Children and Families Unit

September 2010

Asset Building for Children

Creating a new civic savings platform for young people

Phillip Blond and Sandra Gruescu

ResPublica
changing the terms of debate

About ResPublica

ResPublica was established in 2009 by Phillip Blond. We are a multi-disciplinary, non party-political research organisation, which combines cutting-edge analysis with practical impact to create bold solutions to enduring social and economic problems.

Our research combines a radical, civic philosophy with the latest insights in social policy analysis, economic modelling, behavioural economics, management theory, social psychology and technological innovation to produce original, implementable solutions across six major project areas: Economy, Welfare and Public Services, Environment, Children and Families, Security, and Civil Society and Social Innovation.

Asset Building for Children
Published by ResPublica Policy Limited

www.respublica.org.uk

In association with Save Child Savings

Contents

Authors' Note

We would like to thank the research staff at ResPublica for the additional work they did on this report, specifically Jonathan West, Adam Schoenborn, Dwayne Menezes and Kim Mandeng. We would also like to thank the staff at Save Child Savings for their provision of data and consistent help and charm, with specific thanks in this regard to Stephanie Quantick. And finally thanks to Asheem Singh for his critical review. Any mistakes found herein are our own.

- P.B. & S.G.

Foreword

Belinda Phipps, Chief Executive, National Childbirth Trust

Everyone who is expecting a baby wants to do the best for that child. However, most people are unaware at the start of a pregnancy just what a stress starting a family will put on their relationship and their finances.

Babies need time and attention, and having a baby may cause lifestyle changes that reduce the earning capacity of families and particularly of women. Babies make life more expensive for parents.

All this means that starting to save for a child's future is very difficult, and for families who are poor in income and asset terms it can seem impossible.

Parents feel unable to help their child get the financial start s/he needs, and as a result children have fewer choices as they get older. From birth, social mobility is impeded and we reinforce the social divide.

We know now the return on investing in supporting new parents is significant; there needs to be a policy for family savings in the long term. Investing in building assets for every child at birth, as this report indicates, will also help more children make the most of their lives.

"We as a coalition Government are committed to finding ways to encourage more people to save."

Mark Hoban (2010), Financial Secretary to the Treasury

"Giving people responsibility for their own assets would do much to further individual self-respect and instil a sense of citizenship"

Paul Marshall (2004), Co-Author of the Orange Book

"We think that having savings gives people a stake in society, gives them independence, encourages self-reliance and bolsters the freedom of the individual against the overbearing state."

George Osborne (2003), Chancellor of the Exchequer

Executive Summary

An Asset Crisis

It appears that the more people speak of equality of opportunity and fairness, the less there is of it. If this inverse correlation holds, then these are worrying times for the poor and disadvantaged. Too many Britons are trapped in a world of welfare and low wages, where owning little, they can change even less. And with minimal prospect of advancement for them or their children, it often appears as if we are creating and expanding a new servile class progressively and aggressively cut off from the world of assets and opportunity. These are the conditions that incubate the debt disease that has captured our culture (both public and private) and allowed our citizens to mortgage their futures and make fictional all their hopes and aspirations.

Without assets, opportunity seldom knocks – wealth is what allows people to access opportunity and to advance up the social ladder. Locking people out of wealth and access to assets condemns them to debt serfdom where they must borrow to make ends meet and where futures are consumed by the demands of the present. If we are to create a genuinely free and fair society, then the language of equality and opportunity has to be matched by some chance of economic equity and some way that ordinary people can build a real stake in the world.

We need a fair society, and in this we agree with Nick Clegg, the Deputy Prime Minister, when he said in a speech on the 100th day of the coalition: "Fairness means everyone having the chance to do well, irrespective of their beginnings. Fairness means that no one is held back by the circumstances of their birth."[1] But this can only be delivered if we open up access to wealth for the many – if we create policies and pathways that allow us to really challenge the status quo. If we simply leave opportunity to the opportunistic, then the wealthy, the already well positioned and the adroit will colonise all the pathways to success and leave many where they already are – increasingly trapped by circumstances of birth.

In a society where economic wealth is concentrated, more and more opportunity accrues to fewer and fewer people. And in our country, far too many have far too little of either opportunity or wealth. By any international comparison, income inequality in the UK is already high, but asset inequality is at startling and unsustainable levels. The wealthiest half of households holds 91 per cent of the UK's total wealth, while the other half has the remaining 9 per cent.[2] The 90:10 ratio compares the top 10% of the country with the bottom, and so marks the full range of current inequity. The National Equality Panel reported in January 2010 that income ratios between the top and the bottom for hourly and weekly wages are just under 4 to 1, for household income just over 4 to 1, and for individual income a little less than 10 to 1;[3] however, and this is the revealing and truly shocking figure, for household wealth it is touching 100 to 1. Are we a democracy or a plutocracy?

We believe assets matter more than income, and we believe that asset inequality is the great driver of contemporary inequality and the true source of social immobility and debt dependence. And if we believe in fairness and recognise the damaging consequences of widening relative inequality, then a

1. Closing the Gap – Building an Opportunity Society Speech by Rt Hon Nick Clegg MP, 18 August 2010 at Centre Forum.
2. Office of National Statistics (2009) Wealth in Great Britain - Main Results from the Wealth and Assets Survey 2006/08 p.xxi
3. See the Report of the National Equality Panel January 2010 and the executive summary at www.equalities.go.uk.

progressive government and a fair nation must tackle this foundational inequity. We must create an asset and ownership society so that wealth and opportunity are widely dispersed, with multiple centres of capital, innovation and entrepreneurship, thus enabling all to escape dependency and shape their own lives, crafting their futures according to their hopes and their aspirations. Why should only the dreams of the rich be realised?

Tackling this invidious situation requires certain measures to be taken. One vital requirement is getting people to save again. In 1980, the savings ratio for Britons peaked at 12.3% of household income; at certain points during the last few years, the savings ratio touched generational lows. Indeed, in the first three months of 2008 the savings ratio went negative for the first time since 1958. Following the recession there was a rise in the ratio, but according to the latest NS&I survey, savings are now at their lowest level for the past two years.[4] More worryingly still, no doubt because many are struggling, according to the Scottish Widows fourth annual Savings and Investments Report, the number of those who said they are currently saving nothing virtually doubled from 20% last year (2009) to 37%.[5] The extent of our current capital crisis is revealed via research from Aviva which estimates that without further borrowing, the average British household could get their hands on only £914 of disposable cash, less than two weeks of the average weekly household expenditure of £471. The steepening of the asset curve is further revealed when one in four (24%) of British households say they could only access £100 without further borrowing.[6]

Not only is there a savings and asset crisis but also a related compounding debt crisis. Total UK personal debt at the end of April 2010 stood at £1460bn, up from £660bn over the last decade.[7] Over 50 percent of England's teenagers are in debt by the time they are 17.[8] A lack of assets is concomitant with low savings, high debts, and little financial capability – all of which creates a permanent sense of insecurity. Asset poverty is perhaps that aspect of inequality which ensures that the economic and social divides are maintained and indeed are passed on down the generations. The asset-rich pass on houses, shares and liquid wealth to their children, as David Willets has so ably attested,[9] whilst those who have nothing can only leave nothing, and the deficiency of the parents is passed down and compounded for their children.

David Cameron said in 2003 during the passage and debate of The Child Trust Funds Bill that "we believe that encouraging people to build up assets gives them independence, freedom and the ability to make choices for themselves rather than being too reliant on the state".[10] We agree with the Prime Minister, and we argue in this paper for the establishment of a new asset building account for children – we believe this ABC account will help deliver the fairer society that both members of the coalition government have been arguing for.

4. See http://www.creditaction.org.uk/debt-statistics/2010/august-2010.html
5. Ibid
6. Ibid
7. See: http://www.creditaction.org.uk/debt-statistics/2010/april-2010.html
8. Credit Action (2010), Debt facts and figures, p. 1f, see http://www.creditaction.org.uk/assets/PDF/statistics/2010/june-2010.pdf
9. Willets (2010)
10. http://www.publications.parliament.uk/pa/cm200304/cmhansrd/vo031215/debtext/31215-21.htm

The Asset Building for Children Account: A New Savings Policy for Children and Young People

To promote an asset-building agenda as widely and as quickly as possible, we recommend that the Government constitute a new national asset-building platform for children (the ABC account), creating an effective civic instrument to boost savings, increase financial capability and to promote responsibility and engaged citizenship around children's savings.

Our first and foremost recommendation is **to maintain, extend and improve the infrastructure of the now-abolished Child Trust Fund (CTF) under the auspices of the new ABC account**. Maintaining the old (CTF) platform comes at a minimal cost (experts estimate its cost at around just £2 million per annum), and it preserves a unique and valuable savings infrastructure for the further augmentation and development of children's savings. But we are not recommending its preservation to simply repeat its former function. On the contrary, we recommend extending the old infrastructure into a new active civic savings platform for *all* children and young people under 18, so that more people are encouraged more often at more points by more people to start saving and building and managing assets.[11]

We believe that the Government has a unique opportunity to develop a civic savings platform that could group and focus many more nudges and incentives to save than any other existent provider or current method. The prime driver of the ABC account would be a reward scheme and reward card that offered, for example, money off local leisure services and other children's activities in return for running an active ABC account. In addition, the accompanying website would offer a competitive and consumer-focused vehicle for the savings industry to advertise their ABC products. The site should also have an associative matching and educative facility (realisable on both a national and local basis) so that citizens could advise, help and aid each other in their saving goals and future career plans.

In short, we argue for the creation of an associative savings platform where Government would facilitate the incentivisation of a mass savings culture – where new incentives (both private and public) and new facilities for peer-to-peer education and savings support via individuals and groups could build on the infrastructure of the past. Under the auspices of the ABC account there would be many more nudge points where parents and children could be encouraged to save, such as starting school and moving on to secondary education. Young peoples' civic and group activities could link in at multiple points, offering opportunities for ABC engagement to inculcate responsible values and enhance positive life choices – all with the aim of making saving as easy as ABC. By utilising innovative technology and understanding the role of incentives, behavioural dynamics and peer-to-peer support frameworks, we envision the ABC account modernising the old CTF infrastructure to create a new mass **civic savings** platform for children and young people.

The ABC account would have the following eight features:

1. Universality and tax status The ABC account would be open to all children and young people who are younger than 18 on January 6, 2011. Savings possibilities should be extended to the current 0-to-18 cohort, many of whom have no effective savings, while existing Child Trust Funds are converted into ABC accounts. Funds will be in the child's name; investment gains and withdrawal at the age of 18 are tax-exempt. We believe that the maximum level for contributions should be set at £3,600 per year, as with the stakeholder pensions. Savings are locked up until the account holder reaches the age of 18 to ensure long-term saving, though some flexibility and choice on this should be allowed, with later maturation dates possible such as 21 or 25, both to encourage those teenagers who missed the CTF launch to also start saving and to reassure and encourage those contributors who feel a later lock-in might be more appropriate.

11. Existing CTF accounts would transfer into the new ABC platform and become ABC accounts.

2. Opening the account Each family that has or is expecting a child would receive an account voucher with a unique reference number. Thus, not only would newborns receive this nudge, but *all* children under 18, whatever their age, would be voucher recipients. For parents who expect a child, a higher rate of account activation can be facilitated by ensuring that the ABC account can be opened before the child is born. Parental opening rates can also be improved by 'account opening sessions' in local libraries, schools, community organisations and parents' and baby groups, encouraging enrolment for parents who do not have access to the internet or who are unsure about the whole process. Opening the account at a later time would also be possible, as there would be no time limit on the opening process.

3. An ABC website We recommend that Government ensure that all ABC account providers jointly offer and help to fund an ABC website where *all* providers can present themselves and their incentives to make certain that parents can compare providers and apply online for their chosen account. This website should also be a portal for national, regional and local civic savings activity and matching, so that, with appropriate safeguards, private individuals and groups can link in to young savers to provide incentives and engagement, facilitating a local matching structure.

4. Managing the account From birth until the age of 13 the account will be managed by the child's parent or legal guardian. From the age of 14 to 17 the young person can, if they wish, manage the account and invest his/her savings. We envisage that this take place initially under supervision, and then a 'licence' to proceed can be granted by the parent or teacher. Children and young people can of course pay in their own money as well. By having their own money at play, children will learn invaluable lessons about investment and return – knowledge that can help tackle our woeful financial literacy and build an investment democracy for the future.

5. Using the savings At 18 the young adult can use the savings, though we think that there should be additional facility and flexibility to lock the savings in until age 21, or indeed 25, both to catch and encourage those children who missed the CTF option and to reassure matching savers who may fear that maturation at 18 is too early and would thus prefer a later access date to ensure that the money is spent on facilitating a graduate degree or starting a business, etc. Whatever the time of access, there are no restrictions on using the funds, though inertia should always favour good financial planning. Savers should be asked if they want their funds directed to certain investment outcomes, if that seems socially desirable, such as higher education, starting a business or putting the savings in a pension fund. These outcomes should be facilitated by, for example, automatically rolling a matured ABC account into an ISA unless the account holder takes the funds out.

6. An ABC reward scheme The successful creation of a new mass savings platform for young people requires a different approach than hithertofore from Government, private sector providers and civil society. Government no longer has to be the direct provider of incentives to save but their *facilitator*. Central government needs to coordinate the construction and augmentation of this new platform that facilitates savings incentives. For example, an **ABC reward card** for eligible families – those who save into the ABC account – that can be used in participating stores and leisure facilities would be such an incentive. The reward card can have different stages to indicate savings activity: the longer the savings activities continue, the higher the value of the possible rewards. This card should also provide a direct reverse payment incentive so that civic groups, interested persons or matching programmes can save back into savers' accounts through the reward account number. One can easily envisage, for example, having a reward card – perhaps linked to a credit or debit card – that credits back small amounts at the supermarket till to a child's savings account.

7. Financial capability programmes Voluntary and community organisations can increase families' financial capacity and literacy in innovative ways. Both parents and young people can be supported by a financial capabilities programme in schools and the wider community. This can be tied in with the now-nationwide Money Guidance programme by the Consumer Financial Education Body. Parents could sign up for a text messaging service where the ABC account provider sends a monthly or quarterly reminder to get active about the ABC contribution, or indeed they could be provided feedback on the performance of their child's ABC fund. From the age of 14, young people could get ABC management tips via text and join ABC and money management groups on Facebook or other social networking sites.

8. The ABC Fund. We believe that evidence and experience clearly demonstrates that direct financial matching works and is especially important for children of the poorest families where there is an additional case for direct donation. We strongly recommend that the matching infrastructure of the Child Trust Fund be maintained for the new ABC account, both to allow for a time of less fiscal constraint when Government might choose to return to direct credits for the poorest children, and also to allow the development of a national ABC Fund to provide additional private matching for the country's poorest children. We therefore recommend matched funding as an additional saving incentive for families whose children live in poverty, to boost the ABC account's effectiveness and to strengthen the ability of the poorest to save and build assets. As the tax-exempt status of the ABC account is unlikely to be a sufficient nudge for those on the lowest incomes to save, the establishment of an independent ABC Fund – where community organisations and charities, businesses, the financial sector and individuals pay in with the aim of helping the poorer members of society by matching their savings – would be an invaluable unit of social infrastructure and a further aid to creating the Big Society.

The target group of the ABC Fund comprises those 3.9 million children in the UK who are living in households with below 60 per cent of contemporary median net disposable household income after housing costs, meaning that they fall short of the official threshold for poverty.[12] **The ABC Fund will aim to provide the funds for the matched funding element in the ABC account.** We recommend that the ABC Fund aim to meet each pound saved by its recipients – up to £10 per month, £120 per year – with a £0.50 match. Thus if a family saves £120 per year, it should be matched with £60. Based on the 2008/09 number of 3.9m children living in poverty, this would total a matched funding amount of £234m which would need to be raised by the ABC Fund. We believe this target represents an aspirational figure for the fund rather than an achievable figure by voluntary action, but we give a figure precisely in order to show how little it costs to deliver some equity for the poorest when contrasted with the savings welfare schemes that currently exist for the wealthy. However, we accept that this is a time of fiscal austerity, and if children can no longer be helped by Government, we nonetheless believe that significant numbers of children can and would be helped by this voluntary fund. We believe that the ABC Fund is a suitable vehicle for a national, ongoing yearly campaign involving as many individuals, companies and NGOs in our society as possible; we can envisage, for example, that the financial services industry would wish to and would be encouraged to donate. To increase the popularity and visibility of the fund, the relationship between the ABC Fund and the match funding element of the ABC website should be explored, as there should be a facility for this fund to also 'adopt' children in certain areas or groups. The sum actually raised should in any case be apportioned at the proposed matching level of 50 pence per pound saved from the bottom up, benefiting the poorest first.

12. Figures for 2008/09; DWP Household Below Average Income figures (May 2010), available at http://research.dwp.gov.uk/asd/hbai.asp

Further Options to Achieve Financial Sustainability and Extend Reach for the ABC Fund

As long as the current system disproportionally favours the longer-term savings of those who are higher up the income scale (which is in effect what the current system of pension tax relief does), any progressive government should favour the savings of the poorest and most vulnerable members of society over those of the wealthy and advantaged. Hence we suggest two further options for raising the funds to extend the incentive and reach of the ABC account scheme and augment the ABC Fund for matching the resources of the poorest. The first is the **reduction of the tax relief on pension contributions for additional tax rate payers**; the second is **means-testing child benefit**.

Reduce tax relief on pension contributions for top-rate tax payers: This tax relief is targeted at *additional* tax rate payers who have an annual income of at least £150,000 and are subject to the additional tax rate of 50 per cent. This will affect about 300,000 individuals or 2 per cent of all pension savers and 1 per cent of taxpayers. Currently, this group receives about a quarter of *all* tax relief on pension contributions. The amount that will be saved by not paying the tax relief claims by additional tax rate payers will be about **£3.4bn to £3.6bn per year.** A small proportion of this money can and should be used to support and supplement the ABC Fund. We would transfer tax relief on the asset accumulation of the wealthy to help asset augmentation for the poor. We therefore recommend implementing a reduction of the additional rate pension tax relief to allow the ABC Fund to help match the savings of the poorest children.

Abolish Child Benefit for better-off families: This suggestion is nowadays of course a common refrain, but the parallels are direct: transfer help currently given to the children of the very wealthy and highly advantaged to children of the poor, who will progressively and aggressively lose out to the endowed and asset-rich children, who the State still continues to supplement through middle and upper-class welfare. Such a position is no longer tenable, financially or morally. In addition, Child Benefit can be seen as a '*passive* product', with no active recipient engagement necessary, whereas children's savings products such as the proposed ABC account are *active* products, where engagement with the product is key to its success. Child Benefit costs the taxpayer almost £12bn a year. Scrapping this benefit for better-off families would save – depending on the exact reform proposal – some £7bn a year. This would pay for the ABC Fund almost thirty times over.[13]

The ultimate goal of asset-building policy is financial inclusion that in turn will enhance social inclusion. For ordinary people, any corrective to the savings and asset crisis must mean that individual households start saving from their income again to create assets. Restoring a saving and asset-building culture is the first step towards creating a participative economy that leads to a genuine and stabilised ownership society of active and empowered citizens. Challenging asset inequality, and therefore drawing the sting from income inequality, will require a radical change in economic policy, with more, not fewer, asset-building products. A focus on asset equity is the key to moving our economy and society on from enduring wealth inequality to restoring economic capacity and achieving a truly civic state. A new agenda of ownership extension is urgently needed, and implementing the ABC account and the ABC Fund would be the beginnings of a new economic model that many, including the Chancellor, have rightly argued for; it would help bring about the Big Society through facilitating a new culture of responsibility and civic and economic association.

13. There are of course administrative difficulties in that the CTF was triggered by an application for Child Benefit, but since we are not arguing for universal matching but only for matching for the poorest, the relative proportionality between who gets matched and who is in need remains. The difficulty is: if CB is no longer universal, what provides the trigger for voucher issuance? This issue will need to be addressed by Government through a working group structure that will need to be convened if the ABC account or something similar is adopted.

The Importance of Assets

Asset ownership is a good that keeps giving. Its positive outcomes for individuals, families and communities are many and myriad. The assets agenda exceeds on almost every count a traditional welfarist approach that merely seeks to boost income. It has **positive psychological outcomes** on individuals and families, it enables people to be more self-directed and intellectually flexible, feel more confident about their present situation, more emboldened to take risks and more empowered to think and plan for a future they themselves might shape. Owning assets enables us to craft and enact a better life for us and our families.

It has **positive social outcomes**. Owning one's home, for example, increases the likelihood that individuals and families can develop valuable networks that can facilitate social capital. Stability enables association and as a result makes possible a bigger society, street by street and neighbourhood by neighbourhood. As such, it **promotes active citizenship** by increasing civic participation and political involvement.

Asset ownership is **directly related to economic well-being**. It provides economic security and the option to pass on wealth and opportunity to loved ones and so mitigate the inter-generational discrimination that those who are 'asset-poor' so evidently suffer. In addition, ownership gives equity and access to capital. It grants owners the capital to take positive risks, be it the costs of education or the monetary demand of a business start-up. It allows people to invest in themselves and each other and focus on enhancing their and their families' human capital, be it their educational level or the pursuit of a professional or vocational qualification. It **facilitates upward social and economic mobility**. The increased personal efficacy and future orientation derived from asset accumulation drives asset owners to take long-term self-improvement measures, such as getting a degree, gaining skills and improving one's work ethic.

Building on the Legacy of the Child Trust Fund

Simply put, the Child Trust Fund started people saving for children again. Since its introduction, child saving across all schemes and products has risen. We should acknowledge that asset building for children became a widespread reality in the UK through the introduction of the Child Trust Fund (CTF) in 2005, and it quickly became an internationally renowned example of a long-term tax-free savings and investment account for children, one which encouraged saving and promoted an understanding of personal finance. As announced by the new coalition government on May 24, 2010, the programme – applicable for children born on or after September 1, 2002 – is now being phased out.

During its relatively short lifespan, it enjoyed some real measure of success. In 2008/09, families saved for about 4.6 million children via the CTF, saving around £2bn in Child Trust Fund accounts. From the inception of the Child Trust Fund, approximately three quarters of parents actively opened accounts for their children within the child's first year. The average of contributions by family and friends made to CTF accounts amounted to £289 per year per account between 2002 and 2008. In the same period, the total value of contributions by parents and relatives to all accounts amounted to £278m.

Just under a quarter of all opened accounts were not initiated by parents but by the Government and thus became Revenue Allocated Accounts (RAA). All new parents were sent a voucher that they could take to any Child Trust Fund provider to open the account. In cases where the parents had not redeemed the voucher within 12 months, the Government used the allocated voucher to open an account for the child. The figures show that parental opening rates for families on low incomes were considerably less than for those on a higher income (nevertheless, the CTF remains the most successful savings product yet devised for the poor). This relatively lower participation rate was also true for single parent households. In addition, the more children that were living in one household, the more likely the household was to have an RAA. Having an RAA instead of an account opened by parents had certain problematic implications. If a family had an RAA, this account was more likely to have a lower value than the average of all CTF accounts because it was less likely to receive family contributions. If it was in receipt of parental contributions, these were likely to be lower than the average contribution. These were problems that needed to be addressed, and they demonstrated the obvious – though not insurmountable – difficulty of getting those on the lowest incomes to save.

That said, there is clear evidence that saving habits have changed positively since the inception of the Child Trust Fund and the Saving Gateway, a savings program piloted for households on low income. After the coalition announcement regarding the axing of the Child Trust Fund and the non-implementation of the Saving Gateway, we are now in danger of losing the positive legacy of these behaviour changes.

Evidence shows that asset-building policies are needed if one is to plug the existing 'savings gap', where the majority of people have made no provision to cover unexpected expenses and have either nothing or less than the recommended amount that would cover three months of expenses in savings. Since the inception of the Child Trust Fund, both CTF savings and non-CTF savings for children have risen steadily, which does indicate a positive shift to a more sustainable saving and spending pattern. Part of the promise of CTF was the hope that young people would engage more responsibly with their own financial matters, as they would have learned earlier about financial issues – not least by engaging with, or even managing, their own Child Trust Funds.

Despite the perceived deficiencies of the Child Trust Fund, mainly the relatively lower take-up and contribution rates of families on low income, it was a well-placed and well-constructed platform to boost savings and promote asset building. Certainly more could have been done to engage CTF savers with financial education through financial capability programmes. Despite the CTF's abolition, lessons can and should be learned from the Child Trust Fund years, as well as the Saving Gateway pilot schemes, and this experience should feed into any future policy on savings. This report attempts to learn exactly these lessons and construct from them a new augmented and extended savings policy for children: the ABC account.

Part One

1. An Unsustainably Low Level of Assets and Savings

An asset is a source of potential future income, whether the asset is cash in the bank, a house or an investment in a business. The focus of this policy paper will be on the effects of asset-building policies on savings, financial capability and the notion of citizenship. It reviews the legacy of the Child Trust Fund and the Saving Gateway, and analyses the need for a new saving strategy that builds on their legacy and extends and augments their purpose.

An Asset Crisis

To alleviate financial hardship, most Government policies have been focused on income measures, utilising either universal methods such as child benefit or targeted ones such as income support. Thus the modern welfare state as we know it has been primarily focused on raising levels of income across society, while trying to reduce income inequality at the same time. Ensuring that everyone has enough resources to sustain themselves and not fall into destitution at any given time is perhaps *the* fundamental responsibility of the welfare state. However, by approaching citizen welfare only through income measures, these interventions are short-sighted, as income is, by its very definition, a short-term measure limited to providing or guaranteeing a certain (often low) level of resources over a limited period of time, for example, while one is unemployed.

Relatively little attention has been paid to the generation and distribution of assets. Assets matter – for assets and asset welfare represent the distribution of economic resources which are sustained over time. Assets can take many forms, from liquid savings to home ownership to investments, in essence anything tangible or intangible that can be owned and exchanged. The important aspect of assets is that they represent ownership of a positive economic value. In contrast, a lack of assets means one is dependent on others. This can be either a dependency on income from employment (and thus depending on the employer), or in the case of unemployment, dependency on the welfare state.

The distinction between income, a short-term resource, and assets, a long-term resource, provides a powerful lens through which to assess success in delivering social justice and economic resilience. An **ownership approach to social policy** – where income is seen not only as an end in itself but as a means to building crucial assets and furthering economic participation – can challenge the startling asset inequality currently prevailing in modern Britain. Income support is necessary for people to just get by, but only assets can enable people to improve their circumstances over the long term.

Income and Asset Inequality

The Gini coefficient is an internationally accepted measure of equality, where 0 corresponds to complete equality, meaning that every person receives the same percentage of the total income, and 1 to the ultimate form of inequality, where one person receives all income and the others none. In 2007-2008, the Gini coefficient for net income in the UK was 0.36 on a scale from 0 to 1.[14] This compares unfavourably to other European nations – Germany had a mid-decade coefficient value of around

14. Brewer, M et al (2009), p. 25

0.29, the Netherlands: 0.26 and Sweden: 0.24[15] – as well as to Britain's historical rate, which has risen steadily from 0.25 in 1979, with the exception of a slight and fleeting reversal during the second term of the Blair government.[16]

Yet while income inequality is high, asset inequality is at shocking levels. The Gini coefficient for total household wealth (including private pension wealth) in the UK was 0.61 for the period of 2006-2008.[17] What does this mean in real terms? It reflects the harsh reality of British society today, where the wealthiest half of households holds 91 per cent of the UK's total wealth, while the other half has the remaining 9 per cent.[18] This disparity is even starker when focused on households' net financial wealth (formal and informal financial assets as well as children's assets minus any financial liabilities), as the bottom half of households in Britain owned 1 per cent of net financial wealth, compared with the top 20 per cent, which owned 84 per cent.[19] This is expressed in the Gini coefficient for net financial wealth, which stood at 0.81 for the period of 2006-2008.

For those without assets or capital, a permanent insecurity pervades their lives and limits their options. Over time a generational effect emerges, excluding those who own little or nothing from an asset culture. Moreover, this inequity transmits down the generations and condemns the children of those who are 'asset-poor' – and one suspects their children's children – to a permanent disparity that constrains their lives, tethers their mobility and haemorrhages their aspiration. This lack of capital resource can be so extreme that even a small financial crisis can tip a household into a ruinous credit and debt cycle. For example, those on the lowest incomes are forced into the hands of loan sharks for a shockingly small amount: on average, households borrow just £228 from doorstep lenders, and as little as this can push them over the edge.[20]

Worse, there is not only a savings and asset crisis but also a related debt crisis. Total UK personal debt at the end of April 2010 stood at £1460bn, up from £660bn over the last decade. Over 50 percent of England's teenagers are in debt by the time they are 17.[21] A 'buy now, pay later' mentality appears to pervade our culture. It reveals a deficit in financial capability that needs to be tackled urgently. This means equipping people with skills to manage their finances responsibly and effectively, plan for the future and competently navigate their way through the variety of financial products on offer to them. 'Financial capability' goes beyond financial literacy and education, as it focuses more on translating any acquired financial knowledge into beneficial behaviour and transformative practices. If we manage to tackle our debt culture at its root, we will build a more resilient and responsible society. Effective financial education, enhancing financial capability, is one of the cornerstones that will help found a new savings culture.

15. Trade Union Advisory Committee to the OECD (2008)
16. Brewer, M et al (2009), p. 29
17. Office of National Statistics (2009), p. xxi
18. Office of National Statistics (2009), p. xxi
19. Office of National Statistics (2009), p. xxii
20. The Financial Inclusion Centre (2010), p. 5
21. Credit Action (2010), Debt facts and figures, p. 1f, see http://www.creditaction.org.uk/assets/PDF/statistics/2010/june-2010.pdf

The Need for Asset-Based Welfare Policies

Over the last few years a new approach to social policy, welfare policy in particular, has started to gain ground both in the UK and internationally; known as 'asset-based welfare policy', it implicates Government in fostering saving and asset building to overcome asset inequality and its negative implications.

A lack of assets is more than just that. It is concomitant with low savings, high debts, and little financial capability – all of which creates a permanent sense of insecurity. Asset poverty is perhaps that aspect of inequality which most ensures that economic and social divides are maintained and indeed are passed on down the generations.

For the most vulnerable and asset-poor members of our society, any change in circumstances must mean that individual households start saving from their income again to create assets. Restoring a saving and asset-building culture is the first step towards creating a participative economy that leads to a genuine and stabilised ownership society with re-empowered and re-endowed citizens.

Implications and Outcomes of Asset-Based Welfare Policies

Income has been and still is regarded as the key indicator and determinative measure of poverty. Hence income support has been held to be the primary basis for poverty alleviation measures, as well as welfare policies. Recently, however, the intellectual foundations of such policies have increasingly been questioned.

Income and assets are evidently both economic resources, but they are equally clearly not the same in terms of their scope, impact and effects.[22] If poverty is indeed a multidimensional concept that reflects many different aspects of well-being,[23] then assets are about on-going and future security more than immediate need – such that an exclusive concentration on income supplementation neglects the asset effect and so can compound poverty even whilst claiming to alleviate it.

Even without the lens of the social scientist, it is evident that merely providing an income to the poorest members of our society does not always effectively and sustainably reduce poverty. People can be associatively-poor and housing-poor, even if their income is raised to within 60% of median earnings. Whatever the debate about Keynesian economics, people rather than states do not seem to be able to escape poverty by spending their way out of it; so raising income levels can and often does leave people just as dependent as before, albeit marginally better off.[24] In addition, if relative inequality is just as damaging as absolute, then raising income levels to catch up with an ever-accelerating median can never truly deliver.

Poverty alleviation needs a new approach. Regarded as a much more accurate indicator of the long-term economic security of families, asset welfare shifts the focus away from income towards wealth, or rather the lack thereof. Wealth denotes all manner of goods, be they a home and other real estate, business assets, or savings and investments.[25]

22. Oliver and Shapiro (1995), Sherraden (1991), Wolff (1995)
23. Haveman and Wolff (2005)
24. Sherraden (1991), Finlayson (2009)
25. Sherraden (1991), Haveman and Wolff (2005)

Asset poverty deprives individuals and families of the many benefits assets can have on well-being, in addition to the liquidity that realising assets can provide in times of economic difficulty. Research shows that increasing asset inequality is a pressing concern that warrants more immediate attention than income inequality. Asset ownership has a variety of beneficial outcomes that will be more unevenly distributed, exacerbating any existing inequalities in the population, if asset ownership inequalities continue to increase.[26]

In his influential work *Assets and the Poor* (1991), Michael Sherraden of the Center for Social Development at Washington University in St. Louis introduced the term 'asset-based welfare'. He advocated that welfare policies should be asset-based rather than income-based because welfare was a dynamic process; while income only revealed a family's financial position at a given time, assets unveiled the family's financial accumulation over a longer period, often a lifetime, and hence reflected financial welfare more accurately. By shifting the focus to assets, redistribution – or rather distribution – appeared as more than just an egalitarian measure. It appeared as one that would or could actually alleviate poverty by promoting beneficial behaviours, such as saving.

While income-based welfare policies sustain the poor, it has not managed to challenge their poverty. Income-based welfare often makes its recipients dependent and disempowered, whereas policies that encourage asset accumulation transform opportunity and behaviour alike, making people think about the long term, set future goals and explore the means to achieve them. Thus, income-based policies produce only welfare clients, while asset-based policies produce citizens who no longer need welfare. We should aim for a form of welfare that over time makes itself redundant, in which case welfare would actually be what was once intended – a trampoline to bounce people back into a sustained and sustainable life.

Sherraden (1991) demonstrates that asset ownership has **positive welfare outcomes** for individuals and families that go beyond potential consumption. These outcomes include the development of a future orientation, a foundation for risk-taking, and an increase in personal efficacy, social influence, political participation, children's wellbeing and overall household stability. This transformative power of asset ownership came to be referred to as the 'asset-effect'. The introduction of this concept in the arena of welfare policy marked a significant development, but its conception was not marked by unanimous acceptance.

Questions were raised in academic and policy circles about the role of assets, the outcomes it could produce, and if there was sufficient evidence to establish the existence of the 'asset-effect'. Investigating this 'asset-effect,' Bynner and Paxton (2001) categorised the asset ownership experience as 'accumulating an asset', 'possessing an asset', and 'spending an asset'; and the welfare outcomes as psychological, social and economic. Much of the academic literature on the issue relates to an exploration of the causal mechanisms behind these effects.

Research shows that asset ownership has **positive psychological outcomes** on individuals and families, in that it makes them more self-directed and intellectually flexible, more confident of their present situation, more emboldened to take risks and more empowered to think and plan for the future.[27] It increases people's sense of personal efficacy and life satisfaction and reduces the likelihood of depression and alcohol abuse.[28] The power and autonomy felt while holding assets is in stark contrast

26. Oliver and Shapiro (1995), Hills et al (2010)
27. Sherraden (1991), Kohn et al (1990), Yadama and Sherraden (1996)
28. Finn (1994), Rohe and Stegman (1994a, 1994b), Page-Adams and Vosler (1995), Page-Adams and Sherraden (1997), Bynner and Despotidou (2001)

to the feeling of being encumbered and restricted by debt. Owning and having decreases the incidence and intensity of negative stress, and consequently of stress-related disease, which may be a reason why asset ownership consistently demonstrates such a positive association with health.[29]

Asset ownership also has **positive social outcomes**. Homeownership, for example, increases household stability and thus increases the chances that individuals and families can develop valuable networks that can facilitate social capital, street by street and neighbourhood by neighbourhood. Saegert and Winkel (1998) found for example that deprived inner city estates that were owned by their occupants had higher levels of social capital. Galster (1987) showed that occupant owners were more likely than absentee owners to take care of and improve their residences, and owner-occupied homes had been the recipient of more spending on repairs and maintenance. This was even more evident in the case of the economically disadvantaged. Homeownership also makes people more interested in local politics and willing to actively engage with neighbourhood organisations and local political organisations.[30]

It thus **promotes active citizenship** by increasing civic participation and political involvement.[31] Assets are also linked to positive educational outcomes, with invested income and inherited wealth acting as *better* predictors of educational attainment than income[32] and household stability.[33] Hill and Duncan (1987) used data from the Panel Study of Income Dynamics to investigate the relationship between parental asset holding and the educational attainment of children. They found that assets affected educational attainment *much more* significantly than parental incomes.

Research shows that asset ownership is **directly related to economic well-being**. It provides economic security and grants its owners the freedom to take positive risks.[34] It allows people to invest in themselves and focus on enhancing their human capital development.[35] In his examination of New Labour's asset-based welfare policies, Finlayson (2009) stated that the promotion of homeownership aimed to create an asset-owning society that would be composed of "responsible yet risk-taking, financially independent yet economically ambitious individuals". Yadama and Sherraden (1996) found that savings and house values had links with positive attitudes and behaviours, such as efficacy, prudence, behaviour-correcting horizons and connectedness.

Asset ownership also **facilitates upward social and economic mobility**. The increased personal efficacy and future orientation derived from asset accumulation drive asset owners to take long-term self-improvement measures, such as getting a degree, gaining skills and improving one's work ethic.[36] This facilitates an increase not only in economic capital but also social capital and cultural capital, all of which collectively determine one's own and also one's descendants' position in the multidimensional social space envisaged and engagingly described by Bourdieu (1984). Asset ownership is thus a key determinant in vertical intra-generational and inter-generational social mobility. The relative lack of asset ownership is deemed to be a significant reason why a greater number of single mothers have lower economic status and lower economic mobility.[37] Single mothers accumulate fewer assets than

29. Robert and House (1996), Baker and Taylor (1997), Joshi and Macran (1991), Attanasio and Emmerson (2001), Pugh et al (1991)
30. Rohe and Stegman (1994a, 1994b), Rossi and Weber (1996), Kingston and Fries (1994)
31. Saunders (1990)
32. Green and White (1997)
33. Galligan and Bahr (1978)
34. Sherraden et al (1995), Page-Adams and Sherraden (1997), Scanlon and Page-Adams, (2001)
35. Zhan (2006)
36. Bandura (1997), Shobe and Page-Adams (2001), Cho (2001)
37. Zhan (2006)

the general population.[38] Rocha (1997) found that single mothers who owned homes and had savings were likelier to live above the poverty level than single mothers without such assets. Cho (1999) identified that asset-holding mothers were better off after marital disruption, as the assets not only acted as sources of income but also reduced their welfare dependency. Even among families that were dependent on welfare, research shows that those with assets fared better than those without, as they had greater economic security.[39] Also, parents who joined structured savings programs for the poor were more likely to plan for their own and their children's education.[40]

Finlayson (2009) showed that asset-based welfare is effective in **realising egalitarian goals**, not just through a redistribution of wealth, but more so through the incorporation of individuals within the mainstream financial system. It does so by opening up opportunities to enhance financial literacy in connecting people to mainstream markets. Through this it helps realise by degree what had come to be seen as achievable only through a massive and clearly utopic act of re-distribution.[41] Thus, asset-based welfare policies differ from asset-based egalitarian policies, such as that presented by Ackerman and Alstott (1999), who proposed that US$80,000 be given to every 'stakeholder', all US citizens, upon turning 21, and that they should be free to use it however they saw fit. Their proposal has been criticised for not being egalitarian enough, as it did not take into account the differences in people's talents and abilities to use the financial wealth, as well as for the risk posed as a result that those without a formal financial education might engage in 'stakeblowing'. Stuart White (2003) argued that the right to an asset imposed a reciprocal obligation upon the grant-recipient to use the asset well. However, by enhancing financial literacy, asset-based welfare policies emerge as a more effective means of achieving egalitarian ends than asset-based egalitarian policies. And in contrast to Ackerman and Alstott (1999), analysis of data from the National Child Development Study showed that modest holdings of assets, as little as £200 to £600, were sufficient to realise many of the positive welfare outcomes of asset ownership.[42]

Thus there is a substantial if not burgeoning academic literature establishing the potential of asset-building welfare policies to endow benefits on citizens that go wholly beyond sustaining low levels of income. It develops a future orientation in people, brings about an increase in personal efficacy, facilitates a rise in social capital, enhances household stability and instils in people a sense of active citizenship. It encourages and empowers people to think and plan long-term and make more responsible and beneficial choices, such as to invest in education, that would catalyse an improvement in their overall well-being and facilitate upward social and economic mobility. By acting as a safety net, asset ownership gives people a reasonable amount of power and autonomy, liberating them to take modest and responsible risks that could result in their long-term social and economic betterment. It provides people with the opportunities to chart out their own and their families' futures and be less dependent on external factors, such as state support. Consequently, it increases life satisfaction and lowers the risk of depression. By facilitating an increase in the size of social networks, it ensures the availability of adequate social support, lowering stress and reducing the likelihood of stress-related health disease. Asset ownership has significant positive psychological, social and economic outcomes and paves the way for a society that is truly better off.

38. Sherraden (1991), Bernheim and Scholz (1993), Carney and Gale (1999), Schmidt (2004), Yamokoski and Keister (2004)
39. Raheim and Alter (1995)
40. McBride et al (2003)
41. Levitas (2005)
42. Bynner (2001)

Part Two

2. Examples of Asset Building in the UK and Selected Countries

The Child Trust Fund and the Saving Gateway are the most recent examples for asset-based policies in the UK. The Right to Buy policy, the Homebuy scheme and the Shared Ownership programme are other examples, albeit with a particular focus on housing assets.[43]

The Child Trust Fund

The Child Trust Fund (CTF) is, or rather was, a long-term tax-free savings and investment account for children born on or after September 1, 2002. Child Trust Funds were first launched in January 2005 by the Labour Government, having previously been promised in their 2001 election manifesto, to encourage saving and promote an understanding of personal finance. Under the regulations – valid in this form until August 2010 – eligible children received a £250 CTF voucher to start their account, which they can then access when they reach 18. To qualify for the voucher, parents must be claiming Child Benefit for their child. Each year parents can add up to £1,200 to the account, for which no tax needs to be paid on the fund's gain. The government had planned to pay an extra £250 into the account when the child reached the age of seven (the 'Age 7 payment'). There were three types of CTFs available: stakeholder, non-stakeholder shares, non-stakeholder savings (cash option).

Children living in households where the household income threshold was below £16,190 (tax year 2010-11), and where the household received Child Tax Credit, received an extra £250 paid directly into the CTF account, making the government contribution to the children of the poorest £500 at birth. Similarly, when the child reached the age of 7 and the household was below this threshold, the child would have received an additional £250 pounds on top of the 'Age 7 payment', making the state contribution an extra £500 for the poorest on top of the £500 received by all account holders. Special arrangements had also been put in place for children living under the care of local authorities: they would receive £100 paid into their accounts for every continuous year that they are looked after by the local authority (in England and Wales) or the health trust (in Northern Ireland).

Currently, the Government intends to reduce government contributions for children born from August 2010 from £250 to £50 to children in better-off families; and from £500 to £100 to children in lower income families. It intends to stop all government contributions at age 7 and for HMRC to stop issuing new CTF vouchers from January 2011.

43. The *Right To Buy Scheme* allows social tenants in England and Wales to buy their council home at a discounted rate. To be eligible for this scheme, tenants need to have been a council or public sector tenant for five years. Although local authorities have always been able to sell their houses to their tenants, these types of sales only really became popular after Margaret Thatcher became Prime Minister and after being implemented as legislation with the Housing Act of 1980. The *HomeBuy Scheme* aims to give social tenants, key workers and first-time buyers a first step onto the housing ladder. The scheme offers products that allow buyers to acquire a home through methods such as: shared ownership with a housing association, buying a New Build HomeBuy property with the assistance of an equity loan, or paying reduced rent on a new build home for five years to help save for a deposit. HomeBuy was first introduced in 1999. *The Shared Ownership Programme* allows buyers to make an initial purchase of a 25 per cent share of a newly-built home, with the rest of the equity being held by the housing provider who levies a rental charge on the equity. Rent is then paid on the share that the buyer has not bought, and once the buyer can afford to do so they can buy more shares in their home – this is known as 'staircasing' – until they eventually own their home outright. 'Rent to HomeBuy' enables prospective purchasers to rent a new build property on certain sites at below-market rent. This below-market rent agreement is for a pre-specified period after which the buyer has the opportunity to buy the property on shared ownership terms. As these schemes are focussed on housing assets, we will not include them in the following assessment.

According to HM Treasury statistics, in 2008/09 families were saving around £2bn in Child Trust Fund accounts for 4.6 million children.[44] From the inception of the Child Trust Fund, approximately three quarters of parents opened accounts for their children within the child's first year, with an average of non-state contributions, i.e. by family and friends, made to CTF accounts of £289 per year.[45] The total value of contributions by parents and relatives was £278m for children born between April 2002 and April 2008.

The total cost of the Child Trust Fund scheme is £380m in 2009/10 (which includes the first 'Age 7 payment'), and it was forecasted to be £520m in 2010/11 (which includes an additional £100 per year for disabled children and £200 for severely disabled children), if the regulations had remained in force.

Twenty-three percent of all accounts (children born September 1, 2002 to April 5, 2008) are not opened by parents[46] and thus become Revenue Allocated Accounts (RAA). These were invested by the Government where the parents did not redeem the voucher within 12 months. In other words, if parents did not open a CTF account for their child, the Government stepped in and opened one for them. The figures show that parental opening rates for families on lower incomes were considerably lower than for those on a higher income. Thirty-three percent of accounts receiving the additional payment of £250 were RAAs, opened by the Government, compared to 18 percent of accounts that were not receiving the additional payment.[47]

There were also variations in the opening rates across the country (see table below for children born between Sept. 1, 2002 and April 5, 2008), with 30 percent of all accounts being RAA in Northern Ireland, in England 22 percent, Wales 24 percent, Scotland 28 percent, and London 23 percent;[48] all these figures decreased for the period from April 6, 2007 to April 5, 2008, a sign of ongoing success.

	Children born Sept. 1, 2002 to April 5, 2008				
	Wales	Scotland	Northern Ireland	England	London
Number (in 1000s)	179	297	123	3332	574
of which RAA (in 1000s)	43	82	37	741	132
RAA in percent	24	28	30	22	23
	Children born April 6, 2007 to April 5, 2008				
	Wales	Scotland	Northern Ireland	England	London
Number (in 1000s)	30	49	20	557	97
of which RAA (in 1000s)	6	11	5	95	16
RAA in percent	20	22	25	17	16

44. See http://www.hm-treasury.gov.uk/press_101_09.htm
45. HMRC (2009a), section 2, first table
46. HMRC (2009a), section 2, first table
47. HMRC (2009a), section 2, second and third table
48. HMRC (2009a), section 1.2, first and second table

The following table shows the market values for the CTF accounts, valued in 2007/08, for children born in the tax year 2006/07 and for children born between September 2002 and April 2003. [49]

CTF: Market Values, valued 2007/08			
Average market value by child's year of birth and tax year, in £			
Children born in tax year 2006/07 (in brackets: born Sept 2002 to April 2003)			
	All accounts	Accounts with additional gov payment	Accounts without additional gov payment
Parent-opened	442 (638)	476 (714)	433 (603)
RAA	336 (428)	416 (555)	254 (310)
All accounts	421 (585)	453 (660)	408 (543)

Those accounts that did not qualify for an additional payment by the Government on opening the account (right column) are in receipt of substantial contributions if opened by the parent. However, RAA accounts did not do well: five years after the account was opened by the government, the value was only £60 higher than the original £250 provided by the government. Similarly, although the absolute value of the accounts with the additional government payment (middle column) was of course higher in absolute terms (£555), this was only £55 more than the initial investment. It is not possible to say to what extent this was due to fluctuations in the underlying investment value, but lack of contributions to RAAs certainly plays a role.

Engagement of parents with the Child Trust Fund is therefore clearly vital. Very low or no engagement at the start of the Child Trust Fund is correlated to low engagement *throughout* the entire life period of the product. As parental engagement is the key to the success of the Child Trust Fund, more work should have been done to facilitate or encourage it. For families on low income this is of particular importance.

The majority of all CTF accounts are stakeholder accounts. Only 20 percent of stakeholder accounts that were opened by parents and were in receipt of the additional government payment received an additional non-government contribution. In 2008-09 the average value of this contribution was £179, an increase of £7 compared to the previous year.[50] However, only a meagre 1.1 percent of stakeholder accounts (5,000 accounts out of 423,000) that were both RAAs and in receipt of the additional government payment received such an additional non-government contribution. The average amount was £167. Those who do manage to contribute make a contribution almost as high as the one made on the accounts opened by parents (£179). But the very small number of those who do actively save is genuine cause for concern.

49. HMRC (2008), section 3
50. HMRC (2009a), section 2, second table. Figures here are based either on HMRC (2009a) or HMRC (2008), unless otherwise stated.

In stark contrast, this contribution figure of 1.1 percent increases to 37 percent of all placed stakeholder accounts opened by parents and not in receipt of the extra government payment. The average value of the contribution was £295 annually, an increase of £10 compared to the previous year.

All accounts receiving the additional payment award had an average contribution of £180 per year (13% of all these accounts had contributions); all accounts not receiving the additional payment award had an average contribution of £313 per year (30% of these accounts had contributions). All accounts together had an average contribution of £289 per year.

To summarise, if a family had an RAA, this account was more likely to have a lower value than the average of all accounts because it was less likely to receive parental contributions; and if it was in receipt of parental contributions, these were likely to be lower than the average contribution. But which families were more likely to have an RAA? A family was more likely not to open the CTF if it was on very low income, if it was a single parent household (31 percent compared to 17 percent of couple families have an RAA) or – as shown above – if the household was in Northern Ireland, Scotland or Wales. The number of children is also a factor (see table below).[51] The more children are living in one household, the more likely it is for the household to have an RAA. For example, only 17 percent of households with one child have an RAA, whereas 37 percent of households with 5 or more children have one.

Number of children in household	1	2	3	4	5+
RAA in percent	17	20	27	32	37

However, all accounts together would have had a tremendous impact on the future economy. For example, accounts without the additional payment award receive £250 at birth and the age of 7; based on average contributions of £288 per year (as was the case in 2007/08) and a 7 percent per annum growth (minus charges), each account would amount to about £9,750 at maturity.[52] Based on the assumption that 50 percent of young people will achieve this, £3.5bn will enter the productive economy in 2020 and yearly thereafter. Now the Child Trust Fund is scrapped for future children. The ability for them to save will be lost unless we have a renewed approach to the CTF infrastructure, creating an even more efficient focus on encouraging savings for children. Also, and perhaps most importantly, there is clear evidence that saving habits have changed positively since the inception of the Child Trust Fund, as well as in the areas where the Saving Gateway was piloted. This will be explored in more detail below. After the coalition announcement regarding the axing of the Child Trust Fund and the Saving Gateway, we cannot lose these positive behaviour changes but must instead build on them as a legacy that must not be wasted.

51. HMRC (2008), sections 6-8
52. Own calculations

The Saving Gateway

The Saving Gateway programme, which was supposed to be rolled out nationwide in July 2010 and is now being abolished, was designed to help people on low income to kick-start a saving habit by employing matched funding as an incentive. Proposed in 2001, the Saving Gateway was piloted in East Yorkshire, Cambridge, Cumbria, East London, Manchester and South Yorkshire for 18 months beginning in 2005. Eligible savers were recruited by local organisations or by a letter of invitation, which resulted in 22,000 accounts being opened. Nearly one-third of people who joined the Saving Gateway (some 7,300 individuals) did not have a savings account at all before joining. Account holders were able to save up to £25 a month, with the government contributing £1 for each £1 saved at the end of the 18-month period.[53] Individuals were able to withdraw savings should they need to at any point without affecting the government top-up earned up to that point. An individual was eligible for the Saving Gateway scheme if s/he was in receipt of certain benefits.[54]

A report evaluating its effectiveness stated that the scheme "was highly popular with research participants, many of whom reported a number of positive outcomes and benefits from taking part. Significant proportions saved for the first time and continue to save even after the scheme ended (61 per cent continue to be regular savers, and 60 per cent agree they save more regularly as a result of taking part in the scheme)".[55]

The majority agreed that they had learnt specifically about how interest rates and banks operate and agreed that their knowledge of financial products had increased as a result of the scheme. Attesting to the popularity of the pilot, 98% would open another Saving Gateway account if offered and 99% would recommend it to a friend.[56]

Nearly four in five said they understood the rules of the scheme. Although participants had suggestions to improve the scheme (one in nine suggested making the account length longer and one in eleven would expand the choice of the banks or building societies offering the scheme), half would change nothing about the product.[57]

The Saving Gateway scheme generated both new savers as well as new savings. Among participants, the number of people saving regularly quadrupled and the amount they saved doubled. There was also evidence that the scheme led to changes in saving behaviour even after the end of the pilot. Ninety-one percent of participants still had a savings account with money in it, and 41 percent of participants were still saving three or more months after the pilot finished. Thirty-two percent of participants said that they were more likely to plan for retirement. An evaluation of the programme states that the 'matched funding' element was the main reason for participation in the scheme. In some cases people had to be convinced that this element was genuine. **The report concluded that the matched funding strategy was the key determinant of the scheme's success and the most significant incentive for people to increase savings.**[58] Given the benefits that claimants had to have to be eligible, the success of the scheme indicates that matched savings even for the very poorest can have considerable success.

---

53. This 1:1 matching applied to the first pilot. In the second pilot, different matched funding amounts were used. The nationwide Saving Gateway that was supposed to be introduced from July 2010 but has been abolished would have seen a 50p match for each £1 saved.
54. These benefits are: Income Support, Jobseeker's Allowance, Incapacity Benefit, Employment Support Allowance, Severe Disablement Allowance, Tax Credits, Carer's Allowance.
55. IpsosMori (2009), p. 4
56. Ibid., p. 6
57. Ibid., p. 6
58. Kempson, E et al (2005), p. 37f

Interestingly and most instructively, a second pilot, running in different areas for 18 months between 2005 and 2007 tested alternative match rates (£1 Government contribution per every £1, £2 or £5 saved), different monthly contribution limits (£25, £50, £125), and the effect of an initial endowment (£50).[59] A first evaluation shows that savers in Cambridge had a low level of added benefit per pound (20p) and were less positive about the impact of the scheme. They felt that it had little impact on their attitudes or behaviour. In contrast, Cumbria savers had a mid-range match value per pound and were more likely to show that they had developed a positive saving behaviour (planning ahead) as a result. So far, so expected; those with a higher matched funding amount seem to be more engaged and enthusiastic about the scheme. However, East London and Manchester samples were given different amounts for each pound saved: with 20p for East London savers and £1.00 for Manchester savers. But interestingly, the impact was similar in each place, as both groups were less likely than average to continue saving or investing at the end of the scheme.[60]

As such, the amount matched for each pound saved is not the only key variable. **Social context** also seems to play a role in influencing **saving behaviour**. East London and Manchester had comparable sample group characteristics prior to the scheme taking place: in both places there were low levels of savings and investments – such as in savings accounts, Individual Savings Accounts (ISAs), premium bonds, stocks and shares – prior to the scheme and a high concentration of single adults and single parent families.[61] The low level of savings and investments seems to indicate a strong prevalence of financial exclusion. The clear lesson to draw is that engagement and financial inclusion programmes that accompany the Saving Gateway programme seem to be necessary for its success, especially among the disadvantaged. **This strongly suggests that financial matching is not the only driver of successful saving, particularly amongst the poorest people.** All the above bodes well for a new savings platform specifically designed to engage and encourage participation and context-changing activity.

International Examples of Asset-Based Social Policies

International studies, including in the US, Canada, Australia and Singapore, have demonstrated the ability of asset-building policies to build an economic base from which all manner of positive social outcomes can be supported or enhanced. Specifically, economic security and ownership fosters increasing individual responsibility and the social and moral aspects of citizenship. Although international approaches vary, the potential to build many different types of assets fed from one single financial well is clear: individuals can accumulate financial capital by saving into an account, which can then be invested in education – building human capital – or enable them to buy a home, the acquisition of physical capital. By taking part in financial capability training – a key element to asset-building policy in the US, Canada and Australia – individuals can again create human capital, interacting with community-based organisations that deliver the financial training, thus contributing to a wider educative shift and the various behavioural nudges that can shift long-term behaviour and change habits.

59. IpsosMori (2009), p. 8
60. IpsosMori (2009), p. 8
61. IpsosMori (2009), p. 18

The United States

In the United States, the implementation of asset-building policy has been described by Sherraden (2003) as a shift from the social welfare state to the social investment state.

The *America Saving for Personal Investment, Retirement, and Education Act* of 2010 (ASPIRE) intends to encourage savings, promote financial literacy, and expand opportunities for young adults by establishing a Lifetime Savings Account for every newborn child.[62] The set-up is that for every new account a contribution of $500 from the government will be transferred automatically. A one-time supplemental contribution of up to $500, as well as a one-to-one match on private contributions, is given until the child reaches the age of 18, provided their household income is below the national median income. This match is phased out for account holders with household income between 75% and 100% of national median income, with households on an income below 75% of national median income receiving the full match. However, private and voluntary contributions are capped at $2,000. This is the maximum amount that can be paid in each year until the account holder reaches the age of 18.

Match-funded *Individual Development Accounts* (IDA) under the Personal Responsibility and Work Opportunity Recognition Act of 1966[63] – with savings at the heart of this approach – are used for purposes including education, home ownership and business capitalisation. Although initially delivered through community programmes – the American Dream Demonstration, under the auspices of the Corporation for Enterprise Development and supported by 11 foundations – scaling up to the federal level seems to be the next evolution of this policy approach. Sponsoring organisations such as non-profit or state and local government agencies offer these programs in partnership with financial institutions.[64] The partnerships operate as regional or national programmes. The sponsoring organisations acquire sufficient funds and they administer the programme. The financial institutions have to hold the participant's accounts and may also support the program through grants to the sponsoring organisations or contributions to the match fund accounts.

Currently, the *Corporation for Enterprise Development* (CFED), a national nonprofit 'think and do tank' focused on expanding economic opportunity for low-income families and communities, works actively to promote public policies that would expand savings and asset-building opportunities to millions of new accountholders and lobbies for legislative changes.[65]

Under Barack Obama, the *Savings for Working Families Act* (currently awaiting joint approval by the House of Representatives and the Senate[66]) and the *Economic Recovery Act* of 2008 – including grants for community organisations used for asset-building programmes such as Assets for Independence (AFI), a Federal program that provides for IDA projects, children's savings accounts, Individual Retirement Account (IRAs) and savings bonds purchases – are the latest manifestations of asset-building policy. Financial literacy programmes, as a prerequisite, are delivered by a wide range of typically non-for-profit organisations such as social service agencies and faith-based providers, and financial institutions like credit unions and community banks.

---

62. See for details http://www.newamerica.net/publications/policy/aspire_act_bill_summary. The Bill has currently been introduced in the 111th Congress as H.R.4682 on Feb. 24, 2010, with companion bill S.3577 introduced in the Senate on July 14, 2010.
63. See the Library of Congress, http://thomas.loc.gov/cgi-bin/query/z?c104:H.R.3734.ENR:
64. Individual Development Accounts (2009), Community Affairs Development, http://www.occ.treas.gov/Cdd/Individual%20Development%20Ac-counts_FS.pdf
65. See http://www.cfed.org/
66. The Savings for Working Families Act of 2009 (H.R.2277/S.985) was reintroduced in the Senate and the House of Representatives. The revised bill authorises funding for an additional 2.7 million IDAs and provides $120 million to non-profit organisations to provide financial education. See for more details http://capwiz.com/idanetwork/issues/alert/?alertid=13276751

From the US experience, and most interesting for us, Sherraden notes that individuals on low income, under the right conditions, save at a higher rate than those on greater incomes. Long-term social development occurs *primarily* through asset accumulation and investment.[67] And while the income-based policy associated with the social welfare state is thought to stifle economic growth, the social investment state – by promoting the holding of assets – can overcome the trade-off between growth and wealth redistribution, by allowing citizens to finally escape dependency and again contribute to the long-term growth and social development of the country.[68]

Canada

The *Canada Education Savings Program (CESP)* is the administrative body for two federal programmes aimed at encouraging savings for a child's post-secondary education, the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB).[69] Both programmes use the Registered Education Savings Plan (RESP), a tax-deferred savings account.

The Canada Education Savings Grant (CESG)
The CESG is a grant based on the amount contributed by the household to a child's RESP. Independent of the household's income, the government contributes a basic CESG of 20 percent of annual contributions that are made to an RESP by parents. The maximum CESG is C$500 for each recipient per year, capped at a lifetime limit of C$7,200. The government will also pay an additional CESG amount for each qualifying recipient. This additional amount is based on the net family income. A recipient qualifies for a grant on the contributions made on his or her behalf before the end of the calendar year in which they turn 17. If the recipient does not pursue post-secondary education the CESG is returned to the government.

The Canada Learning Bond
The government provides an additional incentive of up to C$2,000 to help modest-income families save for their child's post-secondary education. The Canada Learning Bond (CLB) money is deposited directly into the child's RESP. For families entitled to the National Child Benefit supplement, the CLB provides an initial C$500 to children born on or after January 1, 2004. To help cover the cost of opening an RESP for the child, the government pays an extra C$25 with the first C$500 bond. Thereafter, the CLB also pays an additional C$100 annually for up to 15 years for each year the family is entitled to the NCB supplement for the child. As with the CESG, if the recipient does not pursue post-secondary education, the CLB is returned to the government.

In addition to these two federal programs, the organisation *Social and Enterprise Developments Innovations* (SEDI) is one of the principle institutions delivering asset-building programmes for low-income Canadians. Its initiatives involve a combination of money, investment education and financial training, with a focus on linking low-income individuals and communities with local non-profit agencies and financial institutions. SEDI programs and research are funded by a large number of national and international public and private sector sources.[70]

---

67. Sherraden (1988, 1991)
68. See Sherraden, M (2003)
69. See the website of the Canada Revenue Agency for details, http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/resp-reee/cesp-pcee/menu-eng.html (accessed June 19th, 2010)
70. A list of sponsors can be found on http://www.sedi.org/html/faq/

The *Individual Living Account*, launched in 2004, was designed to assist those living in transitional housing, such as shelters, to access the private rental market and rent their own place. Participants in the scheme were provided with financial training and access to matched funding. This allowed them to save for first rent deposits and other rent-related expenditure. The 192 participants in the project saved over C$33,000 and leveraged almost C$79,000 in matched contributions.[71]

Another programme, *Home$ave* makes provisions for home ownership. The Home$ave project was undertaken by a non-profit organisation in Toronto in 2002, “to validate the assumption that low-income individuals will respond to financial incentives to engage in a range of activities related to housing”.[72] Over 2,000 participants have opened an account since January 2003.[73] According to the 2002 project, within the first year of evaluation, five participants bought a house and many participants appreciated the financial training.[74]

Under a scheme called *Learn$ave* (“learning to save, saving to learn”) – which ran from 2001 to 2009 – a basic financial product was made universally available, but was enhanced at the community level by non-profit agencies with a range of different skills. The Learn$ave project started to encourage savings for education or training in order to secure a future of financial stability.[75] A requisite number of people were recruited and given financial management training.[76] Learn$ave matches the savings that participants put aside in an Individual Development Account. For every one C$1 deposited C$3 dollars are saved in these accounts to a maximum of C$1,500.[77] Such an asset-building policy with a focus on learning also responds to the challenge of individuals being required to re-skill throughout their working lives. In addition, as noted by Robson and Nares, “increased social capital may in fact be an important secondary outcome of asset-based policy as those with assets appear to enjoy greater social influence and engagement in their community”. [78]

Australia

In Australia, the well-being aspect of asset building has been emphasised and now forms a key part of welfare policy.[79] With a combination of grants and direct funding, and tax exemptions and concessions, the Australian Government has committed to building a socially inclusive society through assets, taking the form of housing and superannuation, or retirement plans. The authors of the report “Assets for all? A review of the Australian Government’s A$77 billion support for asset building” argue that, in addition to providing financial assets that enable access to other types of asset such as human and physical capital, savings and assets offer security and contingency for unexpected financial vulnerability. This addresses what Robson (2006) terms, “the financial adage that we should all have at least three months current living expenses in liquid financial assets.” [80] Asset building can then act as a preventative measure against the unexpected circumstances that can often precipitate poverty.

71. Spence, A, (2007) Towards a new perspective on hunger & poverty in Ontario, Discussion paper, Ontario Association of Food Banks (OAFB), p. 32
72. Home$ave (2003): Building Investments in Housing Assets, Socio-economic series, April 2003 p.1
73. Home$ave (2003), p.2
74. Home$ave (2003), p.3
75. Leckle, N et al (2008) p.14
76. Lecke, N et al (2008), p.30
77. Lecke, N et al (2008), p.6
78. Robson, J and Nares, P (2006), p. 30
79. Brody, G and McNess, E (2009), p. 7
80. Robson, J. (2006), p. 32

Saver Plus is a successful asset-building program for people on low income. It is a matched savings program developed by a number of community organisations in partnership with the Australian and New Zealand Banking Group Ltd (ANZ). On joining Saver Plus, participants are invited to join 10 hours of financial education workshops explaining basic money management. They are advised to make regular deposits to their account over a 10-month period until accountholders reach their initial goal. ANZ works in partnership with the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs to fund Saver Plus.[81] ANZ matches accountholders' saving one-to-one up to A$500.[82] Saver Plus has been evaluated and has shown positive results. Nearly all participants reported positive experiences. The vast majority had decreased levels of debt during the programme and continued to save, even 24 months after completing the programme.[83]

Singapore

In Singapore, three schemes are aimed at children and their parents: the *Baby Bonus Scheme* (a lump-sum cash gift and a Children Development Account) for children from birth to age 6, *Edusave* for children at school age, and *Post-Secondary Education Accounts* (PSEAs), available for young people aged 7 to 20. Another possibility for asset building is through the *Central Provident Fund* (CPF), which facilitates social and retirement security. The CPF Scheme performs four main functions: retirement, healthcare, homeownership, family protection and asset enhancement.

The Baby Bonus Scheme – A Cash Gift and a Children Development Account

The Baby Bonus Scheme was first introduced in 2001 and enhanced in 2004.[84] Four years later, in 2008, it was enhanced again with increased benefits to encourage Singaporean parents to have more children.[85] Available for all children born on or after August 17, 2008 to married parents (there are slightly different regulations for children born before that date), parents are offered up to S$4,000 in the form of a cash gift for their first and second child, and S$6,000 for their third and fourth child (but no cash gift for subsequent children), paid into a savings account. In addition, parents can contribute to a Children Development Account (CDA). They can save any time, until December 31st of the year the child reaches the age of six. Parental contributions are matched by the Government one-to-one up to the cap of S$6,000 each for the first and second child, S$12,000 each for the third and fourth child, and S$18,000 for the fifth and any others following after that.[86] Money saved can be used for child care purposes, special education, early intervention programmes, medical expenses and medical insurance. Unused balances are transferred to the PSEA when the child enters primary school.

The Edusave Scheme

The Edusave Scheme was the first of the asset-building policies in Singapore. Introduced in 1993, it aimed at maximising opportunities for all children in Singapore. The scheme is funded by the Edusave Endowment Fund, established by the Singaporean Government. Its interest earned goes towards the

81. http://www.anz.com.au/personal/accounts/help-select-account/concession-card-holders/saver-plus/?pid=grm-hb-hp-mar10-dollar
82. See http://www.anz.com/about-us/corporate-responsibility/community/financial-literacy-inclusion/programs/saver-plus/
83. Brody, G. and McNess, E (2009), p. 9
84. Children Development Co-Saving (Baby Bonus) Scheme, https://www.babybonus.gov.sg/bbss/html/index.html May 2010
85. Ibid
86. Ibid

Edusave Scheme to pay for educational grants and school-fees.[87] All Singaporean children who are studying full-time are automatically given an Edusave account and receive a yearly contribution from the government's Edusave Pupils Fund.[88] From 2009, the government contributes S$200 and S$240 to the Edusave account of each eligible student at primary and secondary levels respectively. In addition, there are other Edusave programmes such as grants, scholarships, funds and awards. When the child reaches the age of 16 and is no longer studying, the remaining Edusave balance is transferred to the child's Post-Secondary Education Account (PSEA).[89]

Post-Secondary Education Account

The Post-Secondary Education Account (PSEA), created in 2005, is available for each child to help families with expenses related to post-secondary education. The government aim is to encourage families to invest in the future education of their children. When the child reaches the age of seven, a PSEA is automatically opened for him/her, provided the child in question has a CDA balance (under the Baby Bonus Scheme) to be transferred.[90] Depending on the parents' annual household value (and the government finances), children between the ages of 13 and 20 receive a lump sum of S$200 or S$400 (in 2009) from the Government. For children between the ages of 7 and 12, the amount is S$200 or S$100[91] to reflect the fact that they have more opportunities for Government top-ups in the future. If the parents have not already saved up to the CDA contribution cap, they can continue to contribute to the PSEA and receive the government's top-up until the contribution cap is reached (or until the child turns 18 years old, whichever comes first). Currently, the combined Government contribution for the PSEA and CDA is capped at S$6,000 for the second child and S$12,000 (in 2008) for the third and fourth child. Unused balances at the age of 30 are transferred to the Central Provident Fund.

Central Provident Fund

The Central Provident Fund (CPF) is a social security savings plan, promoting security and confidence for working citizens in their old age. The benefits of the CPF include: retirement, healthcare, homeownership, family protection and asset enhancement. There are three accounts to which working Singaporeans and their employers can make monthly contributions: 1) Ordinary accounts – used for housing, investment and education, 2) Special accounts – for retirement investment, and 3) Medisave accounts – used for hospitalisation and medical insurance.[92] According to Loke and Cramer (2009), at the policy level, "the CPF is an integral part of the continuum of asset-based policies beginning at birth and extending over the entire life course, which has evolved into a life-long comprehensive social security savings plan and provision". While it features separate asset-based policies targeted at different age groups, and with various purposes, the policies are integrated into a single, multi-purpose, and coherent larger system of asset building "where monies held in the various accounts flow seamlessly from one to another".[93]

87. Overview of Edusave Scheme: Ministry of Education, http://www.moe.gov.sg/initiatives/edusave/
88. Prior to 2004, only the first, second and third child were eligible for the Edusave account and prior to 2009 only students between the age of 6 and 16 were eligible for the annual Edusave contributions.
89. Frequently asked questions: http://www.moe.gov.sg/initiatives/edusave/faq/#leave-school
90. Ministry of Education, http://www.moe.gov.sg/initiatives/post-secondary-education-account/eligibility-and-usage/#eligibility
91. Ibid
92. Central Provident Fund, Saving for Retirement, http://mycpf.cpf.gov.sg/CPF/About-Us/Intro/Intro.htm
93. Loke and Cramer (2009), see http://www.newamerica.net/publications/policy/singapores_central_provident_fund

Conclusion

Matched funding is a key variable in international programmes to incentivise people to save successfully. It is either complemented by automatic enrollment (Singapore), or by a strong focus on **financial capability programmes** delivered by not-for profit organisations, which strengthens community involvement (USA, Canada, Australia). Investment education and financial training, with a focus on linking low-income individuals and communities with local non-profit agencies and financial institutions, is widely seen as an important, perhaps even decisive, addition to asset-building products, especially for those who are most financially disadvantaged. In contrast, automatic contributions that accept people's inertia, rather than using education to alter and change their behavior, assume that saving can be achieved by making it mandatory. More preferable is the other approach, where **working partnerships** between community organisations, local and national government and the financial industry provide the essential route to sustainable funds that promote financial capability and guarantee matched savings for people of low income and little or no wealth. Thus we feel that there is ample evidence that a new civic savings platform that engaged savers and provided a portal for financial engagement and education could – with a facility for matching – make a significant contribution to our country's savings infrastructure.

Part Three

3. What is the Legacy of the Child Trust Fund?

A Boost in Savings

According to the FSA, 70 per cent of people have made no personal provision for a drop in income, and 55 per cent do not think they have sufficient provision to face an unexpected expense.[94] This has left individuals with no protection from the unforeseen and little or no provision for the predictable. To supplement this lack of forward planning, a costly national reliance on credit to fund daily expenditure has developed. As a rule of thumb, in line with standard government advice which recommends saving "enough money ... to cover three to six months' living expenses",[95] people are generally advised to have *at least* three month of household income in savings, for rainy days, illness or unexpected circumstances.

According to FSA reports, young people aged 15-19 show little interest in financial matters (as opposed to just spending money)[96] and are not successful in accumulating savings: "Saving was thought to be a good idea in theory, although each young person had a different level of practical success, as all liked the idea of spending money, having a good time and keeping up with fashion".[97] This is worrying for a number of reasons. Habits are formed at a young age, which means that negative attitudes towards saving may have long-term behavioural implications. Moreover, in the UK, this age group of 15 to 19 year-olds starts earning earlier than in other countries,[98] underlining a need to develop a savings culture early so that this cohort does not fall into debt as it ages. The Child Trust Fund allowed young people between the ages of 16 and 18 to manage their fund themselves, and we recommend that this facility be extended to the ABC accounts and indeed made available to younger children under appropriate parental or school supervision.

As can be expected, saving is lowest in households on low income. For example, 44 percent of households with a weekly income under £200 have zero savings, whereas only 18 percent of households with a weekly income of £800 to £1000 have no savings.[99] However, results from the Saving Gateway clearly show that people on low income can and do save if encouraged, and engaged matched funding clearly pays a role, as does enrolment in financial capability programmes.

And once people start to save, it becomes a habit, and its depth and range increases. For example, the contributions to the CTFs have been rising steadily. The average contribution (all accounts) from parents and others rose from £258 per year (2006/07) to £279 (2007/08) and to £289 (2008/09). The average contribution (accounts receiving additional payment awards) from parents and others increased from £155 per year (2006/07) to £172 (2007/08) and to £180 (2008/09). The average contribution (accounts *not* receiving additional payment awards) from parents and others rose from £282 per year (2006/07) to £302 (2007/08) and to £313 (2008/09). [100]

94. FSA (2006), p. 14
95. See http://www.adviceguide.org.uk/index/your_money/money_management_index_ew/savings_index_ewsni/ about_savings_index_ewsni/can_i_afford_to_save_and_how_much.htm#look_at_your_budget
96. FSA (2004), p. 12
97. FSA (2004), p. 39
98. Kirsinova, T and Sefton, J (2006), p. 40
99. DWP (2009), Family Resources Survey, Table 5.12, p.92
100. HMRC (2008), section 2 and HMRC (2009a) section 2

In all categories the average contribution is always lower in the RAA sub-category, which shows that parents who are not engaged from the start are less likely to contribute; and if they do contribute, it is a smaller amount of money. For example, for all accounts, the average contribution for accounts opened by parents is £280 (2006/07) and for RAAs it is £232 (2006/07).

Results from questions in a Children's Mutual tracker study show the impact of the CTF on savings behaviour. In response to the statement "*The Child Trust Fund has encouraged me to start saving for my child's future*", of those who expressed an opinion, 86% of ABC1 and 94% of C2DE agreed or strongly agreed.[101] This is a very positive result, in particular for those groups who tend to be on a lower income: the CTF clearly has had a positive influence on their savings behaviour.

Child Trust Funds seem to have encouraged savings for children in general, not only in the CTF. Non-CTF children's savings accounts have been monitored to see if there has been any change. According to Nationwide Building Society, the balances in children's savings accounts have increased by over 72% in the last six years, based upon balances in children's SMART accounts from March 2002 compared to April 2008.[102] Contributions to NS&I's children's bonus bond have declined by £12m when comparing 2005/06 and 2008/09; premium bonds, however, another popular home for long-term children's savings, have increased by £755 million over the same period.[103] Mintel surveys on children's savings show that between 2003 and 2007 there was a significant increase in the number of adults saving for their own children, from 13% in 2003, 16% in 2005 to 25% in 2007. [104] It looks as if parents have started saving for siblings who have missed out on the Child Trust Fund. Since the inception of the CTF, more parents save more for more children. With the CTF alone, more than 2 million parents actively save for over 1.2 million children.[105] There is an unprecedented opportunity to build on the legacy of the CTF and extend its import through a wider programme of incentivisation and a deeper engagement with financial capability programmes.

Prior to the CTF, only 18% of children were having regular, long-term savings made for them.[106] The CTF industry average is now 31%, rising to almost 50% with more engaged providers.[107] However, 100% of eligible children received a fund thanks to the existing government infrastructure of automatic enrolment. Obviously, we argue that this should be continued so that this legacy of involvement and saving is not squandered.

Prior to the inception of the CTF, the average amount being saved each month into a The Children's Mutual Baby Bond was £15. The average direct debit payment made by parents into CTFs held with The Children's Mutual is now £24 – an increase of 60 percent. Of the families whose income levels would put them "just above welfare dependency", 30 percent of their children's CTF accounts are having money saved into them every month.[108] In addition, families in the lowest income bracket save a higher proportion of their household income for their children than those in more affluent groupings. Low income families who set up a direct debit pay 1.14 percent of their gross household income into the Child Trust Fund, whereas the most affluent group pays 0.76 percent of their gross

101. A refers to higher managerial and professional, B to intermediate managerial and professional, C1 to supervisory and junior managerial level, C2 to skilled manual workers, D semi-skilled and un-skilled manual workers and E refers to casual workers and those living mainly on state benefits.
102. Nationwide research, see http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1269
103. See NS&I Annual Report 2005-06 and 2008-09, see http://www.nsandi.com/about/financialinformation
104. Mintel Research, see http://reports.mintel.com/sinatra/reports/index/&letter=19/display/id=219190&anchor=a219190/display/id=309373
105. Based on 5,005,000 vouchers issued since the scheme started and 24 percent of accounts being contributed to.
106. Industry research The Children's Mutual
107. Industry research The Children's Mutual
108. Analysis from Family Investment, based on 300.000 CTF accounts. However, looking at all CTF accounts, only 13 percent of all accounts in receipt of the additional government payment are contributed to on a regular basis.

household income.[109] Because the poorest are often those with irregular income and minimal deposits, they are rightly very wary of the costs associated with failing to make a direct debit payment; a safer option would be to allow automatic payments at source from weekly wages or monthly salaries. Making deducting at source a right might go some way to helping take-up and continuing saving by the most disadvantaged.

Increasing Financial Capability

There is an undisputed need for national financial capability programmes for young people and adults alike. According to the Financial Services Authority, 40% of people who own an equity ISA are not aware that its value fluctuates with stock market performance.[110] However, even if people possess the knowledge, they might not act on it due to inertia or information overload. Cognitive overload was identified as a key concern for parents who had not opened a Child Trust Fund within the time frame of one year.[111] Financial capability is more than just possessing financial knowledge: one has to *act* according to the knowledge and change behaviour rather than learn about financial issues and then do nothing.

Finlayson (2009) showed that asset-based welfare is effective through the incorporation of individuals within the mainstream financial system. It does so by opening up opportunities to enhance financial literacy by connecting people to mainstream markets. The Thoresen Review of Generic Financial Advice (2008) concluded that financial capability programmes in the UK could offer savings of more than £15bn for consumers by 2060, by reducing poor consumer choices through better knowledge and financial behaviour.[112] Beginning in the spring of 2009 until early 2010, the Financial Services Authority (FSA) has been delivering the Money Guidance Pathfinder, following a recommendation set out in the Thoresen Review, to set up a 'pathfinder' for people "who are vulnerable to the consequences of poor economic decision making".[113]

On March 11, 2010, the then Chancellor Alistair Darling launched the *Moneymadeclear* money guidance service, followed by the launch of the Consumer Financial Education Body (CFEB) on April 26. The CFEB was established by the Financial Services Authority as a national body responsible for the operations and overall strategy of the Moneymadeclear programme.

The money guidance service is delivered through three channels: by telephone, face-to-face, and via the internet. Face-to-face delivery is currently being offered in 37 priority areas across Greater London, Scotland, Wales and Northern Ireland, provided by 10 money guides directly recruited by the CFEB. This is in addition to the provision of the service in the North East and the North West, the original areas for the pathfinder programme. The service is continued in these areas using the original pathfinder contractors. However, a nationwide rollout – although this has started to a limited extent already in the areas just mentioned – is expected for spring 2011. The procurement for the face-to-face services in particular is currently under way using the European procurement process (OJEU). The aim is to have up to four prime contractors, who may work with sub-contractors in their area, covering England, Scotland, Northern Ireland and Wales. These prime contractors will be accountable for delivery within their respective territory.

109. Calculations by The Children's Mutuals, based on Family Resources Survey, 2007
110. http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf, p. 5
111. Prabhakar (2006), p.16
112. Thoresen Review of Generic Financial Advice (2008), p. 7
113. Ibid, p. 24

The face-to-face guidance is delivered by different methods such as drop-in sessions, group or individual sessions by appointment and outreach work. For the face-to-face guidance an appointment can be booked, lasting about 30 minutes on average in a 1:1 session. Group sessions can take place, for example, at the workplace or in a housing association for a minimum of 20 people and last about one hour.

An important part of the pathfinder in the NE and NW is that the FSA had selected trusted intermediaries to deliver the impartial, non-sale advice services. According to the FSA, both the fact that the guidance is given by known and trusted organisations as well as in the form of face-to-face guidance is the pre-eminent nudge for people to feel better informed and, as a consequence, do something about their financial situation.[114]

However, we must recognise that financial capability programmes must be inventive and engaging in order to be effective. An understanding and appreciation of the true value of money comes only with experience. This is why asset-building products such as the Child Trust Fund were well placed to engage both parents and young people. It would not be possible to learn swimming without water or to learn cycling without a bike. In the same sense, an asset-building product is needed to engage with and teach young people and their parents financial capability. The CTF engaged parents by asking them to open the account for their child; it encouraged them to talk to relatives about possible top-ups and involve family members in discussing the child's future. Parents can have a positive influence on their children as, according to FSA research, "the overwhelming majority (88%) of young people said that their parents were an important influence on decisions regarding money and 45% said their parents were their most used source of information concerning money".[115] Managing the fund is important for the success of any financial capability programme, such as was the possibility for young people from the age of 16 to manage their own Child Trust Fund; the scope for addressing this at school is evident and obvious.

During this period they could be engaged by innovative schemes such as the Enterprise UK *Make Your Mark with a Tenner*, which challenges young people to make as much money and social impact as they can with a £10 note in just one month, and which reached 30,000 students in its last round. A similar programme could be set up to engage young people to manage their funds actively, with perhaps those too young to actively manage the funds taking a year to run proxy versions of the same in preparation for the real thing.

The Child Trust Fund was also a potential vehicle to support financial education in primary schools. Children who have started school since September 2007 own a Child Trust Fund. This fact could have been used by teachers to educate pupils on why it is important to save for the future as well as plan financially for everyday living. This could have resulted in a financially better-informed population in the future with enormous benefits, such as higher saving rates among all income groups. Households, in particular those from less well-off backgrounds, will be more likely to be engaged with their own financial situation and become more financially aware. That means that they become more likely to pay off debt, better understand how to pay their bills and budget their household expenses. This in turn can help households to help themselves, as they have a better understanding of their own circumstances and how to get out of a financially precarious situation. The more financial capability people have, the more successful asset-based policies are. That does not imply that financial knowledge has to be there first. But by giving people assets, the Government via the CTF could have seized this chance to engage people with their finances and widen their financial knowledge, which in turn would have had a positive effect on the outcome of the young people's savings.

114. CFEB will publish an evaluation of the pathfinder programme later this month.
115. FSA (2004), p.13

It seems that the Child Trust Fund has proved to be a decisive catalyst in financial education so far. In 2009 the DCSF, via the charity pfeg, the *personal finance education group*, introduced "My Money Week" into schools, which was prompted by the introduction of the CTF. It is a programme designed to get schools focused on money for a whole week. The take-up in this first year was excellent, with 73% of secondary and 33% of primary schools adopting the programme.[116] This will also encourage more conversations about money between parents and their children. In focus groups with 18-year-olds, the young people stated that having assets would provide an incentive to save in a way that education in a classroom might not. It would also engage them more to think about mechanisms behind savings and finances.[117]

Financial education taught in classrooms might have little effect if children and young people do not have any stake in the decisions they make – to really create a savings culture amongst the young they need assets or savings they can manage. All of the above suggest that an enhanced savings platform with multiple points of engagement and activity can and should be the vehicle through which increased financial education and capacity building is delivered.

Fostering Citizenship

Citizenship can be strongly connected to asset building social policies such as the Child Trust Funds and the Saving Gateway programme. Active asset building and the ownership of assets is seen as a positive element of citizenship and is central to the very idea of a participatory and free democracy, where ownership is an option for the many and assets are open to all. Asset ownership will also increase resilience, the ability to overcome difficult periods and to adapt to change without long-term damage to financial and social well-being. A fundamental question in studies of resilience is why some people are able to 'bounce back' from traumatic events in their lives, whereas others do not appear to have the capacity or 'coping mechanisms' to do so. Assets seem to play an important part in this, as it is ownership that increases the individual's security and sense of a future that they can shape.

Increased social capital or networks are an important part of citizens living together in a community. As described earlier, homeownership, for example, increases the chances that individuals and families can develop valuable neighbourhood social capital. Homeownership also makes people more interested in local politics and willing to actively engage with neighbourhood organisations and local politics.[118] It thus promotes active citizenship by increasing civic participation and political involvement.[119] Another social benefit of asset ownership is that it increases the social status and social influence of the owners and gives them greater bargaining power in the market which they would otherwise not enjoy. Thus a free and open society with a free and open market should enable its citizens to have something other than their labour to trade, leverage, own or exchange.

As we have seen in Chapter 1, research shows that asset ownership has positive psychological outcomes on individuals and families, in that it makes them more self-directed and intellectually flexible, feel more confident of their present situation, more emboldened to take risks and more empowered to think and plan for the future, which is all relevant for **developing active, empowered citizenship**. Sherraden (1991) demonstrated that asset ownership had positive welfare outcomes for individuals and families, such as the development of a future orientation and an increase in social influence as well as political participation, all important elements of being an active citizen. No progressive government can ignore the ongoing and multiple benefits of ownership and economic as well as civic participation.

116. Figures provided by Blue Rubicon.
117. Gamble and Prabhakar (2005), p. 9
118. Rohe and Stegman (1994a, 1994b), Rossi and Weber (1996), Kingston and Fries (1994)
119. Saunders (1990)

Public Opinion and the Politics of the Child Trust Fund

Faced with a high national debt of nearly £989bn,[120] the new Con-Lib coalition government announced on May 24, 2010 its plan for abolishing the Child Trust Fund. The changes are to be implemented in a phased manner by sharply reducing the payment under the scheme by August this year and moving towards its full withdrawal by January 2011. From August 1, payments at birth are reduced from £250 to £50 for better-off families, and £500 to £100 for lower income families, and the top-up payment of £250 made at the age of 7 is stopped. The Treasury estimates that some £320m will be saved in the fiscal year 2010-11, rising to £520m in 2011-12. [121]

Public Opinion

Abolishing the CTF was not because of its unpopularity. Although empirical evidence is quite limited, surveys on the popularity of the Child Trust Fund show that the majority of parents rated them highly. Prior to the 2010 British election, the idea of the CTF's abolition was not a popular policy option. The Daycare Trust published results from its recent Bounty survey where 57 percent of mothers interviewed said that they were less likely to vote for a political party if they proposed to remove or limit funding of the Child Trust Fund.[122] This result of opposing the removal of the Child Trust Fund was much more pronounced in a research study undertaken by The Children's Mutual. Of those who expressed an opinion, 73% of ABC1 and 81% of C2DE respondents[123] agreed or strongly agreed with the statement: "*Any political party that planned to scrap the Child Trust Fund would make me less likely to vote for them at the next general election*".

The majority of people interviewed were also against using the CTF money for educational purposes. The question, "To what extent do you agree with the statement: '*The Government should scrap the Child Trust Fund and use the money to pay for smaller primary school class sizes*'?" was answered by those who expressed an opinion with 74% of ABC1 and 100% of C2DE respondents disagreeing or strongly disagreeing with the statement. Manual workers especially appreciated the CTF and clearly opposed the Liberal Democrats' policy that would have used the CTF money in education. But also among the higher skilled the majority clearly favoured the CTF over smaller school classes. Focus groups of parents have likewise shown that parents of children who were eligible for the CTF do not want the money to be spent on higher education or on higher benefits instead.[124] Clearly CTFs were a policy idea that was popular and whose demise will be regretted.

The Policy of the Political Parties in the 2010 Election

The *Labour Party*'s manifesto pledge was to increase Child Trust Funds for all disabled children by a further £100 per year, whilst protecting the Child Trust Fund programme, which currently benefits around 5m children.

120. Office of National Statistics, Financial Statistics No.577, Natu Somabhai Patel, May 2010 , p. 19
121. HM Treasury, Speech by the Chief Secretary to the Treasury, Rt Hon David Laws MP, Announcing £6.2billion savings, 24 May 2010
122. See Daycare Trust (2010)
123. A refers to higher managerial and professional, B to intermediate managerial and professional, C1 to supervisory and junior managerial level, C2 to skilled manual workers, D semi-skilled and un-skilled manual workers and E refers to casual workers and those living mainly on state benefits.
124. Prabhakar (2008)

> "For the next generation we will protect - not cut - the Child Trust Fund – the world's first universal savings policy for young people, already giving 4.8 million children a nest egg for the future. We will contribute an additional £100 a year to the Child Trust Funds of all disabled children."[125]

When the Child Trust Fund Bill was discussed in Parliament in 2003, the Conservative Party did not only not oppose the CTF but acknowledged and supported the aim of the CTF to boost savings; as George Osborne remarked, it "gives people a stake in society, gives them independence, encourages self-reliance and bolsters the freedom of the individual against the overbearing state".[126]

However, in its recent manifesto the Conservative Party promise was to withdraw Child Trust Funds to all but families of disabled children and the poorest third of families.

> "We will make the following savings: cut government contributions to Child Trust Funds for all but the poorest third of families and families with disabled children."[127]

The most drastic proposal on Child Trust Funds was the *Liberal Democrat Party*'s manifesto proposal to axe the entire programme. Their estimations calculated that this total cut would save £395m in 2010-11, rising to a saving of £580m for 2014-15.

> "Ending government payments into Child Trust Funds."[128]
> "To put in place cuts which could be realised within the financial year, such as scrapping the Child Trust Fund or restricting tax credits, to release money for our jobs and infrastructure package."[129]

The sums the Liberal Democrats expected to save, by ending government contributions to the Child Trust Fund were: 2010-11 - £395m; 2011-12 - £545m; 2012-13 - £555m; 2013-14 - £565m; 2014-15 - £580m.[130]

This opposition to the Child Trust Fund by the Liberal Democrats seemed somewhat illogical, as the party stands for the idea of 'ownership for all'.[131] However, the Liberal Democrats did not regard the CTF as "good value for money for scarce public funds".[132] This essentially was their main objection to the Child Trust Fund. But against the background of the value the Liberal Democrats have always rightly put on asset ownership, this hostility to Child Trust Funds seems peculiar. In a recent paper on the development of asset-based welfare and the CTF in the UK, Rajiv Prabhakar from the London School of Economics and Social Sciences points out that Paul Marshall writes in *The Orange Book: Reclaiming Liberalism* that asset-based welfare can help to develop a sense of responsible citizenship. He goes on to say that "giving people responsibility for their own assets would do much to further individual self-respect and instil a sense of citizenship".[133] Prabhakar also refers to a report by a

125. Labour Party Manifesto, p.23
126. Commons Hansard, Volume 415, part number 11, column 1345
127. Conservative Party Manifesto, p.8
128. Liberal Democrat Manifesto, p.16
129. Ibid, p.98
130. Ibid, p.102
131. See e.g. White (2007)
132. David Laws (2003), see Commons Hansard, volume 415, number 11, column 1358
133. See Prabhakar (2009), p. 137

LibDem Working Group on Tackling Inequality, Poverty and Lack of Opportunity. In it a lack of assets is seen as one of the main problems, in particular the inequality in asset distribution to which we have referred above. In consequence, asset-based policies appear central to a liberal democrat view of a fair economy and society, and since we do not have either, we should not abolish the few programmes that effectively sought to bring about a fairer Britain.

Where Can We Go Next?

The Child Trust Fund had its deficiencies, mainly the relatively lower savings rates of people on lower income and the fact that it did not link in to educational and financial capacity programmes, as well as the limited range of civic and social engagement (and the nudges and incentives that could accrue) to which it was open. Nevertheless, asset-building products such as the Child Trust Fund or the Saving Gateway were part of a genuine drive to plug the existing 'savings gap', the complete lack of provision that many have for unexpected expenses. Part of the hope of the CTF was that young people would engage more deeply with their own financial matters, as they would have learned from a younger age about financial issues and investment planning through progressively managing their own Child Trust Funds. Financial capability and acting on the financial knowledge acquired is key to this engagement. This also ties in with the promotion of citizenship to empower those from a disadvantaged and asset-less background. The partnership **working across sectors** analysed in the previous chapter is the solid base on which a good savings programme rests, leaving the matter to neither the Government nor to families alone, and creating multiple venues for community association. These considerations together lead to the recommendation to establish a new civic savings platform as outlined in the next chapter.

Part Four

4. A New Savings Policy for Children and Young People: the ABC Account

Abolishing the Child Trust Fund and the Saving Gateway leaves children and the very poorest members of society with no effective national strategy for saving or asset generation. As it stands, there is simply no national savings policy for children. Given the importance of assets for individuals and communities – and the importance of widely dispersing wealth and access to capital – policy solutions need to converge on building a widespread culture of saving and asset building; it is hard to see how any divergence from this goal can be associated with a progressive politics or a fair and just society. Filling the void in the current policy vacuum is an urgent economic and social necessity. An integrated saving and asset-building policy should be the focus for the Treasury, helping to foster an ownership economy, as a good in itself and as a significant means for improving the many dimensions of human welfare that we have outlined, and of course as a buttress for old age so as to mitigate the personal effects of an ongoing pensions crisis. And as every expert in the field readily acknowledges, key to all of the above is forming the habits and culture of saving at the earliest possible age – in short, if we want to create a savings culture in the UK, we have to start with our children.

Our first and foundational recommendation is **to maintain the infrastructure or wrapper of the Child Trust Fund**, as this comes at minimal cost and produces great benefit, and it provides a foundation that can be augmented, extended and modernised into a 21st century civic savings platform for the nation.

So what is it that should be retained, and crucially, how much would it cost? The cost in public expenditure terms would be virtually nothing – experts estimate the annual cost of maintaining the CTF wrapper at around £2 million. And that would allow government to retain key benefits of this most successful savings scheme at practically no cost to the Exchequer. It allows Government to begin to respond to the self-evident need for savings by utilising existing infrastructure to make optimal use of the nominal required funds and investment already undertaken.

All this retention would require is that Government continue to issue information on the fund as a tax-efficient savings vehicle, alongside a Unique Reference Number (what we called the account voucher earlier) for each child, to parents upon the child's birth. As with the existing system, this would be triggered by the parents' application for Child Benefit. The URN is then communicated by the parent to the provider upon account opening, thus providing a traceable monitoring system. Providers then submit the URN to HMRC on a regular, set basis (it could be fortnightly through to annually dependent on desired cost efficiencies) using the existing 'gateway' systems. As it stands, the contributing element paid by the Government would wither on the vine, and there would be no government allocation of unopened accounts after one year (as is currently the case). Under our proposals, any family would be free to open the account beyond the first year, allowing them to still make use of the vehicle as circumstances evolve.

Providers would run and maintain the accounts as they currently do, potentially including the £20m+ per annum that industry currently devotes to marketing and promoting the culture of family savings for their children's futures. If the government does nothing else and refuses the vision painted by the ABC account, it can leave the funds as they are. The charging structure would be subject to industry and Government agreement (in order to allow a workable commercial structure and enable the continued support by industry of lower income savers). In this way, just by using existing systems, Government avoids the cost of dismantling a project and continues a successful and beneficial initiative, whilst in addition saving some £523m pa from a current total scheme expense of £525m pa (a 99.6% saving). Surely reason, fairness and progressive values suggest that this is a minimum infrastructure worth saving?

Obviously we do not recommend just doing the minimum; we advocate extending this infrastructure into a new active savings platform for all children and young people under 18, so that all can opt into and open a savings account for as little as a £1. To promote an asset-building agenda as widely as possible, we suggest an **asset building account for children (ABC account)** as an effective instrument to boost savings, increase financial capability and to promote responsibility and engaged citizenship for young people. We recommend that the Government build on the remaining infrastructure of the CTF and, utilising new technology, create a new mass civic savings platform multiplying incentives, nudge points and peer-to-peer support frameworks.

The Child Trust Fund worked because Government created a universal child savings platform and then directly incentivised mass sign-up and entry through cash payments. This incentive has been withdrawn but the platform still remains. Given that the platform still exists, other incentives can still be provided – but it does not have to be the central government that provides the nudge or inducement alone. Firstly, financial matching is a powerful incentive that can encourage take-up, but it is not the only one. Secondly, Government is not the only agent that can provide incentives. Thirdly, given the aforementioned, the platform itself can be extended to include many more incentivisers and many more points of encouragement than just at birth or additional payments to the child at the age of 7.

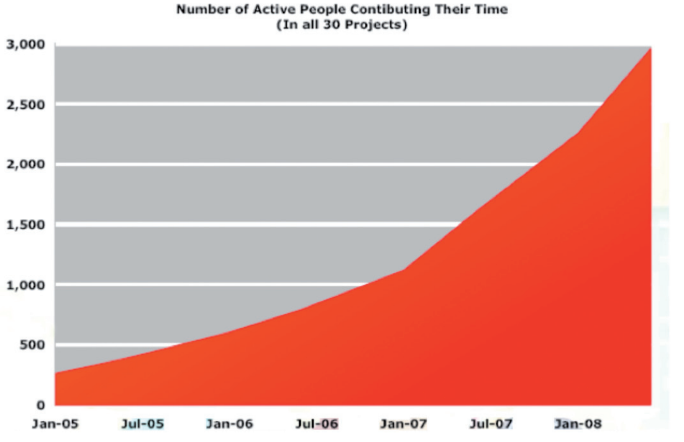
These incentives can be universal, with additional local augmentation or extension. In terms of universality, both public and private sector could help to jump-start and incentivise ABC accounts take-up and contributions to them. For example, Government should encourage local authorities to incentivise take-up of the new ABC account by offering price reductions in local authority amenities to those children who take up the scheme. Leisure centres, libraries, football grounds, sports facilities or any local authority-backed amenity or facility that children might wish to use, should offer reduced admission or lowered charges to those children with an active ABC account, paying for this in part by utilising and selling, albeit for less, unused capacity in their facilities. This would be similar to the behaviour of people using benefit-in-kind time banks where they respond positively to incentives such as free entry to leisure centres and others. (See the case study below.) These incentives would give parents who save for their children reduced costs for accessing healthy physical and social activity. And as the case study shows, these incentives really do work. If people give their valuable time to attain them, then it is likely that they will also prove a strong encouragement to drive savings activity.

Case Study: *Spice* and In-Kind Incentives

The efficacy of new forms of in-kind (i.e. non-monetary) incentives has been demonstrated by *Spice*, an organisation devoted to developing systems of community credits to facilitate precisely this kind of incentive. A recent report documented the marked increase in participation in thirty schemes across Wales that adopted a *Spice* 'community time credit scheme', which rewards volunteers with credits that can be redeemed in-kind for a range of services, including access to local leisure, sporting and recreational services.[134] These incentives "are low cost; because redemption uses 'spare capacity' (i.e. part empty cinemas, music venues and public sports facilities)".[135] As such, this approach generates cost-effective incentives by tapping into various services' spare capacity that would in most cases have otherwise been wasted. Another form of reward employed has been recycled and refurbished goods, such as computers.[136]

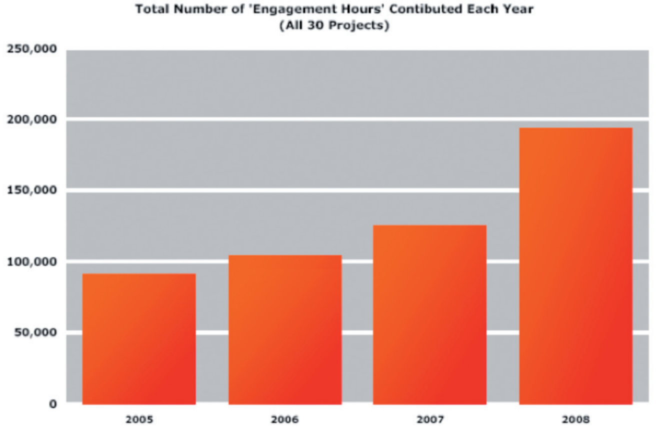
134. University of Wales. Looking Back: A review of the Community Time Credit Systems that have given birth to Spice (2009)
135. University of Wales. Looking Back: A review of the Community Time Credit Systems that have given birth to Spice (2009), p 2
136. Time Banks UK. Sustainability and social assets: The potential of time banks and co-production (2005) Boyle, David. p.4 Available at: http://www.uea.ac.uk/env/cserge/events/grassroots/boyle.pdf

The organisations studied formerly employed more traditional time-banking schemes that traded on reciprocal time-for-time arrangements, whereby a participant earns a Time Credit for each hour committed. In the traditional time-banking schemes, Time Credits are accumulated and can be spent in turn acquiring another participant's time and expertise. The introduction of community time credit schemes successfully encouraged an exponential rise in the number of people committing their time to community activities. The graph immediately below points to an accelerated period of growth in the number of participants in projects that adopted the *Spice* model of community time credit scheme.



Source: University of Wales. Looking Back: A review of the Community Time Credit Systems that have given birth to Spice (2009) p.10

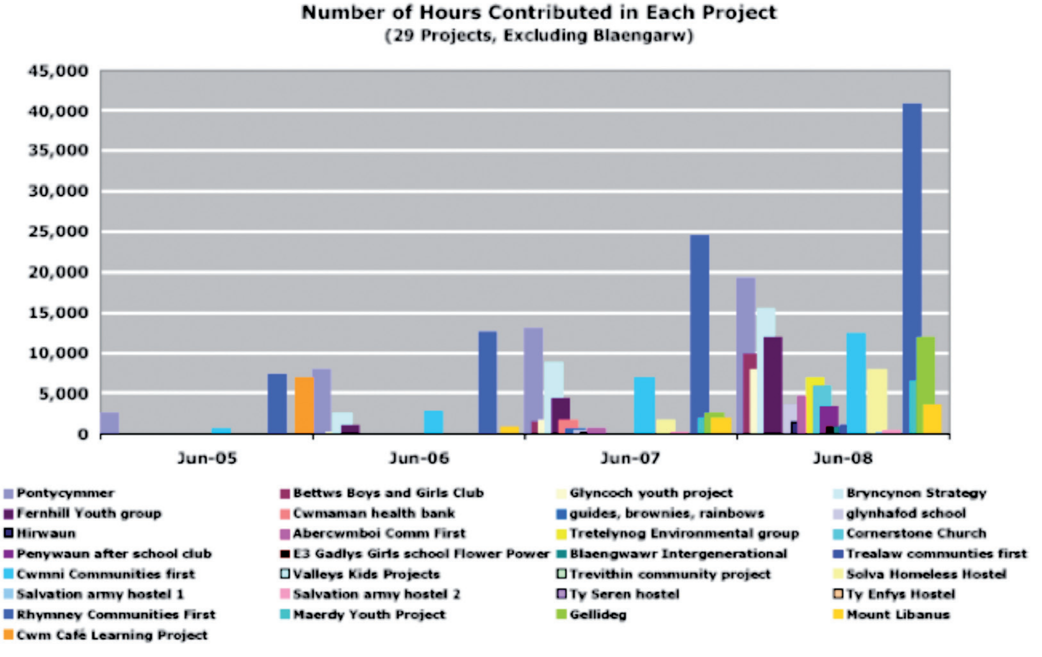
This substantial increase in the number of people participating in the thirty schemes translated into an overall increase of roughly 100% in the number of hours contributed, as is indicated in the graph below.



Source: University of Wales. Looking Back: A review of the Community Time Credit Systems that have given birth to Spice (2009) p.11

The disparity between the increase in the number of participants (which increased nearly tenfold in three years) and the amount of hours contributed (which doubled over the same period) can in part be explained by the altering of the credit system from a time-for-time to a time-for-reward basis. Effectively, this has halved the hours directly contributed within the scheme, since in the *Spice* model credit is 'cashed' externally to the scheme. Nevertheless, this waning of hours committed in the *Spice* model hides the positive externalities that arise from the 'community credit system' which foster greater community engagement as participants 'cash in' their credit for positive community-based incentives, such as swimming. *Spice* recognise this effect when they refer to "the credits [as] a catalyst to engage the many".[137]

One key to *Spice*'s time-banking scheme is the notion of a participation tipping point, which can be seen in the graph below.



Source: University of Wales. Looking Back: A review of the Community Time Credit Systems that have given birth to Spice (2009) p.12

This suggests that in-kind incentives have the potential to produce exponential growth as schemes become increasingly interwoven into the fabric of a community. The particular popularity of these incentives seems to encourage promotion of participation amongst peers, which means that the spread of participation draws in further participants, building towards a tipping point and participation boom.

137. http://www.justaddspice.org/credits.html

Similarly, the private sector – and particularly the private sector providers of the ABC account – can offer parents or guardians analogous incentives for their children. Agreements can be struck between private sector leisure suppliers (from zoos to adventure playgrounds to Alton Towers to local seaside resorts, or video games) and private sector providers of the ABC account to offer nudges and incentives or vouchers to take out an account. This provides a vastly increased range of incentives and points of encouragement. Moreover, since students are already offered incentives such as money, a railcard or a popcorn maker to sign up to a bank – an incentive that pays back many times over, as so few of us change our accounts – why would banks not offer similar matching incentives to children? Evidently they would or should, as it builds a productive relationship with the bank and makes children more likely to be responsible and lucrative customers in the future.

In addition, there is no reason why local endeavours cannot also link in to the ABC platform, and equally there is no reason that they could not provide incentives, financial matching included, to complement the more universal endeavours. Linking in local endeavours to the new ABC account could massively extend the reach of the savings platform – especially to traditionally hard-to-reach groups. Local clubs and schools could collect for the ABC accounts of children in their area. All sorts of community and individual investment endeavours could link in to a truly open savings platform. If the nudge was present and people wished it, they could direct a tax refund or any investment return or wage increase to their children's ABC account. Similarly, local investment groups in various community enterprises could direct part of their dividend to the investment accounts of local children so that both they and the next generation benefit. Almost any local communal project could provide peer support and encouragement for people to link into the new ABC account. For example, in China, the Qifang website builds on other person-to-person lending and loan structures to map out student needs and career plans, providing a platform for private citizens to loan or even donate to the students, helping them to fund their higher education.

Case Study: Qifang and Peer-to-Peer Micro-Lending

The possibility of peer-to-peer lending is only just beginning to be unlocked by the development of new Web 2.0 technologies, which have the potential to allow regular people to connect and facilitate micro-lending or indeed giving between them. This innovative new practise is taking hold not just in developed countries, where companies such as Britain's Zopa and America's Prosper have successfully trailblazed, but also increasingly in the developing world.

One emerging leader in this field is Qifang, China's leading online, person-to-person lending service. Founded in 2007, the company – whose name translates to 'Bloom' in English – has as its mission to enable students to fund the cost of their education by borrowing money from other users of the site – a range of individuals, companies and organisations.

A crucial element of Qifang's popularity – it has been estimated that in its first two years the company brokered more than 3,000 loans[138] – is its simplicity and accessibility. Any Chinese undergraduate who has received an admission letter or possesses a valid student ID can post their funding needs on the website. Lenders can then log onto the site and view these posts, learning about a prospective borrower and their goals, grades and achievements. Once a lender has decided who they would like to support, they bid with other lenders to participate in the loan.

---

138. See: http://www.businessweek.com/globalbiz/content/dec2008/gb2008123_970055.htm

Source: http://www.qifang.cn/page.htm?pageName=howItWork

When enough bids have been made, Qifang finalises and brokers the transaction, paying loan money directly to accredited schools in order to minimise fraud risks. The student then repays the loan and any interest to the lenders through the site. Qifang itself takes 2% of the transaction and fees.[139]

Qifang was named a "Technology Pioneer" by the World Economic Forum in 2009, and the company continues to pursue a vision of using peer-to-peer lending to provide access to education for all, a mission made all the more important given that 50 million would-be students in China are prevented from studying by the cost of tuition.

Why this is instructive for our purposes is that Qifang involves exactly the plural mix of participants and actors that we argue can be engaged by the ABC account. Qifang reaches out to and engages local governments, educational institutions, banks, nongovernmental organizations, educational foundations, professional philanthropists and simply those who wish to help students in Qifang's lending service. Lenders or donors can log on to the company's website and peruse requests from students across China; they view students' photos, and learn about their grades and future career goals.

In a fascinating development, the service also addresses regional income disparity by facilitating borrowing from other regions. For example, as Business Week points out, Qifang lets a student in Guizhou borrow from a lender in Shanghai, where incomes are 10 times higher. As a barrier against fraud, the sums raised are sent directly to universities, which provides additional reassurance for those who lend or donate. Perhaps the lesson here is that if ABC account holders can craft a coherent career or business plan that others might want to donate to, then those funds can and should be sent on to a trusted third party to ensure that plans proceed according to their outline.

In short we feel there is sufficient evidence as to incentives and platforms that would allow the ABC account to become part of a successful national civic savings infrastructure.

139. See: http://www.businessweek.com/globalbiz/content/dec2008/gb2008123_970055.htm

Features of the ABC Account

We recommend that an ABC account for children and young people be established with the following eight features:

1. Universality and tax status The ABC account would be open to all children and young people who are younger than 18 on January 6, 2011. Savings possibilities should be extended to the current 0-to-18 cohort, many of whom have no effective savings, and existing Child Trust Funds can be converted into ABC accounts. Funds will be in the child's name, and investment gains are tax-exempt. We believe that the maximum level for contributions should be set at £3,600, as for the stakeholder pensions. Savings are locked up until the account holder reaches the age of 18 to ensure long-term saving (though some flexibility on this should be allowed, particularly to encourage those teenagers who missed the CTF launch to also start saving).

2. Opening the account Each family that has or is expecting a child receives an account voucher with a unique reference number. Thus, not only would newborns receive this nudge, but all children would be recipients. For parents who expect a child, the opening process can be facilitated by ensuring that the ABC account can be opened before the child is born. Parental opening rates can be improved by **'account opening sessions'** in local libraries, schools, community organisations and parents' and baby groups for parents who do not have access to the internet or who are unsure about the whole process. Opening the account at a later time would also be possible, as there would be **no time limit** on the opening process.

3. An ABC website We recommend that Government ensure that all ABC account providers jointly offer an ABC website where *all* providers can present themselves and their incentives to make certain that parents can compare providers and apply online for their chosen account. This website should also be a portal for national, regional and local civic savings activity and matching, so that private individuals and groups can link in to young savers to provide incentives and engagement, facilitating a local matching structure. It could also operate as a host for access to private sector providers, with a live 'which' best buy template, so real competition between providers and best value for account holders could happen. This website could also be capable, with appropriate safeguards, of showing savers at a local level – where local children can talk about their plans and hopes for the future, and civic groups or indeed individuals can donate to children's savings funds.[140] Showing children in need in your locality and your vicinity can dramatically help people to associate and try to make a difference. Moreover, this need not be just financial aid: if children talk about their future and if a network develops around those who need help and advice, then advice and support, about careers, education or business would most likely be forthcoming.

4. Managing the account From birth until the age of 13 the account will be managed by the child's parent or legal guardian. From the age of 14 to 17 the young person can, if they wish, manage the account and invest their savings; we envisage that this take place initially under supervision, and then a 'licence' to proceed can be granted by the parent or teacher. Of course, they cannot withdraw the funds, and we envisage parents taking a keen interest in getting children to recognise the impact of their decisions – a vital start in financial education – not least because children can pay in their own money as well.

---

140. This is, for example, demonstrated in a Chinese civic savings platform where individuals and organisations donate towards a child's education fund; see http://www.qifang.cn/index.htm and the case study in this report.

5. Using the savings At 18 the young adult can use the savings, though we think that there should be additional facility and flexibility to lock the savings in until age 21, or indeed 25, to catch those children who missed the CTF, and to satisfy donors who may fear that maturation at 18 is too early and might thus prefer a later access date to ensure that money is spent on facilitating a graduate degree or starting a business, etc. Whatever the time of access, there are no restrictions on using the funds, though inertia should favour good financial planning. Savers should be asked if they want their funds directed to certain investment outcomes, if that seems socially desirable, such as higher education, starting a business or putting the savings in a pension fund. These outcomes should be facilitated by, for example, automatically rolling the ABC fund into an ISA unless the account owner takes the funds out.

6. An ABC reward scheme The successful creation of a new mass savings platform for young people requires a different approach than hithertofore from Government, private sector providers and civil society. Government should no longer be the direct provider of incentives to save but their *facilitator*. Central government needs to co-ordinate the construction and augmentation of this new platform. For example, an **ABC reward card** to eligible families that can be used in participating stores and leisure facilities would be such an incentive. This card should also provide a direct reverse payment incentive so that civic groups or matching programmes can save back into savers' accounts through the reward account number. One can easily envisage, for example, having a reward card that credits back small amounts at the supermarket till to a child's savings account. The reward card can have different stages to indicate savings activity; for example, to begin with a white card (the basic card) after starting to save regularly, a bronze card after one year of active savings, a silver card after 4 years and a gold card after 8 years. The cards increase in value, which means they attract more and better rewards and become more and more attractive.

7. Financial capability programmes Voluntary and community organisations can increase families' financial capabilities in innovative ways. Both parents and young people can be supported by financial capabilities programmes, both in schools and the wider community. This can be tied in with the now-nationwide Money Guidance programme by the Consumer Financial Education Body. Parents could sign up for a text messaging service where the ABC account provider sends a monthly or quarterly reminder to get active about the ABC contribution. From the age of 14, young people could get ABC management tips via text and join ABC and money management groups on Facebook or other social networking sites.

8. The ABC Fund Despite – or rather because of – a difficult fiscal climate, we strongly recommend that the matching infrastructure of the Child Trust Fund be maintained in the new ABC account, both to allow for a time of less fiscal constraint when Government might choose to return to direct credits for the poorest children, and also to allow the development of a national ABC Fund to provide additional private matching for the country's poorest children on a national basis. We therefore recommend matched funding as an additional incentive for families whose children live in poverty to boost the ABC account's effectiveness and to strengthen the ability of the poorest to save and build assets. As the tax-exempt status of the ABC account is unlikely to be a sufficient nudge for those on the lowest incomes to save, we recommend the establishment of an **independent ABC Fund**, where community organisations and charities, businesses, the financial sector and individuals pay in with the aim of helping the poorest members of society by matching their savings. Similar schemes, albeit on a smaller scale and with a contribution from local or national government, have been successful in Australia, the US, Canada, Singapore and Hong Kong, where the private sector as well as the financial sector has been involved with savings programmes that guarantee matched funding.

The target group of the ABC Fund is comprised of those 3.9 million children in the UK who are living in households with below 60 per cent of contemporary median net disposable household income after housing costs, meaning that they fall short of the official threshold for poverty.[141] The ABC Fund will provide the funds for the **matched funding element** in the ABC account, which we recommend as **additional incentive for families where children live in poverty,** to boost the ABC account's effectiveness, as well as profitability for providers as needed. As for the **amount of matched funding,** we envisage that the ABC Fund will match each pound saved up to £10 per month/£120 per year with £0.50 per £1. Thus if a family saves £120, it is matched with £60 per year. Based on the 2008/09 number of 3.9m children living in poverty, this would amount to a match funding amount of £234m which has to be raised by the ABC Fund. We believe this target represents an aspirational figure for the fund rather than an achievable figure by voluntary action, but we give a figure precisely in order to show how little it costs to deliver some equity for the poorest when contrasted with the savings welfare schemes that currently exist for the wealthy.

Further Options to Achieve Financial Sustainability for the ABC Fund

As long as the current system disproportionally favours the longer-term savings of the rich, for example the pension tax relief, then any progressive government should favour the savings of the poorest and most vulnerable members of society over those of the wealthy and advantaged. Hence, we argue for the following two further options for achieving financial sustainability for the ABC account scheme and the ABC Fund. The first is the **reduction of the tax relief on pension contributions for additional tax rate payers**; the second is **means-testing child benefit**.

Reduce tax relief on pension contributions for top rate tax payers

It is fair to say tax relief is poorly understood by those who receive it, that the cost for the Government is highly significant, and that its benefits are very unevenly distributed. The total cost of pension tax relief is estimated to be £28.4bn per year (2008-09) or 2 percent of GDP.[142] The cost of pension tax relief has doubled over the last decade and is now even more unevenly distributed, as it benefits higher rate tax payers more than those on the basic tax rate.[143] For example, based on 2004-05, over half of all pension tax relief benefited just 12 percent of employees who paid the higher tax rate.[144]

Although it is often called "*higher* rate tax relief on pension contributions", its amendment – as announced in the Budget 2009 – targets *additional* tax rate payers who have an annual income of at least £150,000 and are subject to the additional tax rate of 50 per cent. This will affect about 300,000 individuals, or 2 per cent of all pension savers and 1 per cent of taxpayers. Currently, this group receives about a quarter of *all* tax relief on pension contributions. [145]

Tax relief on pension contributions was introduced to encourage saving for retirement. However, it is well known that under-saving for old age is primarily a problem for those on average or low earnings. Against this background, the current bias towards those on very high earnings is clearly far from optimal.

141. Figures for 2008/09; DWP Household Below Average Income figures (May 2010) available at http://research.dwp.gov.uk/asd/hbai.asp
142. HMRC (2009b), p. 9
143. See for details Pensions Commission (2005), p. 312f
144. Pensions Commission (2005), ibid., p. 316
145. HMRC (2009b), ibid., p. 11

Pension savings, as well as any other saving, can be treated in different ways. In general, a tax (or a tax relief) can be applied in three different phases of saving: in the contribution phase, in the investment phase and in the withdrawal phase. The contributions into a pension scheme can be made out of taxable income (T) or tax-exempt income (E), the investment's return can be taxable (T) or tax-exempt (E), and for withdrawal the pension payment can be subjected to tax (T) or exempt (E).

Currently, pensions are EEpT in form, with pT representing the fact that not all of the pension payments are taxed due to the tax-free lump sum. Other savings products can be in a different form, for example ISAs are in TEE form, as contributions come out of taxed income, but the investment's income and the withdrawals are tax-free. Pension contributions made by individual employees attract tax relief at the individual's marginal tax rate. Obviously, a higher tax rate payer will receive tax relief at this (higher) rate.

The provision for tax relief on pension contribution allows the pension provider to claim tax back from the government at the basic rate of 20 percent. That means for every £80 an individual invests in a pension scheme, the provider is able to claim back £20 from the Treasury, so a total of £100 is contributed to that individual's fund. A higher rate tax payer (40% rate) also gets a 20 percent tax relief - the same matched contribution - and can claim back the difference by filling a tax return form or by telephoning or writing to the Tax Office. The same applies to an additional rate taxpayer (50% rate) who can claim back the difference by filling in a tax return form. The table below shows that the net investment for a pension pot worth £1,000 differs widely for the different tax payers (see Table 1).

Table 1: Tax Relief on Pension Contribution valid until April 5, 2011

	Basic Rate Taxpayer	Higher Tax Rate	Additional Tax Rate
Income	< £37,400	£37,400 < £150,000	> £150,000
Tax rate	20%	40%	50%
Tax relief	20%	20% + Claim Back 20%	20% + Claim Back 30%
Cash paid in	£800	£800	£800
Tax claimed back by the pension provider	£200	£200	£200
Value of the pension pot	£1,000	£1,000	£1,000
Tax claimed back by the individual	£0	£200	£300
Net investment by the individual	£800	£600	£500

Proposed changes from April 6, 2011:

From April 6, 2011 the government might restrict tax relief on pensions contributed by individuals with an annual income of £150,000 or more.[146] The tax relief will be tapered down so that for those earning over £180,000, relief will be worth 20 per cent, the same as for a basic rate taxpayer. There will be no changes to the system other than this.

Table 2: Tax Relief on Pension Contribution valid from April 6, 2011

	Basic Tax Rate	Higher Tax Rate	Additional Tax Rate
Income	< £37,400	£37,400 < £150,000	> £150,000
Tax rate	20%	40%	50%
Tax relief	20%	20% + Claim back 20%	Tapered down from 50% at £150,000 to 20% at £180,000; Claim back no longer possible.

In anticipation of the changes planned for induction from April 2011, the Treasury announced a special provision which came into effect from April 22, 2009 to prevent people from making large additional contributions to their pensions before April 2011 in order to benefit from higher rates of tax relief while it is still available. This special provision is termed as Special Annual Allowance, under which if an individual increases his pension savings over and above his normal pattern of regular pension savings to more than £20,000, tax relief will be worth only 20 per cent on the amount over £20,000. This allowance is only valid until April 6, 2011. HM Treasury expects the total extra tax earnings, the amount that will be saved by not paying the tax relief claims by Additional Tax Rate payers, will be about £3.6bn per year.[147]

However, according to a report released by Standard Life Insurance, the cost of implementation of these changes to taxation will be as high as £2.5bn, as opposed to the £345m projected by the Treasury.[148] But this total is primarily on the account of the cost of implementation to be incurred by pension scheme providers, employers and employees. The report states that the initial cost of implementation for HMRC will be approximately £75m. And the subsequent cost of compliance (ongoing cost) will be £435m, a number that is much higher than the £130m projected by the Treasury, but of which the HMRC's contribution is only £30m. Therefore, despite these higher than expected initial implementation

146. However, George Osborne has announced in the Emergency Budget that he will look into other ways of raising a similar amount of government saving, for example, by reducing the annual allowance.
147. The Financial Times, Jean Eaglesham and Vanessa Houlder, March 21 2010, "Cuts to pension tax relief concerns Tories"
148. HM Revenue & Customs, Pension Tax Relief Consultation, February 2010, "Impact Assessment Overview and Key Questions", slide no. 3

and compliance costs, the Treasury will be able to reap approximately £3.495bn (= 3.6 – .075 – .030) in extra tax for the first year of implementation, the financial year 2011-2012, and £3.57bn annually thereafter.[149] To say the least, this is a large amount of money compared to the £234m needed to run the ABC Fund effectively.

This money can and should be used to support the ABC scheme. We therefore recommend implementing the progressive removal of the additional rate pension tax relief, a small proportion of the benefits of which should – if past generational injustice is to be redressed – accrue to the ABC scheme.

Abolish child benefit for better-off families

Until now, this solution might have been politically unfeasible for the 'untouchable' Child Benefit, but the new Government advisor on poverty, Frank Field, has argued – rightly, in our view – for a more radical look at the current universal availability of child benefit. He suggests that Child Benefit payment should end at the age of 13, and George Osborne has announced freezing it for three years. However, we would recommend keeping the Child Benefit payments until the age of 19, but focusing on those who need it. Child Benefit costs the taxpayer almost £12bn a year. Scrapping this benefit for better-off families would save – depending on the exact reform proposal – about £7bn a year. This would pay for the ABC Fund almost thirty times over.

The ultimate goal of asset-building policy is financial inclusion, which in turn will enhance social inclusion. By financial inclusion we mean that asset building should be for everyone, it should result in sufficient levels of asset accumulation, and it should target low-income and poorer households specifically by providing higher subsidies to them. The aim of scrapping the tuition fee, as suggested by the Liberal Democrats in opposition, was to make university access easier for all. However, it is not only tuition fees that keep people from disadvantaged backgrounds out of higher education, it is their status as the asset-poor, and therefore the permanently poor, that creates this discrepancy in the first place. It cannot be in the public interest to use the scarce public funds to provide subsidies that are likely to be enjoyed by a minority that is disproportionately coming from advantaged backgrounds. In contrast, the ABC account is truly universal and could provide a transformative capital sum for all of our young people.

Conclusion

Challenging asset inequality will require a new approach: **a radical change in economic policy**, with more – not fewer – asset-building products, if we are to find a way to move our economy and society on from this shameful wealth inequality to a fairer society, and to restore our idea of empowerment and citizenship to achieve a truly civic state. A **new agenda of ownership extension** is more important than ever. In this paper, we have shown evidence that we urgently need a new savings policy for young people to boost savings, increase financial capability and foster citizenship, thus achieving ownership for all. The ABC scheme would lay solid foundations for a future of widespread asset ownership and economic security.

149. Standard Life UK press release, John Lawson (2010), "HM Treasury underestimates implementation of high earner's pension tax by factor of 7", pp. 1, 3 & 5

Bibliography

Bibliography

Ackerman, B. and Alstott, A. (1999) The Stakeholder Society (New Haven, CT: Yale University Press)

Attanasio, O. and Emmerson, C. (2001) 'Differential Mortality in the UK', Working Paper No. 01/16, Institute of Fiscal Studies, http://www.ifs.org.uk/workingpapers/0116.pdf

Baker, D. and Taylor, H. (1997) 'Inequality in Health and Health Service Use for Mothers of Young Children in Southwest England', in Journal of Epidemiological Community Health, Vol. 51, pp. 74-79

Bandura, A. (1997) Self-Efficacy: The Exercise of Control (New York: Freeman)

Bernheim, B., and J. Scholz (1993) 'Private Saving and Public Policy', in Tax Policy and the Economy, Vol. 7, pp. 73-110

Bourdieu, P (1984), Distinction: A social critique of the judgement of taste (Harvard University Press, Cambridge, Massachusetts)

Brewer, M, et al (2009). 'Poverty and Inequality in the UK: 2009', Institute for Fiscal Studies

Brody, G and McNess, E (2009) Assets for all? A review of the Australian Government's $77 billion support for asset building.

Bynner, J. (2001) 'Childhood Risks and Protective Factors in Social Exclusion', in Children and Society, Vol. 15, pp 285-301

Bynner, J. and Despotidou, S. (2001) The Effects of Assets on Life Chances (London: Center for Longitudinal Studies, Institute for Education)

Bynner, J. and Paxton, W. (2001) The Asset-effect (London: Institute of Public Policy Research)

Carney, S. & Gale, W. (1999) 'Asset Accumulation among Low-Income Households', Brookings Discussion Paper in Domestic Studies (Washington, DC: The Brookings Institution)

Cho, E. Y. (1999) 'The effects of assets on the women', Working Paper No. 99-6 (St. Louis, MO: Center for Social Development, Washington University)

Cho, E. Y. (2001) The Effects of Tangible Assets and Human Capital on the Economic Well-being of Women after Marital Disruption, Doctoral Dissertation (St. Louis, MO: Center for Social Development, Washington University)

Daycare Trust. (2010) Keeping mum: childcare as a vote winning issue. London.

DWP (2009), Family Resources Survey, 2007-08, London

The Financial Inclusion Centre (2010), The real cost of Christmas: Assessing the impact of illegal money lending on consumers, London

Finlayson, A. (2009) 'Financialisation, Financial Literacy and Asset-Based Welfare', in British Journal of Politics & International Relations, Vol. 11, No. 3, pp. 400-421

Finn, C. (1994) Empowerment in Habitat for Humanity Housing: Individual and Organizational Dynamics, Doctoral Dissertation (Cleveland: Case Western Reserve University)

FSA (2004), Young people and financial matters, Consumer Research Report no. 25, London

FSA (2006), Financial capability in the UK: establishing a baseline, London
Galster, G. (1987) Home Ownership and Neighborhood Reinvestment (Durham, NC: Duke University Press)

Green, R. and White, M. (1997) 'Measuring the Benefits of Home Owning: Effects on Children', in Journal of Urban Economics, Vol. 41, pp. 441-461

Galligan, R. and Bahr, S. (1978) 'Economic Well-Being and Marital Stability: Implications for Income Maintenance Programs', in Journal of Marriage and the Family, Vol. 40, No. 2, pp. 283-290

Gamble, A. and Prabhakar, R. (2005) Assets and Poverty, ESRC End of Award Report

Haveman, R. & Wolff, E. (2005) 'The concept and measurement of asset poverty: Levels, trends and composition for the U.S., 1983–2001', in Journal of Economic Inequality, Vol. 2, No. 2, pp. 145-169

Hill, M. and Duncan, G. (1987) 'Parental Family Income and the Socioeconomic Attainment of Children', in Social Science Research, Vol. 16, pp. 39-73

Hills, J et al (2010), An Anatomy of Economic Inequality in the UK. Report of the National Equality Panel

HMRC (2008), Child Trust Fund Statistics, Detailed distributional analysis

HMRC (2009a), Child Trust Fund Statistics, Detailed distributional analysis

HMRC (2009b), Implementing the restriction of pension tax relief

Home$ave (2003): Building Investments in Housing Assets, Socio-economic series, April 2003, p.1

IFS and IpsosMori (2007), Evaluation of 2SG pilot

IpsosMori (2009) 'Saving Gateway: Following up the Second Saving Gateway Pilot Participants.' London: IpsosMori

Joshi, H. and Macran, S. (1991) 'Work, Gender and Health', in Work, Employment and Society, Vol. 5, No. 3, pp. 451-468

Kempson, K et al (2005). Incentives to save: Encouraging saving among low-income households, Personal Finance Research Centre, Bristol

Kingston, P. and Fries, J. (1994) 'Having a Stake in the System: The SocioPolitical Ramifications of Business and Homeownership', in Social Science Quarterly, Vol. 75, pp. 679-86

Kirsinova, T. and Sefton, J. (2006) 'A comparison of national savings rates in the UK, US and Italy.' NIESR Discussion papers, No. 278, July 2006. London: NIESR. Available at: http://www.niesr.ac.uk/pdf/051006_155846.pdf

Kohn, M. et al (1990) 'Position in the Class Structure and Psychological Functioning in the United States, Japan, and Poland', in American Journal of Sociology, Vol. 95, pp. 964-1008

Leckle, N, Dowle, M, Hyke, C, (2008), Learning to Save, Saving to Learn, Early Impacts of the Learn$ave Individual Developments Account, SRDC, January 2008

Levitas, R. (2005) The Inclusive Society?: Social Exclusion and New Labour (Basingstoke: Palgrave MacMillan)

Loke V and Cramer, R (2009) Singapore's Central Provident Fund: A National Policy of Life-long Asset Accounts

Marshall, P. and D. Laws (eds) (2004), The Orange Book: Reclaiming Liberalism, Profile Books

McBride, A. et al (2003) 'The Effects of Individual Development Account Programs: Perceptions of Participants', in Social Development Issues, Vol. 25, pp. 59-73

Office of National Statistics (2009) Wealth in Great Britain - Main Results from the Wealth and Assets Survey 2006/08

Oliver, M. and Shapiro, T. (1995) Black Wealth/White Wealth: A New Perspective on Racial Inequality (New York: Routledge)

Page-Adams, D. and Vosler, N. (1995) 'Effects of Home Ownership on Well-being among Blue-Collar Workers', Paper presented at the Seventh International Conference of the Society for the Advancement of Socio-Economics, Washington, D.C.

Page-Adams, D. and Sherraden, M. (1997) 'Asset Building as a Community Revitalisation Strategy', in Social Work, Vol. 42, No. 5, pp. 423-434

Pensions Commission (2005), A new pension settlement for the twenty-first century, TSO

Prabhakar, R. (2006) Attitudes to the Child Trust Fund: what do parents think?, Center for Social Development Working Paper 06-10

Prabhakar, R. (2008) The Assets Agenda (Basingstoke, Palgrave)

Prabhakar, R. (2009) The development of asset-based welfare: the case of the child trust fund in the UK, in: Policy and Politics, vol 37, no 1, pp. 129-43

Pugh, H. et al (1991) 'Women's Lung Cancer Mortality, Socio-Economic Status and Changing Smoking Patterns', in Social Science and Medicine, Vol. 32, No. 10, pp. 1105-1110

Raheim, S. and Alter, C. (1995) Self-Employment Investment Demonstration Final Evaluation Report (Iowa City, IA: University of Iowa School of Social Work)

Robert, S. and House, J. (1996) 'SES Differentials in Health by Age and Alternative Indicators of SES', in Journal of Aging and Health, Vol. 8, pp. 359-388

Robson, J and Nares, P (eds) (2006) Wealth and Well-being/Ownership and Opportunity: New Directions in Social Policy for Canada, SEDI

Robson, J. (2006), Assets, Ownership and a New (and Very Canadian) Approach, in Robson, J and Nares, P (2006), pp 29-36

Rocha, C. (1997) 'Factors that contribute to the Economic Well-being in Female-headed Households', in Journal of Social Service Research, Vol. 23, No. 1, pp. 1-17

Rohe, W. and Stegman, M. (1994a) 'The Effects of Home Ownership on the Self-Esteem, Perceived Control and Life Satisfaction of Low-Income People', in Journal of the American Planning Association, Vol. 60, pp. 173-184

Rohe, W. and Stegman, M. (1994b) 'The Impact of Home Ownership on the Social and Political Involvement of Low-Income People', in Urban Affairs Quarterly, Vol. 30, pp. 152-172

Rossi, P. and Weber, E. (1996) 'The Social Benefits of Homeownership: Empirical Evidence from National Surveys', in Housing Policy Debate, Vol. 7, No. 1, pp. 1-35

Saegert, S. and Winkel, G. (1998) 'Social Capital and the Revitalization of New York City's Distressed Inner City Housing', in Housing Policy Debate, Vol. 9, pp. 17-60

Saunders, P. (1990) A Nation of Home Owners (London: Unwin Hyman)

Scanlon, E. and Page-Adams, D. (2001) 'Effects of Asset Holding on Neighborhoods, Families, and Children: A Review of Research', in Boshara, R. (ed.) Building Assets: A Report on the Asset-Development and IDA Field (Washington, D.C.: Corporation for Enterprise Development), pp. 25-49

Schmidt, L. (2004) 'Gender, Marriage, and Asset Accumulation in the United States' Paper presented at the Workshop on Women and The Distribution of Wealth, Yale Center for International and Area Studies, November 12-13, 2004

Schreiner, M. and Sherraden, M. (2007) 'Can the poor save?' London: Transaction

Sherraden, M. (1988), Rethinking social welfare: towards assets, in: Social Policy 18 (3), pp. 37-43

Sherraden, M. (1991) Assets and the Poor: A New American Welfare Policy (Armonk, New York: M.E. Sharpe)

Sherraden, M., Nair, S., Vasoo, S., Liang, N.T. & Sherraden, M.S. (1995), Effects of asset accumulation among members of Singapore's Central Provident Fund. Paper presented at the Seventh international conference of the Society for the Advancement of Socio-Economics, Washington DC, April 6-9, 1995

Sherraden, M. (2003) From the Social Welfare State to the Social Investment State, see http://www.nhi.org/online/issues/128/socialinvest.html

Shobe, M. and Page-Adams, D. (2001) 'Assets, Future Orientation and Well-Being: Exploring and Extending Sherraden's Framework', in Journal of Sociology and Social Welfare, Vol. 28, No. 3, pp. 109-127

Spence, A. (2007) Towards a new perspective on hunger & poverty in Ontario, Discussion paper, Ontario Association of Food Banks (OAFB)

Thoresen, O. (2008), Thoresen Review of Generic Financial Advice (London)

Trade Union Advisory Committee to the OECD (2008) 'Levels of income inequality and poverty in the mid- 2000s'. Available at:
http://www.tuac.org/en/public/e-docs/00/00/02/20/document_news.phtml

Time Banks UK. Sustainability and social assets: The potential of time banks and co-production (2005) Boyle, David. p.4 Available at: http://www.uea.ac.uk/env/cserge/events/grassroots/boyle.pdf

University of Wales. Looking Back: A review of the Community Time Credit Systems that have given birth to Spice (2009)

White, S. (2003) The Civic Minimum: On the Rights and Obligations of Economic Citizenship (Oxford: Oxford University Press)

White , S. (2007), Why do Liberal Democrats oppose the Child Trust Fund?, Public policy research May-March 2007

Willets, D. (2010) The Pinch: How Baby Boomers Took Their Children's Future (Atlantic Books)

Wolff, E. (1995) Top Heavy: A Study of the Increasing Inequality of Wealth in America (New York: Twentieth Century Fund)

Yadama, G. and Sherraden, M. (1996) 'Effects of Assets on Attitudes and Behaviors: Advance Test of a Social Policy Proposal', in Social Work Research, Vol. 20, No. 1, pp. 3-11

Yamokoski, A. and Keister, L. (2004) 'The Wealth of Single Females: Marital Status and Fertility in the Asset Accumulation of Young Baby Boomers in the United States'. Paper presented at the Workshop on Women and The Distribution of Wealth, Yale Center for International and Area Studies, November 12-13, 2004

Zhan, M. (2006) 'Economic Mobility of Single Mothers: The Role of Assets and Human Capital Development', in Journal of Sociology and Social Welfare, Vol. 33, No. 4, pp. 127-150

About Save Child Savings

Save Child Savings represents a broad alliance, from consumer groups, to charities and service providers, who have come together in the belief that we need a viable and sustainable approach to saving for children, and that building on the legacy of the Child Trust Fund offers an invaluable opportunity for families to invest in their children's future. We appreciate and reflect the understandable concern about what the future might hold for children's savings in the absence of any savings policy. The Save Child Savings campaign was created to protect and promote every child's right to the best start to his or her adult life.

www.savechildsavings.org

Asset Building for Children - ResPublica - September 2010

“We know now the return on investing in supporting new parents is significant; there needs to be a policy for family savings in the long term. Investing in building assets for every child at birth, as this report indicates, will also help more children make the most of their lives.“

Belinda Phipps, Chief Executive, National Childbirth Trust

“We believe assets matter more than income, and we believe that asset inequality is the great driver of contemporary inequality and the true source of social immobility and debt dependence – and if we believe in fairness and the damaging consequences of widening relative inequality, then a progressive government and a fair nation must tackle this foundational inequity.

David Cameron said in 2003 during the passage and debate of The Child Trust Funds Bill that ‘we believe that encouraging people to build up assets gives them independence, freedom and the ability to make choices for themselves rather than being too reliant on the state’. We agree with the Prime Minster, and we argue in this paper for the establishment of a new asset building account for children – we believe this ABC account will help deliver the society that both members of the coalition government want.”

Phillip Blond, Director of ResPublica
Sandra Gruescu, Head of Children and Families Unit, ResPublica

ResPublica

www.respublica.org.uk

Price: £15.00

Design for ResPublica by BCDesign - Paris