Strategies for Bringing Youth Savings Programs into Local Communities

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Abstract

"Economic inclusion is not an amorphous concept: people who have banking products are able to build good credit histories. People who build good credit histories are more likely to qualify to buy a house. With homeownership comes a sense of attachment – literally and figuratively – to the street, neighborhood, broader community, public school systems, local parks and libraries, and municipal infrastructure. People who belong are by very definition not disenfranchised. And people who are not disenfranchised are invested in their communities – they want their communities to succeed. Put simply, economic inclusion leads to economic prosperity." Chairman Jelena McWilliams.

Objective

Well-designed economic inclusion strategies enhance confidence in the financial system because consumers gain value from the products and services they use. What better way to begin building confidence than to start early through youth savings programs?

Significance

While many banks report engagements with schools to offer financial education in the classroom, combining this with opening savings accounts is less common. Because of limited information about how best to set up, manage, and sustain such programs, the FDIC launched a two-year Pilot with 21 financial institutions, along with their school and nonprofit partners, to identify effective strategies, lessons, and promising practices for banks and other organizations interested in these types of programs. The Pilot represents a valuable case study of diverse strategies undertaken by banks of varying asset level size across the country. The youth savings programs described in this study cover school children ranging from kindergarten to twelfth grade. The findings from this Pilot can help strengthen financial education efforts and promote participation in the financial mainstream. The FDIC's Pilot has spawned the creation of a Youth Banking Network consisting of 74 Banks currently, suggesting a growing interest of the Banking Sector and Education Community in youth savings models.

Method

Studies have shown that youth savings programs that combine financial education with in-school savings account ownership can be an effective in providing hands-on learning experiences while also supplying a framework for more clearly understanding the practical use and benefits of financial services. In-school savings efforts also help to hone personal financial management skills through concrete actions and behaviors. Less emphasized in the literature is the pivotal role financial institutions play in supporting financial education through youth savings programs. Our study addresses this gap in the literature by analyzing the strategies undertaken by banks, especially when youth savings programs include opening savings accounts. A mixed methods approach was employed using in-depth interviews and administered surveys conducted at the beginning and at the end of each semester, administered with 21 bank executives participating in the pilot.

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Results

One of the more intriguing findings from our study was that banks and their partners bring youth savings programs to their local communities using varying approaches and strategies. Being flexible in how the program is structured and run also was described as important to partners.

Having knowledge about the range of approaches give banks and their partners flexibility to respond to opportunities and contribute to program sustainability. Our study also discusses the most effective ways that banks have found to open savings accounts; deliver age-appropriate financial education concepts; implement newer technologies; encourage parental and other volunteer involvement; and address regulatory topics such as the Customer Identification Program requirements.

Conclusion/Relevance:

Gaining financial knowledge, skills and habits are important building blocks to help youth be better prepared to make financial decisions. Financial capability establishes a strong foundation for young people to successfully participate in the financial system as they enter adulthood. It helps improve their long-term financial outcomes and has a positive influence on the communities where they live. Youth Savings Programs can be an effective way to lay the groundwork for consumers' future financial well-being. This study helps fill an important gap in our understanding about what are effective strategies, lessons, and promising practices for banks and other organizations interested in youth savings programs.

