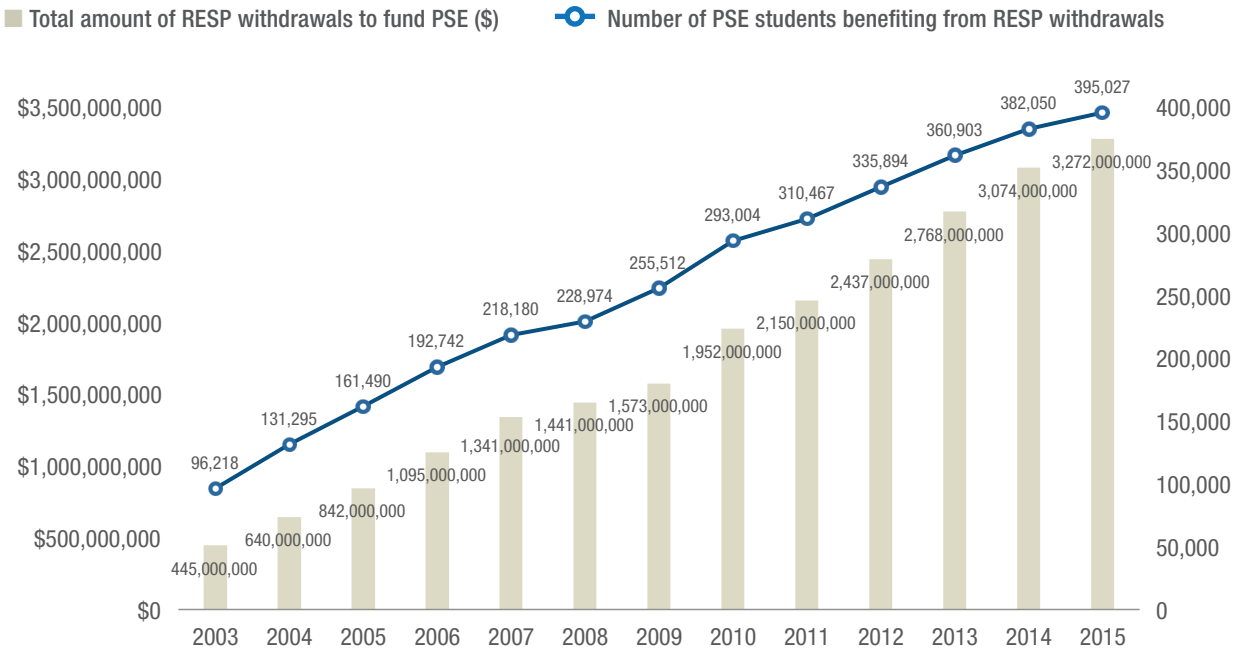
Chart 2: Total annual RESP contributions and total value of RESP assets ($ billion)



Source: ESDC, 2016, 14, 18.

The growing importance of RESPs as a source of funding for students is illustrated by noting that the proportion of students making use of RESP withdrawals to fund their current year of study has grown from only a handful to close to one in five. The Government of Canada reports that "in percentage terms, about 17 per cent of PSE students made an RESP withdrawal in 2013, up from less than 0.3 per cent in 1998" (ESDC, 2015b, 24). A similar trend is evident in the data collected by the Canadian Undergraduate Survey Consortium (CUSC). As shown in Chart 4, the proportion of university undergraduate students using RESPs to fund their studies in a given year rose from only one or two per cent in the early 2000s to 18 per cent in 2014. In the case of students under the age of 20, the current figure is higher, at 25 per cent (Prairie Research Associates, 2014, 17).[10]

Chart 3: Total annual RESP withdrawals



Source: ESDC, 2016, 37-38; HRSDC, 2008, 17.

Another trend that has been observed is that a growing number of student loan recipients are also accessing funds from RESPs, indicating the growth in RESP take-up both in general and students with financial need. A report commissioned by the Canada Education Savings Program shows a growing interaction between the Canada Student Loans Program and the CESP, as demonstrated by the following:

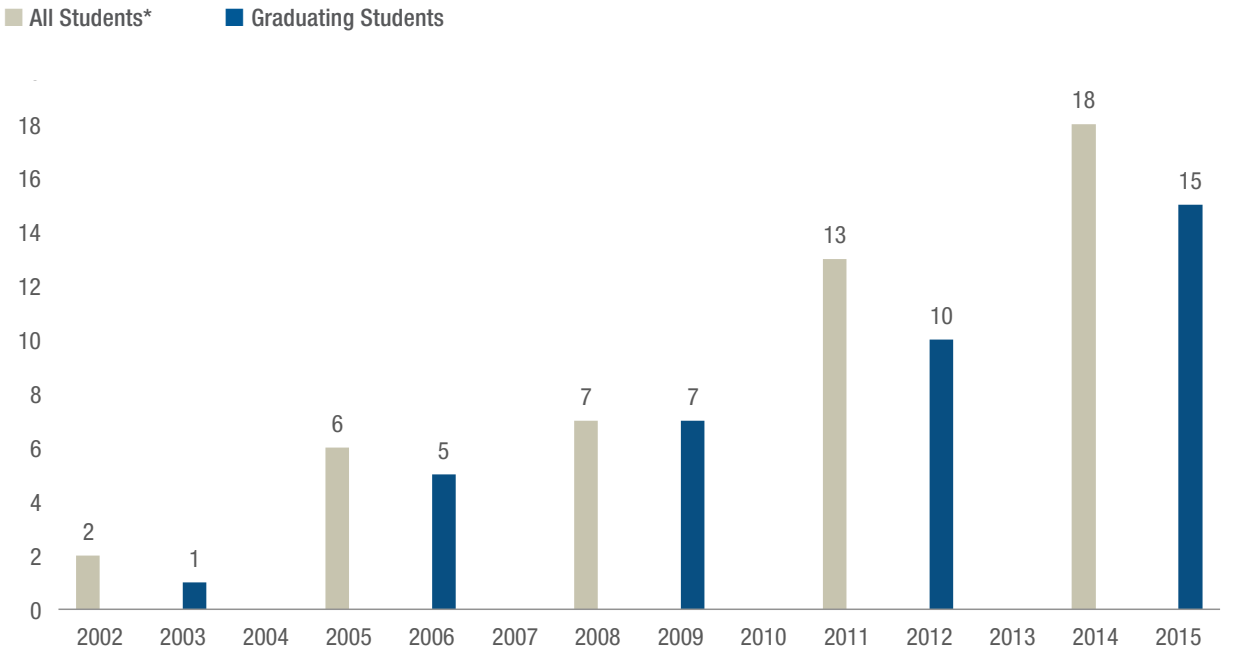
- the proportion of student loan recipients between the ages of 18 and 24 who also had an RESP grew from just over five per cent in 2002 to 25 per cent in 2007, while the proportion making a withdrawal from their RESP to fund their studies grew from three per cent to 10 per cent over the same period;

[10] Annual CUSC survey reports are available at http://www.cusc-ccreu.ca/new/publications.html.

- the proportion of low-income student loan recipients[11] in this age group with an RESP grew from five per cent in 2002 to 19 per cent in 2007, while the proportion making a withdrawal from their RESP to fund their studies grew from two per cent to seven per cent over the same period (Canada Education Savings Program, 2011, 23-26).

The report concludes by noting that, as this trend continues, "more and more students will be entering PSE with resources to finance their education that were not available to earlier generations. This is likely to change the landscape of financing for post-secondary education in Canada" (Canada Education Savings Program, 2011, 34).

Chart 4: Proportion of students using RESPs to fund their current year of university studies



Source: Canadian University Survey Consortium

* 2014 = middle year students only

Over less than two decades, therefore, there has been a profound shift: where RESPs were once a peripheral source of funding accessed by only a very small proportion of students, they have now become an integral component of the system of student finance.

[11] In this case, low-income refers to those in the lowest family income quintile.

WHICH FAMILIES ARE MISSING OUT?

A. Use of RESPs

The growth in use of RESPs as both a savings instrument and a source of funding for post-secondary students speaks to the success of the program. At the same time, the program retains a fundamental, inescapable and well-known weakness, namely that its impact is regressive.[12] While its purpose is to promote savings in order to make PSE more affordable, its benefits accrue disproportionately to wealthier families – namely, those for whom affordability is less likely to be a problem. Those for whom affordability is a pressing issue are also those least likely to have an RESP and to receive a savings grant.

Consider first the issue of who has an RESP. In 2014, accordingly to Statistics Canada, 68 per cent of parents with children under the age of 18 and with annual incomes over $120,000 had an RESP; this compares with only 37 per cent of those with incomes of less than $32,000 and 46 per cent of those with incomes between $32,000 and $55,000[13] (see Charts 5a and 5b; see also ESDC, 2015b, 17-18). This means that far fewer than half of families with incomes in the lower range that entitle them to receive the A-CESG and CLB savings incentive grants can receive them in practice; the remainder cannot because they do not have the prerequisite RESP. Additionally, the fact that higher-income families are more likely than lower-income families to have RESPs also means that they are more likely to receive a Canada Education Savings Grant, since these are available to any RESP holder regardless of family income.

Parental income is not the only factor that relates to the likelihood of having an RESP. Parents with higher levels of education, as well as those whose children are performing better in school, are also much more likely to have an RESP[14] (see Chart 6). An earlier study also showed that two-parent families are more likely to have an RESP than single-parent families (Milligan, 2004, 11).

The Additional Canada Education Savings Grant (the A-CESG) and the Canada Learning Bond (CLB) were both introduced in 2004 in order to try to address the gap between the take-up of RESPs of higher- and lower-income families and the resulting inequitable distribution of the benefits available through the government's education savings incentive program. Since 2004, the proportion of lower-income families who have opened an RESP and who are therefore able to receive these two benefits has indeed been steadily increasing; the trend, however, dates back earlier than 2004 and so cannot necessarily be attributed to the new incentives.

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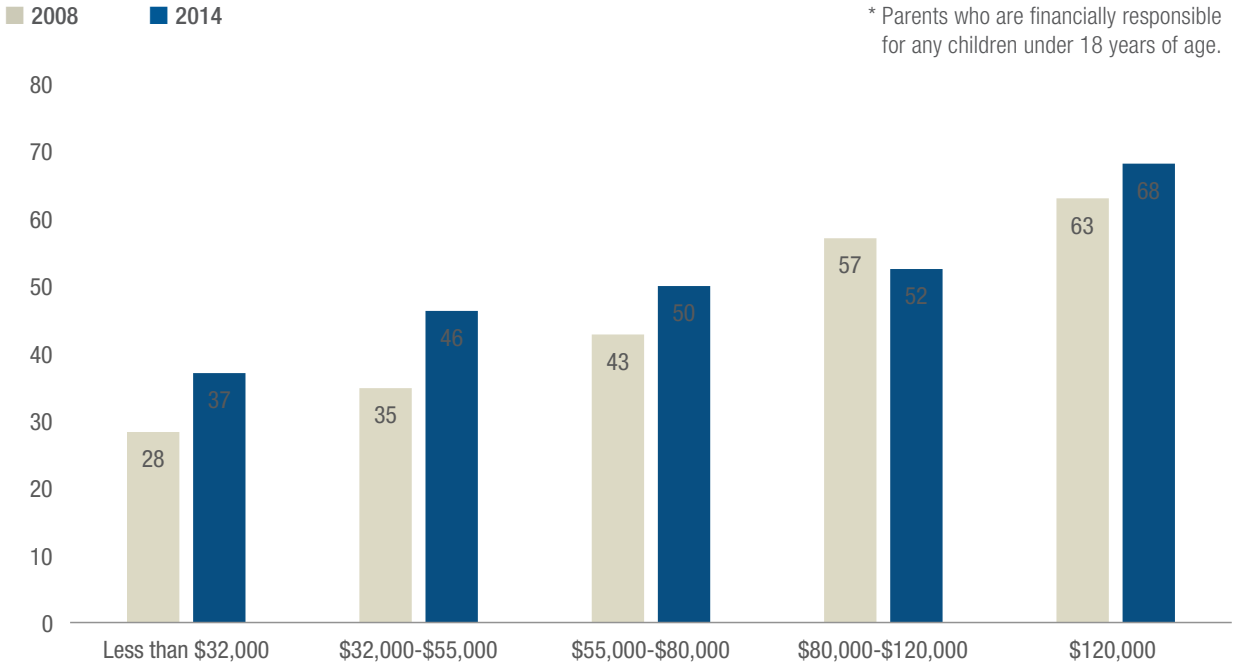
[12] Writing about the U.S. equivalent to the RESP, Susan Dynarski (2004) explains that the savings instrument is actually regressive in three distinct ways: first, the tax shelter is more likely to benefit higher-income families; second, the children of lower-income families are less likely to enrol in post-secondary education, making their parents more likely to incur financial penalties when the savings fund is not used for its intended purpose; and third, children of low-income families face the possibility of having their student financial aid being reduced in amounts equivalent to the amount of funds withdrawn from the education savings account. While the regulations of the U.S. and Canadian programs differ slightly, each of these three factors nonetheless applies in Canada.

[13] Data based on the Statistics Canada Canadian Financial Capability Survey, 2008 and 2014. All computations, use and interpretation of these data are entirely that of the author.

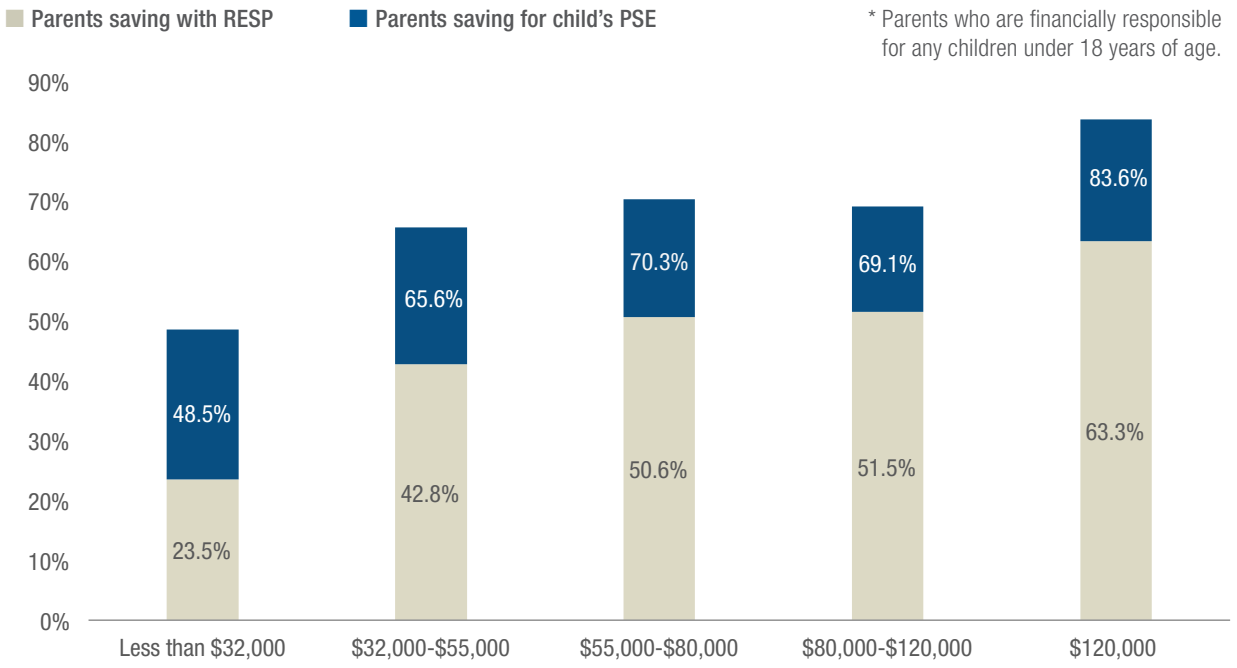
[14] *Statistics Canada, Survey of Approaches to Educational Planning, 2013 (CANSIM database No. 477-0075).*

Chart 5a: Proportion of parents* with RESPs (%), by parental income (2008 and 2014)



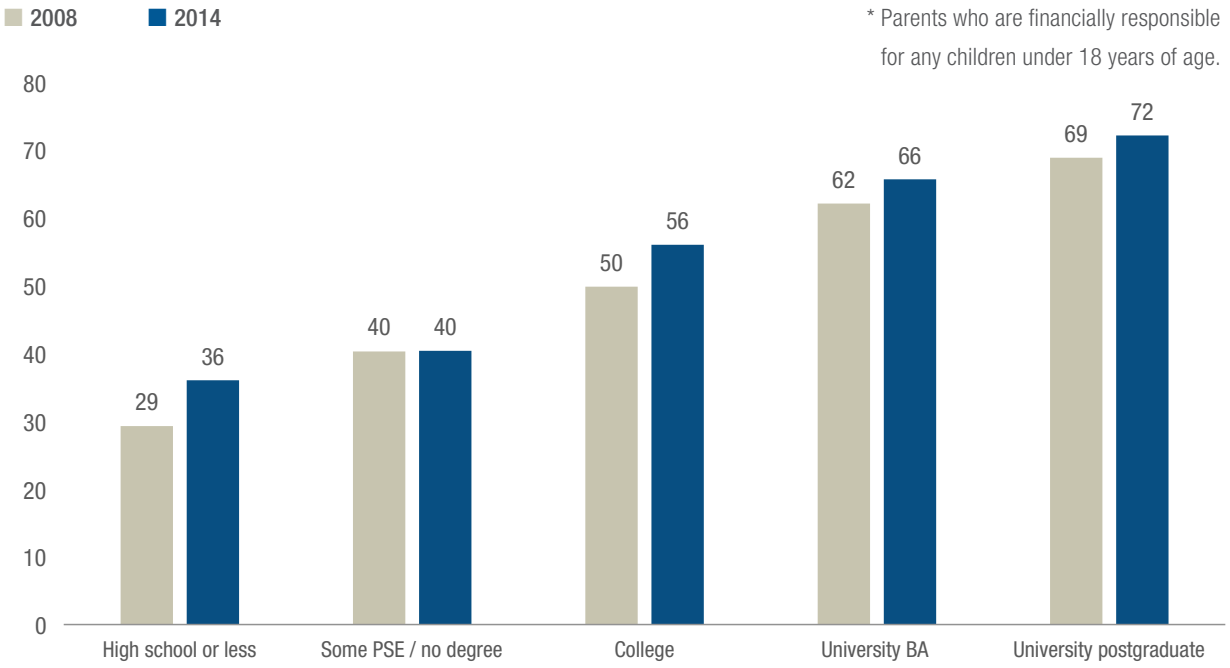
Data based on the Statistics Canada Canadian Financial Capability Survey, 2008 and 2014. All computations, use and interpretation of these data are entirely that of the author.

Chart 5a: Proportion of parents* saving for child's PSE and proportion of savers with RESPs (%), by parental income (2014)



Data based on the Statistics Canada Canadian Financial Capability Survey, 2008 and 2014. All computations, use and interpretation of these data are entirely that of the author.

Chart 6: Proportion of parents* saving for child's PSE and proportion with RESPs (%), by parental education (2008 and 2014)



Data based on the Statistics Canada Canadian Financial Capability Survey, 2008 and 2014. All computations, use and interpretation of these data are entirely that of the author.

In fact, the RESP take-up rate has been increasing steadily for families in all income brackets since the late 1990s, although the rate of increase has been greater for those with lower incomes.

Specifically, between 1999 and 2012, the RESP take-up rate increased:

- from 7.8 per cent to 30 per cent among families with an income below the A-CESG low-income threshold;
- from 15.6 per cent to 47.3 per cent among families with an income between the A-CESG middle- and low-income thresholds; and
- from 26.5 per cent to 63.8 per cent among families above the A-CESG middle-income threshold (ESDC, 2015b, 18-19).

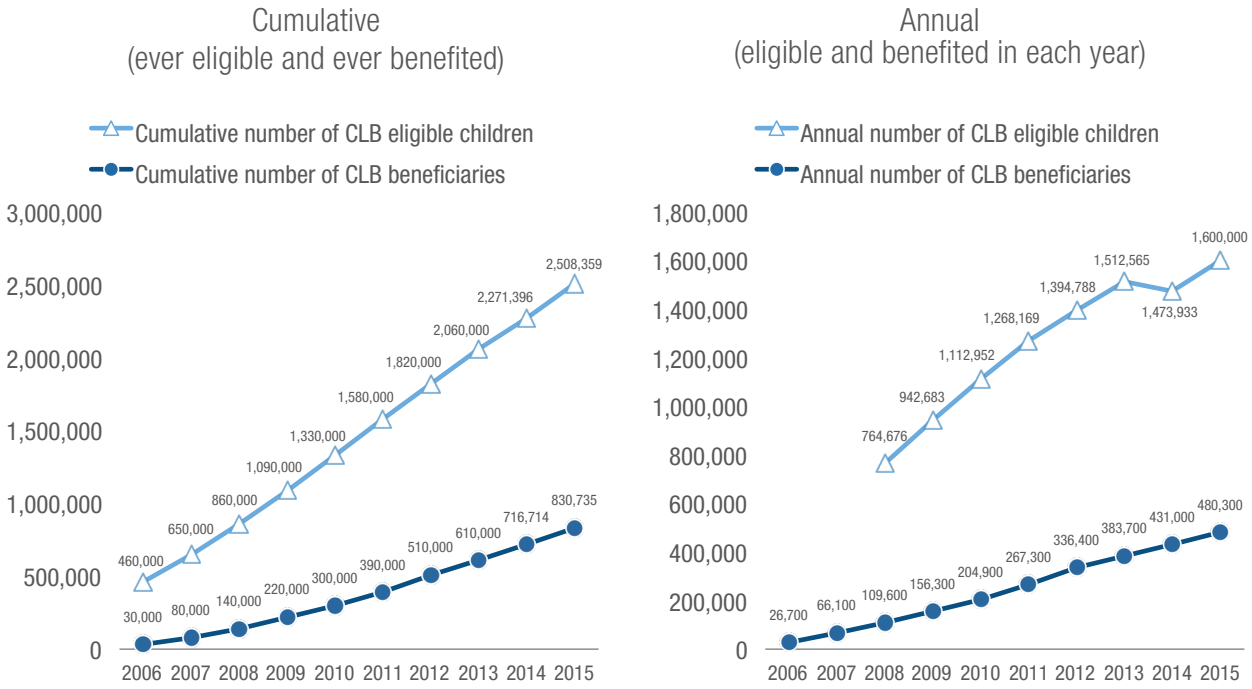
More recent data confirms the same trend. Between 2008 and 2014, the proportion of families in the lowest income group that had an RESP increased by a rate of 31 per cent; for those in the highest income group, it increased by a rate of eight per cent. The gap in the RESP take-up rate between the highest and lowest income groups thus fell slightly from 34.6 percentage points to 31.1 percentage points.[15]

[15] Data based on the Statistics Canada Canadian Financial Capability Survey, 2008 and 2014. All computations, use and interpretation of these data are entirely that of the author.

B. The Canada Learning Bond

The take-up rate for the Canada Learning Bond (CLB) has also been rising steadily since its inception in 2005. Children eligible for the CLB are those who are from low-income families and who were born on or after January 1, 2004. Presently, the eligible children are 12 years old and younger. By 2015, 33 per cent of the children of eligible age whose family's income fell below the threshold (approximately $45,000) in at least one year since they were born – and who thus had been eligible for the CLB at least once – had in fact received it at least once. This is double the proportion in 2008 (ESDC, 2016, 36). This means that, while the number of children eligible for the CLB is growing automatically every year, the number receiving it at least once is growing at a faster rate (see Chart 7).

Chart 7: Cumulative and annual number of children eligible for and receiving the CLB



Source: ESDC, 2015a, 38; 33-34; ESD, 2016, 32; 36.

The proportion of children who have ever been eligible for the CLB (that is, who could receive it at least once) is greater than the proportion who receive it in any given year, because many families move in and out of low income over the course of a child's life. Of the children who were eligible in 2015, 30 per cent received the Canada Learning Bond in that year (ESDC, 2016 and author's calculations).

There are two major obstacles to receipt of the CLB. The first is the need for eligible children to have an RESP opened in their name; as we have seen, the majority of low-income families do not have one. Secondly, even those with an RESP need to take a further step and apply specifically for the CLB through the financial institution that holds the RESP. In fact, 23 per cent of RESP holders who were eligible for the CLB in 2012 did not receive it because the appropriate application had not been made (ESDC, 2015b, 14).

The end result is that, of the 2,508,359 children who have been eligible for the CLB over the lifetime of the program, only 830,735 have benefited, meaning over 1.6 million children have missed out. In 2015, 1,600,000 children were eligible, but only 480,300 received it, meaning over a million children missed out in that year alone (see Table 1). While the CLB has had the potential to benefit over half of all children born since January 1, 2004, only 18 per cent have in fact benefited so far.

Because of the lower take-up rates for both RESPs and their associated benefits for families with lower incomes, higher-income families receive a disproportionate share of the government's savings incentive grants. In 2012, families[16] earning less than $45,000 annually represented 37 per cent of all families, but received only 24 per cent of the total amount of CESG grants paid in that year (which included the CESG, the A-CESG and the CLB). By contrast, families earning more than $90,000 represented 33 per cent of all families but received just under 50 per cent of the government grants (see Chart 8). The federal government currently spends more than four times more on the CESG grants available to all RESP holders than it does on the A-CESG and CLB grants available to lower- and middle-income families with RESPs (see Chart 9).

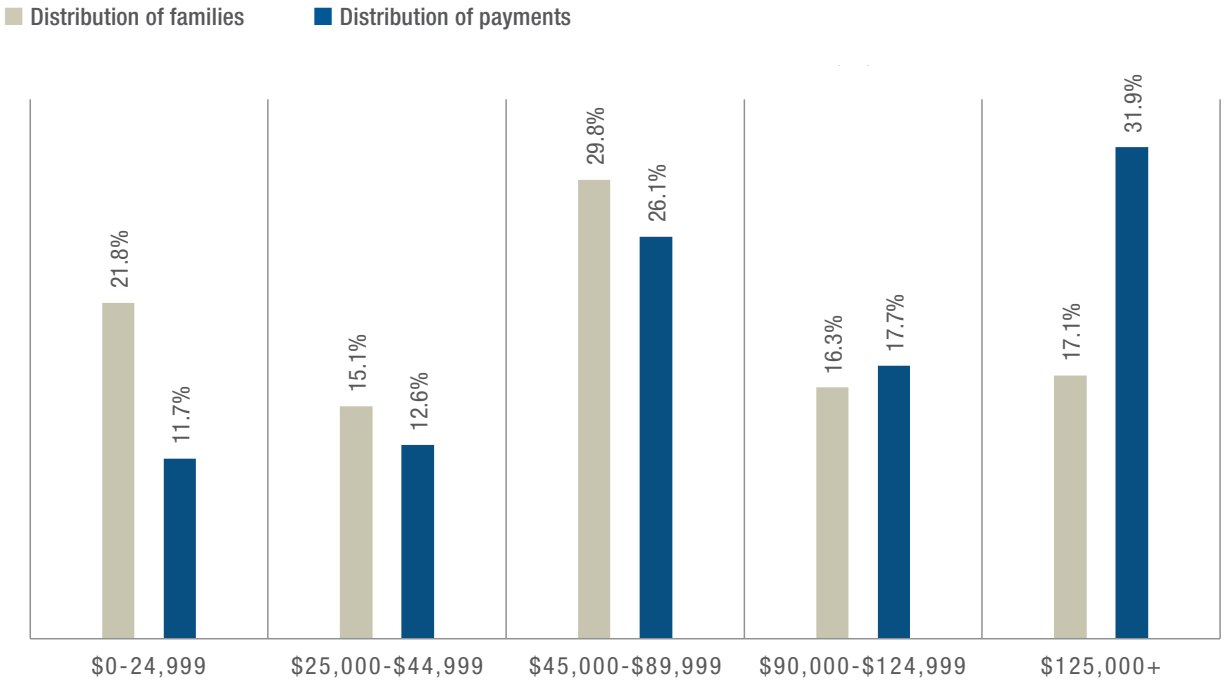
Table 1. CLB Eligibility and Participation

COLUMN	ITEM	IN YEAR 2015	CUMULATIVE SINCE 2005	SOURCE
A	Population born 2004 or later	4,636,838	4,636,838	Statistics Canada CANSIM database No. 051-0001
B	Number of eligible children	1,600,000	2,508,359	ESDC, 2016 and communication with ESDC
B ÷ A	Per cent of age group who are eligible	35%	54%	Calculation
C	Number of CLB recipients	480,300	830,735	ESDC, 2016
C ÷ B	Per cent of eligible children who received CLB (participation rate)	30.0%	33.1%	Calculation (2015); ESDC, 2016 (Cumulative)
D	Number of CLB recipients who received a contribution to their RESPs	375,595	811,551	Calculation (2015); ESDC, 2016 (Cumulative)
D ÷ C	Per cent of CLB recipients who received a contribution to their RESPs	78.2%	97.7%	ESDC, 2016
E	Average contribution per beneficiary	$1,068	$1,000[17]	ESDC, 2016 and previous years (and author's calculation)
B - C	Number of children missing out on CLB	1,119,700	1,677,624	Calculation

[16] All figures in this paragraph refer to families with children under 18 years of age.

[17] This is an unweighted average of the figures for each year.

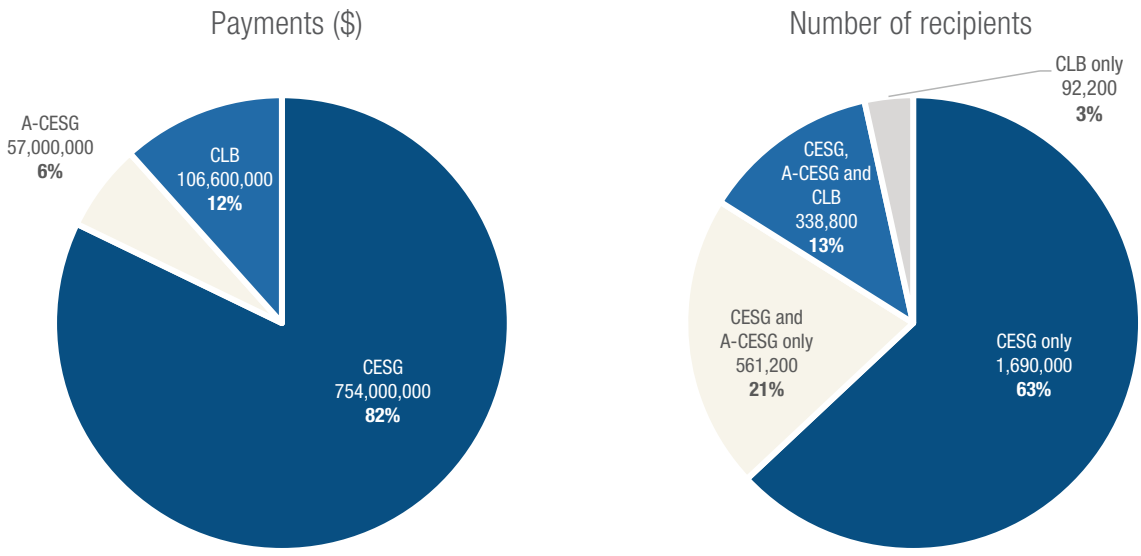
Chart 8: Distribution of all families with children less than 18 years of age* and of CESP grant payments** by family income, 2012



* Includes only families living with children, representing 85 per cent of CESP expenditures.
** Includes CESG, A-CESG and CLB payments.

Source: ESDC, 2015b, 32.

Chart 9: CESG, A-CESG and CLB payments, 2015



Source: ESDC, 2016 and author's calculations.

WHY ARE SAVINGS FOR POST-SECONDARY EDUCATION IMPORTANT?

Students typically make use of a variety of sources of funding to pay for the cost of their post-secondary education, including scholarships, summer or part-time jobs, and student loans. Yet the most important source of funding, particularly for recent high-school graduates, is family savings. This has been confirmed by a number of different sources.

- Statistics Canada reported in 2008 that 35 per cent of Canadian adults[18] participating in education programs paid for their education costs with funds from their parents, spouse or partner, compared with 27 per cent who used funds from grants, bursaries or scholarships, 17 per cent who used private student loans and 16 per cent who used government student loans. For students between the ages of 18 and 24, the importance of family savings is much more apparent: 54 per cent used funds from a parent, spouse or partner, compared with 23 per cent who used funds from grants, bursaries or scholarships, 16 per cent who used private student loans and 22 per cent who used government student loans (Knighton et al., 2009, 64-65).

- Results from the annual surveys of university students conducted by the Canadian Undergraduate Survey Consortium similarly show that students are more likely to access funds provided by their parents, family or spouse rather than funds from any other source. For instance, in the 2014 survey of students in the middle years of their programs, 64 per cent of students reported using funds from parents, family or spouse – significantly more than the proportion who used funds from summer or current employment, or from government or private student loans. The average amount of funding received that year by those supported by their parents, family or spouse was also significant, at $7,895 (Prairie Research Associates, 2014, 17-18).

There is one source of data on how Canadian students fund their post-secondary education that paints a different picture, namely the Longitudinal Survey of Low-Income Students (L-SLIS). This is a unique data set in that it is based on a sample of students from low-income families who received government financial assistance in their first year of studies.[19] This group of students is neither representative of all students nor directly comparable to the general samples described above. Since the focus of the L-SLIS is only on low-income students who are receiving financial assistance, it is not surprising to find that this form of assistance is their most importance source of funds. In their first year of studies, for example, government student loans and grants provides over 60 per cent of the students' total funding, compared with less than 10 per cent for contributions from parents or family. The importance of this data, however, is precisely that it shows low-income students' increased dependence on student loans in the absence of family savings.

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[18] Specifically, those students between the ages of 18 and 64. The definition of low-income in this instance is roughly the same as that used for eligibility for the CLB.

[19] The students in the sample also were single dependant students who enroled for the first time in post-secondary studies in 2006. Low-income is defined as families who qualify for the National Child Benefit. Only students in British Columbia, Manitoba, Ontario, New Brunswick, Nova Scotia, and Newfoundland and Labrador are included.

Consider the comparison below between the CUSC survey of all university undergraduates in 2008 and the survey of low-income students in 2008 (during their second year of studies) (see Table 2). The comparison between the two surveys is of course an imperfect one – for instance, the funding categories that each survey uses do not match exactly. Nonetheless, the results are instructive. Since the original L-SLIS sample excluded students who did not take student loans in their first year, it is no surprise to find that nearly all of the low-income students continue to receive government student loans in their second year of study, whereas the take-up of student loans in the wider CUSC sample is only 31 per cent. Perhaps more striking is the comparison of amounts received from family and the proportion who obtain funds from employment. While just under half of both groups of students receive funds from their families, the amount received by the low-income students is much less: $2,450 compared with $6,771. Furthermore, the low-income students are much more likely to rely on income from summer employment and from employment in the school year: for instance, 43 per cent of the low-income students rely on funds from current employment, compared with 25 per cent of the more general sample of students.

Table 2. Sources of funding for all university undergraduate students compared with low-income university undergraduate students receiving student financial assistance

	University students (CUSC, 2008)		Second-year university students from low-income family who received government financial assistance in their first year of study (L-SLIS, 2008)	
	% of students using source	Average amount ($)	% of students using source	Average amount ($)
Family (parents / spouse)	44	6,771	47	2,450
Summer employment	42	3,987	65.4	2,320
University scholarship	33	2,971	41	2,630
Government loan / grant	31	7,813	92.3	7,410
Current employment	25	2,843	43	3,400
Private loans	10	7,693	4	4,920

Sources: Prairie Research Associates, 2008; Finnie, Childs and Wismer, 2010b.

We can conclude, then, that for students from low-income families who do access post-secondary studies, the absence of family savings is offset in two ways: through greater reliance on government student loans and grants, and through greater reliance from income from employment, including employment during the school year.

In this context, it is worth noting that research by the Government of Canada suggests that post-secondary students who are beneficiaries of an RESP are able to use their RESP funds to cover approximately 40 per cent of their education-related expenses (including tuition and living expenses) in the years in which they make a withdrawal (ESDC, 2015b, 26). Those who are not beneficiaries of an RESP obviously have to make up for these funds in other ways.

WHY IS IT IMPORTANT FOR FAMILIES TO START SAVING EARLY FOR POST-SECONDARY EDUCATION?

If family savings are important as a source of funding for post-secondary students, then the advantage of starting to save early – that is, when children are still very young – seems obvious. Small amounts saved each year trigger the matching grants (including CESGs, A-CESGs and CLBs) and generate greater returns through compounding interest. As Table 3 demonstrates, $240 invested each year over a child's first 18 years generates almost $2,000 more in total savings than the same total amount invested just during the child's high-school years.

Table 3. Results of Two Approaches to PSE Savings

Child's Age	Parents' Saving	CESG	A-CESG	CLB	Interest (@ 2%)	Balance	Parents' Saving	CESG	A-CESG	CLB	Interest (@ 2%)	Balance
0	240.00	48.00	48.00	500.00		836.00						
1	240.00	48.00	48.00	100.00	16.72	1,288.72						
2	240.00	48.00	48.00	100.00	25.77	1,750.49						
3	240.00	48.00	48.00	100.00	35.01	2,221.50						
4	240.00	48.00	48.00	100.00	44.43	2,701.93						
5	240.00	48.00	48.00	100.00	54.04	3,191.97						
6	240.00	48.00	48.00	100.00	63.84	3,691.81						
7	240.00	48.00	48.00	100.00	73.84	4,201.65						
8	240.00	48.00	48.00	100.00	84.03	4,721.68						
9	240.00	48.00	48.00	100.00	94.43	5,252.12						
10	240.00	48.00	48.00	100.00	105.04	5,793.16						
11	240.00	48.00	48.00	100.00	115.86	6,345.02						
12	240.00	48.00	48.00	100.00	126.90	6,907.92						
13	240.00	48.00	48.00	100.00	138.16	7,482.08						
14	240.00	48.00	48.00	100.00	149.64	8,067.72	1,080.00	216.00	100.00	1,900.00		3,296.00
15	240.00	48.00	48.00	100.00	161.35	8,665.08	1,080.00	216.00	100.00	100.00	65.92	4,857.92
16	240.00	48.00	48.00		173.30	9,174.38	1,080.00	216.00	100.00		97.16	6,351.08
17	240.00	48.00	48.00		183.49	9,693.86	1,080.00	216.00	100.00		127.02	7,874.10
Total	**4,320.00**	**864.00**	**864.00**	**2,000.00**	**1,645.86**	**9,693.86**	**4,320.00**	**864.00**	**400.00**	**2,000.00**	**290.10**	**7,874.10**

The advantages of early investment, however, go well beyond those related to mathematics and compound interest. To appreciate these, it is important to recall what is known about when and how students make decisions regarding their future.

First of all, most students make decisions about whether or not to pursue a post-secondary education – and particularly a university education – well before the end of high school; in many cases, these decisions are made in middle school or junior high school (Junor and Usher, 2002, 5; Prairie Research Associates, 2005, 46-47; Finnie, Childs and Wismer, 2010a). Based on the survey of students from low-income families mentioned above, the researchers note, "the fact that almost 50 per cent of students in this sample say they made their decision to attend PSE before they even reached high school may have important policy implications about when programs targeted on affecting PSE choices need to begin" (Finnie, Childs and Wismer, 2010a, 3).

Second, in making those early decisions, students are more likely to look to their parents for information and advice than they are to look to other sources, including teachers and guidance counsellors. For instance, a 2005 survey of middle- and high-school students in five provinces found that "most students report that their parents have a strong impact on their decision" about what they want to do after high school. By contrast, "school faculty – teachers and guidance counsellors – have the least impact" (Prairie Research Associates, 2005, 57). The same survey found that "family members are the most common source from which students learn about post-secondary financial assistance" while guidance counsellors were the least commonly used source (Prairie Research Associates, 2005, 68) (for similar results from a different study, see EKOS Research Associates, 2009).

Third, neither students nor their families are necessarily well-informed about issues related to the cost of post-secondary education and the different means of financing it. Studies have shown that both high-school students and their parents tend to overestimate both the costs of PSE and the likelihood of obtaining financial support from sources outside of the family (Canada Millennium Scholarship Foundation, 2006). Similarly, a review of research related to financial literacy and planning for education found that "parents are generally no more financially literate than their children when it comes to post-secondary decisions" and that "knowledge may be particularly poor in low-income households, especially if the parents have not attended post-secondary" (Frenette and Robson, 2011, 21). And while parents say they talk to their children about post-secondary education in general, another study found that only two-thirds (66 per cent) say they have specifically discussed the financial issues associated with post-secondary education with their child. What's more, among those who have discussed financial issues relating to PSE with their child, the majority (52 per cent) talked about how college and university are expensive; by contrast, "only 38 per cent discussed how they were preparing to help their child financially, and only 13 per cent raised the subject of government student financial aid programs" (Canada Millennium Scholarship Foundation, 2006, 6; see also COMPAS Inc., 2005, 18). Moreover, "the higher the parents' educational achievement and income, the more likely they are to have had discussions about financial planning. Accordingly, students who may need the most encouragement and planning in order to access post-secondary education are the least likely to be having these discussions within their families" (Canada Millennium Scholarship Foundation, 2006, 6; see also COMPAS Inc., 2005, 18).

This last point about the absence of good information is especially important in the context of early decision-making about post-secondary education, since research suggests that once certain attitudes take root, it can be very difficult to reverse them. This phenomenon is known as the anchoring bias, a bias which means that "individuals tend to overly rely on the initial

information that is available to them." As Frenette and Robson explain, "once the information is implanted in people (i.e., the 'anchor' is set), they will persistently use it to make decisions, whether the information is correct or not. New information may be used to 'adjust' their estimate, but the adjustments are usually too small, resulting in a biased final estimate. Researchers have come to these conclusions countless times in various experiments" (Frenette and Robson, 2011, 21). Because of this anchoring effect, "it is important to provide students with correct information early on. Otherwise, they may base their decisions on inaccurate or incomplete information obtained." In other words, "first impressions matter" (Frenette and Ford, 2012, 624).

Programs to encourage families to start saving early for their child's post-secondary education are important in this context because as well as helping lower-income families build up the financial resources that children will eventually rely on to pay for their studies, the very existence of an education savings fund is believed to help to reframe the conversation about educational opportunities within the household. Because parents are saving for their children's post-secondary education, they will begin to convey to their children both the expectation that they will make it to college or university and the sense that a post-secondary education is not financially out of reach; this in turn will affect how children approach school and their futures. In other words, "the hypothesis is that having even a relatively small amount of assets changes the expectations and behaviours of both children and their parents" (Cramer and Newville, 2009, 8). As one researcher explains, "starting early not only takes advantage of compounding interest, but also instils positive financial behaviours and practices in childhood that are beneficial in adulthood but typically harder to take up late in life" (Shanks, 2014, 13). And it is contended that "this attitudinal effect of having savings could be as important as or more important than the money itself in affecting the transition from high school to college" (Elliott and Beverly, 2011, 365). We will revisit these points below.

DO EDUCATION SAVINGS INCENTIVE PROGRAMS WORK? A REVIEW OF THE RECENT EVIDENCE

As we have seen, the Government of Canada has established two related education savings incentive programs, the A-CESG and the CLB, in order to encourage lower-income parents to save for their children's post-secondary education. The rationale for these programs is three-fold:

1. Low-income families will be encouraged to set aside a portion of their disposable income for education savings if they are provided with an incentive to do so in the form of a matching grant from the government.
2. Children from low-income families will be more likely to pursue a post-secondary education if they have family savings available to them to help defray the cost.
3. Early savings for post-secondary education not only help to make post-secondary education more affordable, but also more attainable. The existence of an envelope of savings set aside for post-secondary education will serve to reframe the expectations that both parents and children have about educational opportunity long before the child graduates from high school. This in turn will shift behaviours early enough in such a way as to make the child more motivated and informed about, and academically prepared for, post-secondary education.

The rest of this section will consider the status of the research relating to each of these three propositions. That is, what evidence is there to support each of these claims?

A. Do savings incentive programs encourage low-income families to save for their child's post-secondary education?

The first question to ask is whether savings incentive programs encourage families to save for their child's education, whether by increasing their savings or by directing their savings toward education. Our interest in particular is low-income families, for whom savings is a significant challenge.

Certainly, there is evidence that low-income families can save. In the case of Canadian low-income families who had opened an RESP and received the Canada Learning Bond in 2015, just under 80 per cent made their own contribution to their RESP that year, even though no contribution was required. In the case of families who have ever received the CLB, almost all (97.7 per cent) made a contribution to their RESP at least once as of 2015 (ESDC, 2016, 33) (see also Table 1, on page 18).

Evidence from survey data also suggests that in the case of middle- and lower-income families, savings incentive programs do have a positive impact overall on the amount saved. For instance, a Government of Canada survey "revealed that 67.6 per cent of families with

an annual income of less than $45,000 with an RESP for a child indicated that the CESP encouraged them to start saving earlier than they otherwise would have, while this proportion was 58 per cent for families with an annual income of $45,000 to $89,999" (ESDC, 2015b, 32). This is comparable to a finding from a similar savings incentive program in the U.K. (the Child Trust Fund, described below). A survey of parents in that country found that the fact that the fund existed at all was enough to encourage them to start using it. The researchers found that "most of these parents believed they would have set up some form of account regardless, but had nonetheless been encouraged to start saving for their child at a very young age as a direct result of the CTF" (Kempson, Finney and Davies, 2011, 33).

This evidence from surveys of parents has been corroborated by a number of research studies showing that matching grant programs can affect the total amount saved by low-income families. In Canada, Alix Duhaime-Ross recently made use of the government's database of RESP holders to examine the effect of the introduction of the A-CESG and CLB on the savings behaviour of low- and middle-income families. She found that, in the first instance, the existence of the targeted saving incentive grants helps to "kick-start" savings by reducing the average age of the child at which parents open an RESP – echoing the findings of the surveys of parents cited above (Duhaime-Ross, 2015, 83; 87-88). Secondly, the introduction of the targeted grants also increased the amounts contributed to RESPs and the total amounts saved, at least for low- and middle-income RESP holders (Duhaime-Ross, 2015, 83; 86). This leads Duhaime-Ross to conclude that "the CLB and A-CESG, the two programs targeted at low- or middle-income families, appear to be the most effective saving incentive programs if we measure their effectiveness by motivating parents to contribute larger amounts to their child's RESP account" (Duhaime-Ross, 2015, 83; 88). Finally, Duhaime-Ross shows that the majority of the increased savings in RESPs is in fact new savings, rather than savings redirected from other existing sources. There is "some crowding out of other types of education savings due to RESP savings, but nevertheless a significant positive effect of the CESG saving incentive on total education savings among savers" – with the positive net effect on savings being strongest among lower-income families (Duhaime-Ross, 2015, 130).

An additional set of evidence comes from a small number of research experiments designed explicitly to test the effectiveness of savings incentive programs. In the U.S., for instance, "several rigorous national demonstration programs have shown that the poor can save and build assets, especially if given access to meaningful incentives and support structures," and that "matching deposits encourages people who otherwise would not save to start saving and… to save more than they otherwise would" (Cramer and David Newville, 2009, 6-7).

One of the best-known examples in Canada is the *learn*$ave project that tested the impact of a program that provided matching grants to lower-income adults who contributed savings into an account that could later be drawn upon to support education and training or the creation of a small business. The project showed that, not only did most participants offered the matching grant incentive proceed to open savings accounts and make deposits, but they saved more than the control group that received no additional incentive to save (Leckie et al., 2010a, 68-69; 2010b, 2-3). The implication, according to the authors of the final report, is that "low-income Canadians, even those on income assistance, can save with the right incentives. This finding contrasts with concerns expressed by critics of asset-building approaches that low-income

populations do not have resources to allow any savings at all; if they do save, they would reduce their consumption of necessary goods and endure hardship as a consequence" (Leckie et al., 2010b, 3).[20]

The *learn*$ave study and other similar studies, however, concern savings for adults and, not savings by parents for their children's future education needs. To date, there have been few research experiments that focus on education savings for children, and the results of those that have been conducted have been suggestive though not conclusive.

- An evaluation the U.K.'s Child Trust Fund (CTF), a nationwide program that ran between 2005 and 2011, confirms that most parents, including two-thirds of lower-income parents, did make use of a government voucher worth between £250 and £500 by opening their own education savings account for their child.[21] In addition, 30 per cent of parents made their own contributions to their child's account in addition to the government contribution. When contributions from persons other than parents are taken into account (for example, from grandparents or family friends), 38 per cent of accounts received contributions in addition to the government vouchers, although for children from lower-income families, the proportion that received additional contributions was closer to 25 per cent (Kempson, Finney and Davies, 2011, 9, 19, 21-22). These figures led some advocates to declare the program a success. For instance, one financial institution reported in 2009 that the CTFs were "having a positive effect on the national saving habits," noting that "significantly more families are now saving regularly for their children's futures" as savings rates had risen "from a pre-CTF level of 18 per cent to in excess of 50 per cent – a trebling in the rate of saving... Lower-income families are amongst the most engaged, with 30 per cent topping up monthly, despite the current market conditions" (The Children's Mutual, 2009). The key question remains, however, whether it was the CTF that prompted this increase, that is, whether the program itself led more parents to save and to save greater amounts than would otherwise have been the case. To answer this question, an evaluation was conducted that compared the situation of a sample of families with children eligible for the program with a sample whose children were ineligible because they were born just prior to the program coming into effect (Kempson, Finney and Davies, 2011, 50 ff.). The study found that parents

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[20] This type of criticism was voiced in the parliamentary debate of the legislation that created the CLB by NDP MP Alexa McDonough, who said: "It is not a motivational problem for families living in grinding poverty in Canada not to save dollars. The problem is they do not have the money to do it. It simply does not meet the minister's own stated objective of levelling the playing field for all students who want to gain access to post-secondary education to say that this program will now make a significant difference. It will do no such thing… I do not know how anybody could refuse to acknowledge the fact that families in the lowest income categories, which is what the minister said the objective is, are not going to be able to find money for post-secondary education from their scarce incomes. They do not have sufficient money now to pay for their groceries and keep decent shelter over their head. It defies the reality of the grinding financial poverty in which a great many of those families are living" (Debates of the House of Commons, 38th Parliament, 1st Session, Edited Hansard Number 008, Thursday, October 14, 2004; http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=1405251&Language=E&Mode=1).

[21] The standard voucher was worth £250; low-income families (those with income below £16,190) received an additional £250. In cases where parents chose not to open their own account, and account was opened for them by the government.

with eligible children were more likely to be saving and had accumulated more in total savings; specifically, it showed that "following the introduction of the CTF, there were statistically significant increases in the likelihood that CTF-eligible children at age five and six had been saved for at all in the previous 12 months and that they had been saved for regularly by their parents. There was also an increase in the average amount that children had overall in savings at age five and six. Moreover, there were statistically significant increases in the total amounts saved for CTF-eligible children from a range of socio-demographic backgrounds and across the income distribution" (Kempson, Finney and Davies, 2011, 66.) Because of the sample sizes involved in the study, however, the difference between the change in behaviours of the pre- and post-eligibility families could not be deemed statistically significant, meaning that the boost in savings among post-eligibility families could not be definitively attributed to the introduction of the CTF (one exception was the subsample of families who did not own their own homes; in this case, the positive impact of the CTF was statistically significant).

- A more strictly experimental study of a similar program in Oklahoma has so far also produced mixed results. The Saving for Education, Entrepreneurship and Downpayment (SEED) project (known as SEED OK in Oklahoma) provided an initial $1,000 contribution to a newborn child's registered education savings account (which could be opened by the parents or by the government), an additional incentive payment of $100 to encourage parents to open their own account instead of relying on the government to open one for them, and further matching grants to encourage parents to make their own contributions to the account. The early results of the experiment show that 16 per cent of parents offered the incentives opened a registered education savings account for their newborn child, compared with less than one per cent of those in the control group who were not offered the incentives. Of the 16 per cent who opened their own account, half made their own contributions to it (Marks et al., 2014, 33). Nam et al. report that "this study also demonstrates that saving incentives and information increased participants' own savings for college. Treatment participants are significantly more likely to have participant-owned accounts and save significantly larger amounts in their accounts than control participants, suggesting positive impacts of SEED OK on participant savings" (Nam et al., 2011, 27). The impact of the program, however, was almost exclusively felt among higher-income and higher-education families[22] in the study: "Overall, treatment group families with higher socio-economic status were overwhelmingly more likely to actively participate in SEED OK through opening their own accounts… [and] were substantially more likely to make their own contributions and contribute more than other families" (Marks et al., 2014, 34, 36). Only eight per cent of low-income parents[23] opened their own education savings account, and of those only one-third made their own contributions. The authors of the evaluation speculate that, for the most financially disadvantaged, weak attachment to financial institutions and the administrative costs of establishing and maintaining a registered plan may help explain relatively low take-up of the incentive offered to those who opened their own registered education savings account (Marks et al., 2014, 68).

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[22] This means families with parents who have a university-level education or who earn more than $45,000 per year.

[23] Low-income in this case means incomes of less than $29,000 per year.

The children who participated in both the U.K. CTF and the SEED OK programs were still very young at the time the evaluations were conducted; parents had only had a few years during which to save. In the case of the SEED OK programs, the evaluators conclude their report by stating that "the most important part of the SEED OK story is yet to come" (Marks et al., 2014, 68).

It is unfortunate that there is currently no similar Canadian experimental study underway to test the impacts of programs such as the A-CESG and the CLB. In this context, it is hard to disagree with the conclusion of one review, namely that "more research is needed to determine whether savings match programs boost college savings for low- and moderate-income families. Although matched savings programs have considerable investments, there is little research available to determine whether these programs increase account opening and college savings for low- and moderate-income families" (Lassar, Clancy and McClure, 2011, 18). Duhaime-Ross similarly observed that "given the recent development of the incentives offered by the CESP in Canada, however, little empirical research has been conducted to study the specific effects of these incentives on children's levels of education savings" (Duhaime-Ross, 2015, 108). At the same time, there is reason to be optimistic, based on both the research and experience with existing programs: low-income families can and do save for post-secondary education, and there are indications that savings incentive programs can play a role in encouraging such savings (although in some cases, obstacles to wider participation remain to be overcome).

B. Are children from low-income families who save for their education more likely to access post-secondary education?

The second question to consider is whether having education savings matters – that is, whether children from low-income families who accumulate education savings have better education outcomes, particularly in terms of accessing and graduating from post-secondary education. As Torben Drewes has argued, "the issue in evaluating these programs is not whether they have induced greater savings but whether they will induce greater participation. Unless they do, the expenditures represent only transfers to post-secondary education participants that reduce the private burden of their expense without altering their behaviour" (Drewes, 2007, 1).

Studies in both Canada and the United States do clearly show a correlation between savings and education outcomes; that is, students who have had education savings set aside for them are more likely to access post-secondary education. Drewes finds that "for all income classes, participation in some form of post-secondary education is higher among those individuals who had educational savings put aside," emphasizing that in the case of university participation rates in particular "we can see dramatic differences between those with and those without educational savings. Those with savings are much more likely to be in universities and this difference is true across all income groups" (Drewes, 2007, 12).

Drewes also draws attention to other advantages correlated with education savings. For instance, compared to those without savings those with savings "tend to move more quickly from high school to higher education and are much less likely to drop out once they get there" (Drewes, 2007, 22).

Drewes' findings are echoed in research from the United States. For instance, Elliot and Beverly find that "parents' school savings and youth's school savings have a positive, strong and significant association with college progress soon after high school" (Elliot and Beverly, 2011, 361).

A correlation between savings in the form of RESPs and post-secondary access is also found in the analysis of the interaction between the Canada Student Loans Program and the Canada Education Savings Program conducted for the CESP. This study finds that low-income borrowers with RESP savings are more likely to access university programs, which are generally more expensive than college ones. Specifically, it finds that "borrowers from the lowest-income group who had an RESP withdrawal were more likely than those without an RESP withdrawal to choose university over college, even more likely than borrowers from higher-income groups who did not have an RESP withdrawal" (CESP, 2011, 7).

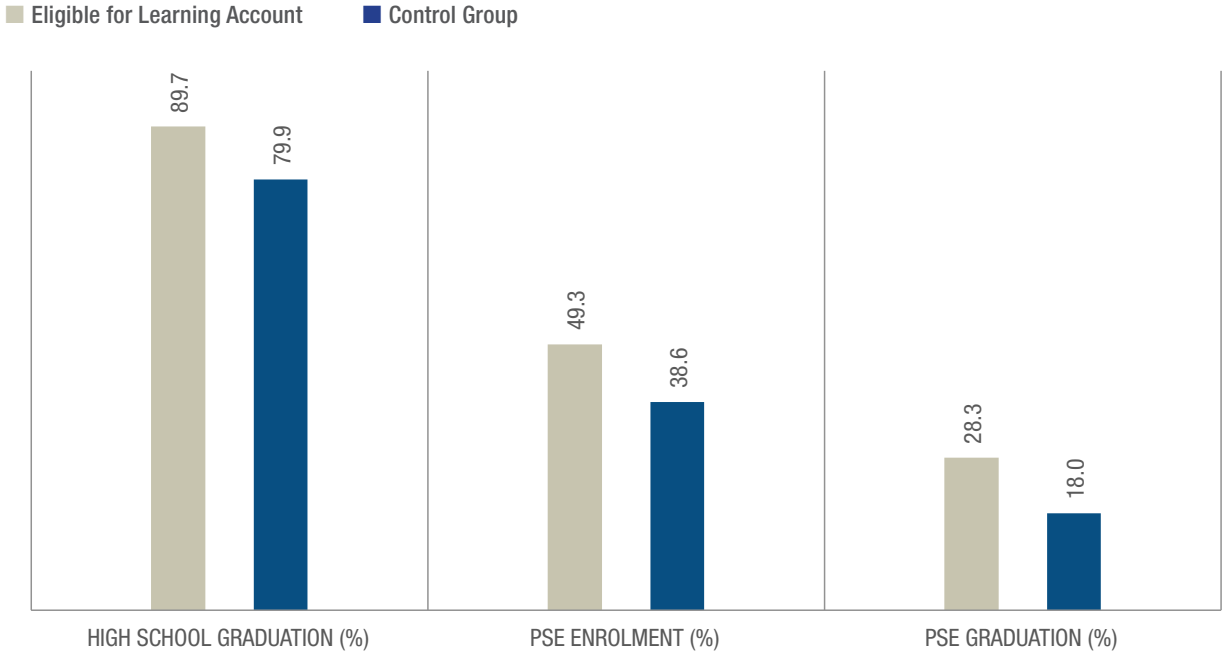
What research such as this cannot conclude, however, is whether there is a causal relationship between education savings and education outcomes. As Drewes asks: "do savings actually cause higher participation or is it the case that higher participation has caused higher savings?" He concedes that he cannot establish whether causality runs from savings to participation in post-secondary education or vice versa, although he notes that "it is extremely important to note that this does not mean that causality does not exist" (Drewes, 2007, 22; see also Elliot and Beverly, 2011, 364).

Fortunately, experimental research conducted in New Brunswick is now able to provide some much-needed evidence in support of there being a causal relationship between post-secondary savings and post-secondary participation. The *Future to Discover* pilot project tested the effectiveness of two different approaches designed to encourage more students, particularly those from less advantaged families, to pursue post-secondary education. The first approach was a series of career education workshops called "Explore Your Horizons," providing information about careers and educational pathways offered to participants after school hours during the final three years of high school. The second approach was a financial incentive called "Learning Accounts" which was a promise to students at the end of Grade 9 that they could access up to $8,000 should they graduate from high school and undertake post-secondary studies. Students received a deposit of $2,000 in a virtual account at the end of grades 10 and 11 and another $4,000 upon graduation from high school, and could access these funds once they were enroled in a post-secondary program (see Ford et al., 2014, 5-6). Importantly, "the impact of *Future to Discover*'s interventions is measured using a rigorous random-assignment design, in which groups of students who are offered either or both of the interventions are compared to statistically identical groups of students who do not receive the interventions" (see Ford et al., 2014, 4). This means that if the education outcomes of students who had funds for post-secondary education set aside for them in their learning accounts differ from those in the control group of students who did not have access to these funds, the difference can be attributed to the impact of the funds.

The most recent follow-up study of the *Future to Discover* students has indeed demonstrated that the learnings accounts had an impact. Looking particularly at students from low-income families[24] and whose parents did not complete a post-secondary education, the study shows that those offered access to the learning accounts were significantly more likely to graduate

from high school, enrol in post-secondary education, and graduate from post-secondary education (SRDC, 2015; see also Ford et al., 2014, 22 ff.; Ford and Kwakye, 2016, 29 ff.) (see Chart 10). In fact, the graduation rate of the groups offered the learning accounts was one-and-a-half times higher than that of the control group.

Chart 10: Impact of Learning Accounts on Children from Low-Income* Families



* More specifically, children from low-income families and whose parents do not complete a post-secondary education.

Source: SRDC, 2015.

Additionally, the *Future to Discover* evaluation found that the learning accounts intervention is a very cost-effective way of increasing access to post-secondary education, not only because of its positive results, but because of the relatively low-cost of its delivery: the learning accounts involve funds provided directly to students with very little overhead or staff cost. The evaluation concludes that "with a relatively low administrative cost, [*the*] *Learning Accounts* [*program*] is very effective. It generates $2 to $3.40 benefit for each dollar cost to the governments. Although *Learning Accounts* and *Explore Your Horizons* cost the governments roughly the same to operate, *Learning Accounts* uses fewer resources in society since most of the expenditures on *Learning Accounts* are transfers from the governments to the participants. Its cost effectiveness is also driven by the large post-secondary participation impact from targeting the group of students from lower-income families" (Ford et al., 2012, 106).

It is the case that the learning accounts were not family savings; they were funds provided by a third party (the Canada Millennium Scholarship Foundation) that were set aside for high-school students in a virtual account for the sole purpose of funding post-secondary education.

[24] In this case, low-income families are those whose incomes are below the provincial median (adjusted for family size).

The *Future to Discover* experiment nonetheless provides the heretofore missing evidence that those who have access to funds set aside for post-secondary education will, because of the existence of the funds, be more likely to access and complete post-secondary education. This evidence as to the effect of funds set aside for a child's post-secondary education is among the strongest available to date, not only in Canada, but internationally.

C. Does the existence of savings set aside for post-secondary education serve to reframe the expectations that both parents and children have about educational opportunity?

As we have seen, advocates of educational savings programs argue that these programs can have a positive impact, not only – or even not mainly – because they can increase the amount of money available to pay for a child's post-secondary education, but because they can change the attitudes and behaviour of both children and parents long before the child is old enough to enrol in (and pay for) college or university. These anticipated changes in attitudes and behaviour can be grouped into two categories. First, there are those that relate to finances. It is argued that the existence of an educational savings account can have effects such as: improving financial literacy in general, and awareness of the costs and means of financing post-secondary education in particular; encouraging prudent financial management within the household, including budgeting and savings; and establishing greater familiarity and comfort with financial institutions. The second group includes those that relate to perception of and preparation for educational opportunities in the future. It is argued that the existence of an educational savings account can have effects such as: greater value attached to education; higher educational aspirations and expectations and more confidence regarding the child's future by both the parents and the child; greater motivation, effort and achievement at school; and better choices and fewer riskier behaviours. These two groups of anticipated effects are summarized in Table 4.

Table 4. Anticipated changes in attitudes and behaviour resulting from education savings accounts[25]

FINANCIAL ATTITUDES AND BEHAVIOURS	EDUCATED-RELATED ATTITUDES AND BEHAVIOURS
More informed about costs and benefits of PSE	Higher aspirations (level of education hoped for)
More informed about means of financing PSE	Higher expectations (level of education anticipated)
More frequent conversations between parents and children about saving and planning for PSE	Increased orientation towards the future (hope / optimism)
Better financial management (including budgeting)	Increased value placed on education within the family
Better financial management (including budgeting)	Calculation (2015); ESDC, 2016 (Cumulative)
Additional deposits into education savings accounts	Greater parental engagement with child's education
Improved financial literacys	Improved academic effort / motivation
Greater familiarity or comfort with financial institutions	Higher academic achievement
	More careful course selection in high school
	Improved self-esteem
	Less risky behaviours

Some U.S. researchers suggest that the accumulation of savings for a child's post-secondary education can affect a child's identity by helping to form and reinforce a specifically "college-bound identity" (see, for instance, Elliott, Destin and Friedline, 2011). This identity is informed by the sense that college is relevant (children see it as part of their future), is consistent with a larger group or family identity (children see that they belong to a group that attends college), and is an option that will not be deterred by difficulties (children see that they have the ability to overcome obstacles to college) (Elliott, Destin and Friedline, 2011, 8-9). Economic inequality within society translates into an inequality in the presence or strength of this college-bound identity between children from higher- and lower-income backgrounds. Interventions that encourage lower-income families to accumulate education savings, however, can be expected to have a positive impact on this identity (Beverly, Elliott, and Sherraden, 2013). In other words, "policy makers should create saving opportunities for low-income families to reduce disparities in college-bound identities" (Gray at al., 2012, 10).

Researchers have shown consistently that wealthier parents have higher expectations regarding their children's education and are more supportive of their children's success in school; they have also shown that children with wealthier parents have higher expectations regarding their own education and achieve better results in school (for reviews of this research, see, for instance, Elliott, Destin and Friedline, 2011; Gray, 2012, 5-12). On the basis of this relationship between family wealth, on the one hand, and education-related expectations, behaviours and outcomes, on the other, they then conclude that redressing the absence of education savings among lower-income families will have a positive impact on the way these families perceive their children's futures in education.

Take, for example, the research conducted by Elliott, which shows that "asset-poor children without college savings had the lowest expectations for attending a four-year college than any other group of children." Elliott suggests that the college savings measured in his study can be seen as a proxy for children's development accounts (CDAs); based on this, he argues that "the findings suggest that policies that promote CDAs are likely to have a positive impact on a [sic] youth college expectations" (Elliott, 2007, 26). In other words, based on the demonstration of the link between low college savings and low education-related expectations, Elliott argues that creating education savings accounts for low-income families will have the effect of shifting how parents and children in those families envision and plan for the child's education.

While this is a logical conclusion, it is a deduction based on evidence about the link between assets and expectations and not a research finding in and of itself. As Shanks et al. (2009) explain, the extensive research studies that have been conducted to date "provide compelling illustrations of the relation between assets and child outcomes for representative samples of families, often over extended periods of time. Even so, the observed asset effects may be quite different than what might be found in the context of an intervention that explicitly builds household assets or provides an opportunity to save or build assets on a child's behalf" (Shanks et al., 2009, 11).

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[25] This table combines information from a range of sources listed in the bibliography. Readers are referred in particular to the different logic models present in the following sources: Marks et al., 2014, 8; Ford et al., 2012, 20; and Shanks et al., 2009, 15. Other particularly useful summaries of the anticipated impacts of education savings programs are offered in, among other sources, Cramer and Newville, 2009, and Beverly, Elliott, and Sherraden, 2013.

In saying this, Shanks et al. are not arguing against the notion that encouraging lower-income families to save for their children's post-secondary education will have a positive impact on children's eventual post-secondary education outcomes. Rather, they are arguing that most of the research to date concerns the positive relationship that exists between education savings and education expectations within families who have the ability to save, and not the impact on attitudes and behaviours of programs designed to help create or increase education savings among those for whom savings is a challenge.[26]

The absence of a large body of evidence precisely measuring the impacts of education savings programs on expectations is not that surprising, given that experimental studies in education (particularly in Canada) are rare. That said, some evidence is starting to appear. This includes evidence from the experimental research projects introduced earlier.

For instance, researchers analyzing the results of the SEED OK experiment have found evidence of positive behavioural changes among the children of the parents provided with the SEED savings accounts, despite the fact that these children remain quite young (under five years of age).[27] They found that the existence of the account "positively and significantly affect the social-emotional development of children" as measured through reports prepared by parents (Huang et al., 2014, 269). In particular, the SEED OK account "has a positive impact on social-emotional development of children in families that have low education levels and low incomes, receive welfare benefits, and rent their homes." Moreover, the effect is found to be linked to the presence of the savings account itself, and not to the ability of the parents to contribute to it or the total amount saved: "children's development is affected positively by the SEED OK CDA [child development account], regardless of whether parents have saved. In other words, it may be holding an account and having assets for college – not saving behaviour of parents – that matter for child development and lead to these effects." (Beverly, Clancy, and Sherraden, 2014, 6; see also Huang et al., 2014, 268-69).

The comparative statistical analysis of the results of reports on children's behaviour of mothers who were eligible to receive the SEED savings accounts with those of mothers who were not are complemented by qualitative research in the form of interviews with a selection of the mothers participating in the study. These interviews suggest that the children's social-emotional development is affected precisely because the existence of the savings accounts changed how their mothers thought about their future: "the intervention motivates mothers, especially those with disadvantaged backgrounds, to raise their expectations and increase support for

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[26] In this context, one can note the approach taken by the Government of Canada in introducing the rationale for its savings grants programs. It states that "research shows that cultural and attitudinal factors are important in encouraging access to PSE, and that holding and building savings over the long-term may play a role in fostering and strengthening aspirations and expectations for PSE" (ESDC, 2015a, 6). However, no specific research reports on the link between building savings and strengthening expectations are cited.

[27] Some of the researchers associated with the study have reached different conclusions about the differences between treatment and control group members. Marks et al. (2014, 54) find "no statistically significant differences between treatment and control group members on any of the six psychosocial constructs, for either the full sample or in any of the four racial/ethnic subgroups." Communication by the author with the authors of these studies suggest that different statistical methodologies and focuses on different subgroups of participants account for the contrasting conclusions.

children's education in the pre-college years" (Huang et al., 2014, 269). In other words, "interviews with mothers suggest that the SEED OK CDA changes how some parents think about their young children's future in ways that may improve educational outcomes" (Beverly, Clancy, and Sherraden, 2014, 8). It is worth quoting the summaries of these interviews at length:

> *A number of mothers seem to have hope for their children's future because of the SEED OK account and deposit… The tangible initial deposit symbolizes for some mothers the meaningful notion that someone outside the family cares about their children's future… Regular account statements and program materials help some mothers see their children as college-bound and emphasize the importance of education… Although treatment mothers did not have to act to receive it, the SEED OK CDA – account with initial deposit, incentives, program materials, and statements – seems to have changed the attitudes of some parents in ways that might improve children's educational outcomes." (Beverly, Clancy, and Sherraden, 2014, 4).*

> *" These mothers suggest that the account gives them hope, perhaps even confidence, in their child's future. Several of the respondents noted that the account offers them "security," "ease," or "relief." Many said they could not finance college on their own and are grateful that someone other than their family showed concern about their child's future. The fact that they have the SEED OK account motivates some to see their child as college-bound, to support their child's education in the pre-college years, and to think more about ways to finance college. Many mothers seem to believe that the account will create educational opportunities for their child, opportunities that they did not have" (Gray et al., 2012, 62).*

Further qualitative evidence comes, not from the SEED OK project, but from other sites across the United States where the Saving for Education, Entrepreneurship, and Downpayment (SEED) project has been delivered on a non-experimental basis. Interviews with youth in whose name the SEED savings were being accumulated also suggested that changes in behaviour and attitudes were being obtained. Researchers found that "increased fiscal prudence was the strongest perceived effect to emerge from analysis of our in-depth interviews with youth, with almost half of the youth noting that their caution in spending and interest in saving had grown since they joined SEED… The youth in this study appear to be developing new cognitions about the future which are, in turn, impacting behaviour, even in the context of the powerful draw of consumer items marketed aggressively to their age group." In addition, "the second most common group of comments indicating perceived asset effects had to do with increased future orientation. A sizeable number of youth reported that SEED was helping them to imagine a future with new educational or occupational options" (Scanlon and Adams, 2006, 15).

Evidence of a different type – and concerning much older children – comes from the study of the impact of the *Learning Accounts* that were tested as part of the *Future to Discover* experiment in New Brunswick. Above, it was seen that the early promise of PSE funding provided through the *Learning Accounts* improved education outcomes (enrolment and graduation). In the context of this discussion of attitudes and behaviours, we can add that the offer of *Learning Accounts* was also seen to have a modest impact on academic performance while the students were still in high school. In the first instance, there was little impact on course selection, with the exception that students offered *Learning Accounts* were slightly less likely to take courses in physical education in the final years of high school (which could suggest a greater focus on courses that are prerequisites for post-secondary programs). There was, however, an impact on grades, as slightly fewer students offered *Learning Accounts* failed all of their Grade 12 courses (with the impact being slightly larger for those students whose parents had low-incomes and no post-secondary education). (Nicholson, 2012, 28 ff.) This suggests some connection between the accounts and students' academic effort or motivation.

The findings from the SEED projects in general and the SEED OK and *Future to Discover* experiments more specifically are both intriguing and encouraging. Taken together, they provide additional support to the contention that encouraging lower-income families to save for their children's education will have significant positive impacts on children's attitudes and behaviours (or even identities) that in turn will increase the likelihood that they will go on to complete a post-secondary education.

WHAT DOES THE CANADIAN RESEARCH TELL US ABOUT FINANCIAL BARRIERS TO POST-SECONDARY EDUCATION?

Above, we saw how important family savings are as a source of funding for students, how important family conversations are to decision-making about post-secondary education, and how withdrawals from RESP have emerged as an integral part of the system of post-secondary student finance in Canada. We also know that the PSE participation rate (especially at the university level) for children from lower-income families is uncontestably lower than that of children from higher-income families.

Having noted these points, and having also reviewed the literature on the impact of education savings on education outcomes, it is worth pausing briefly to review what Canadian researchers have found regarding financial constraints as a barrier to access among students of age to participate in post-secondary education. Specifically, in this section, we will look more directly at the Canadian research on the factors affecting participation in post-secondary education, and whether the existence of savings set aside for a child's post-secondary education is likely to affect whether or not the child eventually enrols in or completes a college or university degree. While at first glance this research appears to suggest that relatively few students at the age to access post-secondary education are in fact deterred by a lack of financial resources, a closer reading of this research shows that it actually underscores the positive impact on accessing PSE that early savings can have. This research draws attention, not only to the direct effect of family income, but to its indirect effects through the shaping of attitudes and expectations about education and the support in achieving education goals within low-income families.

Consider, for instance, the conclusion of two separate studies, both based on the data from the Youth in Transition Survey (YITS), a longitudinal study that tracked students born in the 1980s through a series of interviews conducted beginning in 1999 and continuing into the 2000s, as they became of age to access and complete post-secondary studies.

- Marc Frenette examines the relative importance of different factors in explaining the gap in university participation between children from high- and low-income families.[28] He finds that factors such as academic ability at age 15 and parents' education, taken together, influence more strongly the student's decision to continue their education than the absence of financial resources. Importantly, financial constraints in this case does not refer to a direct measure of a family's total income or overall financial situation. Rather, it refers to a specific reason offered by the individuals surveyed to explain their decision not to enrol; as Frenette explains, "I define a financially constrained student as one who did not attend university despite wanting to do so, and cited finances as one reason why he or she did not attend" (Frenette, 2007, 11). Frenette's specific finding is that "differences in long-term factors such as standardized test scores in reading obtained at age 15, school marks reported at age 15, parental influences, and high-school quality

[28] Frenette defines lower-income families as those in the bottom family income quartile.

account for 84 per cent of the gap" in university attendance between youth from the top and bottom income quartiles, while "only 12 per cent of the gap is related to financial constraints" (Frenette, 2007, 23). According to Frenette, then, there are multiple reasons why youth from low-income families do not end up going to university, including poor academic preparation, the influence of parents who themselves have lower levels of education, and a lack of available funds.

- Ross Finnie and colleagues at the Education Policy Research Initiative have also examined the factors that influence students' decision to participate in post-secondary education. They find that, firstly, "parental education is a stronger predictor of university participation than family income;" in other words, "although family income and parental education are both positively associated with access to PSE, parental education may be the more important correlate" (Finnie, Mueller and Wismer, 2012, 11, 9). This doesn't mean that parental income is not important, but suggests that parents who value education and provide support for their child's education can compensate for some of the other challenges facing children from low-income families. Second, Finnie, Mueller and Wismer go on to examine youth who do not access post-secondary education. They show that only 5.5 per cent of the total youth population did not access post-secondary education by age 21 despite aspiring to, and state that they faced a barrier relating to their financial situation (Finnie, Mueller and Wismer, 2012, 11, 13).

Both of these studies, along with other similar ones (see, for example, the review of literature in Finnie, Mueller and Wismer, 2012, 2 ff.) suggest that the direct impact of a lack of funds at the time of possible enrolment in PSE is not the most important barrier to accessing post-secondary education in Canada. This is not to suggest, however, that family income more generally, in terms of the experience of living in low-income, is not important in shaping a child's educational pathway. Barriers to post-secondary education are complex, and the effects of low-income on education outcomes may be felt indirectly, throughout a child's life, through such things as attitudes towards and support for education and future careers within the family.

Before considering this point in more detail, it is worth remembering that both Frenette and Finnie, Mueller and Wismer conclude that lack of funds remains the most important factor impeding access to post-secondary education for some students. Frenette is careful to emphasize that "even if credit [i.e. ,financial] constraints do not matter a lot for the population of youth as a whole, they may matter for certain groups of students in some instances" (Frenette, 2007, 23). For Finnie, Mueller and Wismer, the roughly six per cent of students who wish to access PSE but did not do so for financial reasons represents "a non-trivial share of the population, and one potentially worthy of policy focus, especially given the life-changing potential of PSE" (2012, 16). The absence of funds, therefore, likely matters for the student "at the margin," that is, the student who stands at the dividing line separating those who do and those who do not access PSE. [29] For such children, access to funds through student aid such as grants and bursaries may be enough to get them "over the finish line" and into post-secondary studies, with potentially life-changing consequences.

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[29] This way of looking at the issue was suggested to the author by Arthur Sweetman.

That said, both studies also show that a lack of money at a child's disposal at the point in time when they are of age to access post-secondary education is a less important factor than how motivated and prepared they are to continue their studies after high school. Consider, for instance, Frenette's explanation of the lower rates of university participation among children from low-income families – as seen above, his study points to the importance of factors such as academic achievement (school marks and standardized test scores) and parental expectations.

Each of these may be tied to family income; as he notes, "compared to students from lower-income families, youth from well-to-do families generally perform better on standardized reading, mathematics and science tests; generally report higher marks; …[and] are more likely to have parents who expect them to complete a university degree" (Frenette, 2007, 5). Thus, the influence of family resources is indirect, in terms of making it more likely that a child, from a young age, will be raised in an environment and provided with the supports that are conducive to better education outcomes.

This points back to exactly the same factors emphasized by advocates of education savings incentives programs, discussed above, namely expectations and support within the family regarding the child's education. Finnie, Muller and Wismer (among others) have shown that parents' level of education may have a stronger influence in this regard than parents' level of income. Parents with higher levels of education themselves may tend to value education more, may pass on to their children stronger expectations of educational success, and place higher priority on supporting their children's education endeavours. And as we have seen, one of the objectives of education savings incentives programs is precisely to reinforce such attitudes and behaviours relating to children's future opportunities.

In sum, then, while research regarding financial barriers to post-secondary education in Canada does identify the absence of funds as an important factor impeding access to post-secondary education for some children, it more importantly reinforces the evidence that the educational outcomes of children can be improved by encouraging higher educational expectations and supporting better academic achievement in the years prior to post-secondary education. The conclusion is that while extra resources that are made available at the point of access, such as grants and bursaries, may influence post-secondary decision-making in some cases, family savings for education over the years prior to post-secondary education could more greatly impact how parents and children perceive and prepare for the future.

WHAT CONSIDERATIONS SHOULD BE TAKEN INTO ACCOUNT WHEN DESIGNING EDUCATION SAVINGS INCENTIVE PROGRAMS?

When investigating the effectiveness of education savings incentive programs, the attention of researchers has naturally fallen on the question of how the specific features of individual programs affect their performance. The design of such programs varies greatly, and some design choices may be more likely to encourage certain outcomes (such as participation and savings) than others. As Shanks et al. note, "the potential impact of CDAs will be highly dependent on how the intervention is designed and implemented" (2009, 15-16). Similarly, Cramer, Black and King argue that "learnings from these experiences in the field can help refine federal policy efforts. Choices in policy design features will impact program costs, scope, and ultimately outcomes. Effectively delivering CSAs at scale will depend upon how policy addresses several foundational issues, such as participation, intended uses, and account features" (2014, 6).

Shanks et al. go on to highlight four important dimensions of savings incentive program design (2009, 16 ff.), namely:

1. **Access:** this relates to who is eligible to participate, and how eligible participants join the program. Programs can be universal, with all families and children being eligible, or can be restricted to certain groups, normally families with lower income. Enrolment in the programs can also be voluntary, requiring eligible parents to take steps to opt in, or can be automatic, requiring no specific action on the part of eligible parents (normally with an option for unwilling parents to opt out).

2. **Restrictions:** this relates to the rules governing how funds are accessed and the purposes for which they may be used. Access can be restricted until the child reaches a certain age or enrols in a certain type of education program, or withdrawals can be permitted at any time for emergencies or for other reasons. The savings can be used only for education or for a broader range of purposes.

3. **Incentives:** this relates to the nature of the government contributions that are included in the program in order to encourage savings, including an initial deposit to encourage participation, and matching grants to encourage regular saving. Incentives can be more or less generous in terms of features, such as the rate at which parents' contributions to the account are matched.

4. **Additional supports and services:** this relates to whether the savings program is accompanied by any other services, including the provision of information about the costs and benefits of post-secondary education, or more general financial education, counseling, or guidance.

These are only the some of the design features that can vary from program to program (for a review of many of the more technical features of existing programs in the U.S., see Lassar, Clancy and McClure, 2011). One additional important consideration is the extent to which the program is integrated into a pre-existing program infrastructure (as was done in Canada, in integrating the CESG, A-CESG and CLB into the existing RESP program) or created as a stand-alone initiative.

Among these various design features, the one that has so far attracted most attention in Canada is that of whether participation in the Canada Learning Bond should continue to be on an opt-in basis or should be made automatic. Currently, in order to receive the CLB, low-income families must first take the initiative to open an RESP. It is likely that many do not do so because they are not aware of RESPs (and the associated savings grants), or assume that RESPs are only of use to those with considerable disposable income to save. This lack of awareness has been clearly demonstrated in surveys and interviews of low-income parents conducted for the Government of Canada. This research found that "many low-income parents are simply not aware of RESPs and CESP products, and how they work, or why they are advantageous to parents trying to put away some savings for a child's post-secondary education" (2009, 67). Moreover, "of the post-secondary education savings vehicles measured, the Canada Learning Bond experiences the lowest level of awareness. Only one in 10 low-income parents (10 per cent) said that they have heard of the CLB and fully 89 per cent said that they had not heard of the bond… Of the 10 per cent who said that they have heard of the CLB, almost six in 10 could not provide any details about the bond, saying either that they could not articulate any details or that they did not know" (EKOS Research Associates, 2009, 10).

To address this, some, such as Berger and Baldwin, have argued that "it would be better if it [the CLB] were transformed from an opt-in program to an automatic entitlement for low-income families, along the lines of the NCBS [National Child Benefit Supplement]… An auto-enrol CLB could then be treated as a virtual individual development account in which the government contribution accumulates and is held for children until they pursue a post-secondary education" (Berger and Baldwin, 2009, 172; see also Usher, 2012; Parkin, 2015a). A number of American researchers, reflecting on experiences of similar programs in that country, also argue that the best way to counter the information deficit and increase take-up is to make education savings incentives programs universal and, as far as possible, automatic.[30] For instance, the researchers drawing key lessons from the results of all the SEED projects (and not just the SEED OK experiment) concluded that "the difficulty in enroling participants at SEED speaks to the advantages of automatic enrolment" (Adams et al., 2010, 12; see also 1). This is echoed by Trina Shanks who states that "experience thus far points to several key lessons," including that "if the priority is to reach all children and not have CDAs reproduce intergenerational disadvantage, it seems clear that automatic enrolment and deposits are necessary, especially for the most vulnerable populations to participate" (Shanks, 2014, 15). Cramer, Black, and King note that in the absence of such a universal/automatic approach, program take-up rates among low-income families are likely to remain low, while high-

[30] Possible models of programs based on automatic enrolment include the design used for the SEED OK experiment – where the government opened accounts for those parents who did not act to open their own – and Maine's Harold Alfond College Challenge, which recently moved from an opt-in to an automatic enrolment format.

income families will continue to take advantage of the benefits of registered education savings accounts. The result is the failure to "interrupt intergenerational patterns of financial disadvantage" (Cramer, Black, and King, 2014, 6). Or, as Beverly, Clancy, and Sherraden conclude, "college savings initiatives that rely on individual behaviour will strongly favour advantaged children" (2014, 7). [31]

For many of these researchers, the positive behavioural and attitudinal effects of education savings incentive accounts do not depend on whether families sign up for or engage with them. These accounts "do not operate entirely, or even primarily, through individual behaviour. Even if accounts are opened automatically and assets deposited automatically, there can be positive effects if children and parents are aware of the accounts – results don't necessarily depend on the motivation or ability to save" (Shanks, 2014, 13). Similarly, Clancy and Sherraden maintain that "CDAs may influence college success whether or not families open their own college savings accounts and save some of their own money for college. In other words, automatic enrolment and deposits alone may trigger some of the positive changes expected to improve educational outcomes" (2014, 6).

It is also plausible, however, that a family that is automatically enroled in a savings incentive program as opposed to opting in will be insufficiently engaged with it to experience the expected attitudinal and behavioural changes. Consider, for instance, the case of the Child Trust Fund in the U.K., where the government acted to open accounts in cases where parents did not act on their own to do so; the government-initiated accounts were known as Revenue Allocated Accounts or RAAs. The evaluation of the program found that "whether or not the account was an RAA had the strongest effect in predicting regular parental contributions. The odds of receiving regular payments were seven times higher among the non-RAAs than the RAAs" (Kempson, Finney and Davis, 2011, 26).[32] This suggests that automatic enrolment in a savings program that provides seed funds and additional matching grants for lower-income families is not sufficient in and of itself to encourage lower-income families to save.

The experience with some education savings incentive programs thus raises some questions about the effectiveness of the automatic enrolment approach. In the case of non-automatic programs, the decision to opt in represents a first step of engagement with savings that can be expected to have a cascading effect; in the absence of this initial point of engagement, the existence of the account may have much less impact.

While debate continues about the merits of automatic enrolment, there is more of a consensus among researchers as to the importance of direct, in-person contact from service agencies familiar to the targeted families. Frenette and Robson note that "previous research has shown that when it comes to getting help with financial literacy, low-income adults express a

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[31] The Maine example can be used to support this argument. As an opt-in education savings grant initiative for newborn children in the state, the Harold Alfond College Challenge reached 40 per cent of eligible children; as would be expected, "research indicates that parents in Maine with more education, other investments, and a financial advisor were more likely than those who were less financially sophisticated to enrol their children in the College Challenge" (Clancy and Sherraden, 2014, 1). Beginning in 2014, the initiative will reach all newborn children in the state, although unwilling parents will be able to opt out.

[32] Those most likely to have an RAA are also those more likely to have lower incomes.

preference for higher-touch, personalized services from trusted community-based organizations over mainstream providers (such as financial advisors in banking or investment firms) or self-serve options such as websites or online learning modules" (2011, 2). This is confirmed by the researchers reflecting on the experiences of the SEED project. They conclude that "strong relationships with community-based agencies and personal relationships with agency staff were important in overcoming misgivings about participation in SEED, and played a key role in motivating program participation and assisting participants in making account deposits" (Adams, 2010, 3). More specifically, they observe that "many staff at the SEED sites noted that the most effective recruiting method was often persistent personal contact with the potential participants and their families" (Adams, 2010, 12).

These two different features – automatic enrolment and high-touch outreach – are not in any way mutually exclusive. In the absence of automatic enrolment, it is clear that raising participation rates among low-income families relies on effective communications and outreach initiatives. The results of programs such as a U.K.'s Child Trust Fund also suggest that, in the end, automatic enrolment does not make communications and outreach to low-income families any less important.

CONCLUSION

In 2004, economist Kevin Milligan noted in his discussion of the Canada Education Savings Grants that "the scale of these expenditures relative to other federal interventions in post-secondary education is impressively large" (2004, 7). More than 10 years later, this statement remains no less true. As noted above, Canadian adults are now contributing more than $4 billion a year to their RESP accounts, while Canadian students are withdrawing $3 billion a year to fund their post-secondary education. At the same time, the federal government is providing almost $1 billion a year in savings incentive grants, including $163 million targeted to low- and middle-income families in the form of A-CESGs and the Canada Learning Bond.

For those concerned with the need to increase access to post-secondary education in general and university education in particular for youth from low-income families, the growing importance attached to family savings for education can be welcomed.

> *The link between family savings for PSE and PSE access and completion is clear, as is the link between savings and attitudes such as expectations for a child's educational success.*

Research is now beginning to demonstrate that this link is more than just a correlation, but is also causal; that it is the presence of the savings that impacts the attitudes and behaviours. The strength of this research varies, however, with some findings based on quantitative impact analysis with an experimental design, and others based on non-experimental quantitative surveys or qualitative interviews.

That said, given the scale of government expenditures in this area and the potential benefits of wider post-secondary participation, two further points stand out. One is the lack of more extensive research, particularly in Canada, on the impact of education savings incentive programs on student and family attitudes and behaviours. As Duhaime-Ross recently observed, "very few studies have focused on the saving behaviour of parents for their child's post-secondary education" (Duhaime-Ross, 2015, 65). The *Future to Discover* project remains the only example of an experimental research study in Canada designed to test the impact of increased financial resources on the post-secondary participation of high-school students from low-income families. There has been no similar research project designed to test the impact of education savings on the behaviour, attitudes and educational outcomes of families with younger children, or to investigate the relative merits of different program design and delivery options.

The second point is the need for a greater effort to promote RESP participation and CLB take-up among low-income families. As we have seen, low-income families face a variety of barriers relating to access to financial programs and services, including lack of information, lack of familiarity with financial institutions, and lack of confidence in navigating options. These can best be overcome through outreach initiatives from service organizations that are well-known and trusted by the intended beneficiaries. In a country as diverse as Canada, this means mobilizing a diverse network of community organizations and partners in an effort to ensure that more families with children can access the benefits for which there are eligible,

kick-starting savings for post-secondary education. If the federal government were to invest even one per cent of the funds it currently disperses annually in education savings grants in expanded marketing, outreach and research (an investment of $9 million per year), participation by low-income families in the education savings incentive programs and our understanding of their full impact could be transformed.

One million eligible Canadian children continue to miss out on the Canada Learning Bond each year. Given what is already known about the clear link between family savings for PSE and PSE access and completion, raising the CLB participation rate should be prioritized so that more low-income families can accumulate savings for their child's educational future.

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