



## BabySteps Savings Plan

*Massachusetts' first statewide college savings account program has arrived!*

### WHAT IS THE BABYSTEPS SAVINGS PLAN?

BabySteps is **Massachusetts' first statewide college savings account program**, designed to empower families to plan and save for their child's higher education. This announcement follows State Treasurer Deborah B. Goldberg's college savings account pilot program (SeedMA) in Worcester and Monson. With the launch of BabySteps, every child born to or adopted by a Massachusetts resident after January 1, 2020, will be eligible to receive a **free \$50 seed deposit** from the State Treasurer's Office upon opening a 529 college savings account through MEFA.

### THE BABYSTEPS SAVINGS PLAN WILL DEDICATE ITS RESOURCES IN SUPPORT OF 3 PRINCIPAL GOALS

- 1 Increase** the percentage of children saving for higher education in Massachusetts;
- 2 Deliver** high-quality financial education programming to families, building a culture centered on saving for the future and employing prudent budget management; and
- 3 Boost** postsecondary enrollment and graduation rates for Massachusetts students by fostering aspirations of higher education for economically vulnerable and disadvantaged children.



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## WHY DID THE MASSACHUSETTS STATE TREASURER CREATE THIS PROGRAM?

Education is an essential step to upward economic mobility. Our current student debt system prevents many students, particularly those from low- and moderate-income families, from attaining postsecondary education. By shifting from debt dependence to asset empowered education, college saving account programs expand educational and economic opportunity by helping families build dedicated savings for postsecondary education.

College saving account programs are considered a best practice across the nation and of the four statewide programs, three are offered at birth (Maine, Rhode Island, and Connecticut).

College saving account programs:

- ✓ Provide children with **long-term investment opportunities**
- ✓ Offer **financial incentives** to leverage families' investments and **boost account accumulation**
- ✓ **Positively impact multiple dimensions of a child's life**, including: academic performance, social-emotional development, educational aspirations, asset accumulation, college attendance and graduation, and post-college financial health

Research shows that:

- ✓ Low- and moderate-income children with less than \$500 in college savings are **3 times more likely** to attend college and **4 times more likely** to graduate than students with no college savings <sup>1</sup>
- ✓ Children with college savings are **31% more likely to expect to go to college** than children without college savings <sup>2</sup>

## WHY A 529 ACCOUNT?

529 college savings accounts are flexible, tax-advantaged, investment accounts specifically designed to help families save for higher education, including community college and vocational school. In addition to the \$50 deposit from the State Treasurer's Office, other benefits of the program include a tax credit for contributions into a 529 account and paired financial education. Families who open SeedMA Expansion accounts will still be able to participate in public benefits programs.

“ I want to say thank you. It gave us the push we needed to open something. It was a goal of ours, it was just at the bottom of the list and it was the incentive we needed. ”

- Participating SeedMA Parent

<sup>1</sup> Elliott, W., Song, H-a, & Nam, I. (2013). Small-dollar accounts, children's college outcomes, and wilt. *Children and Youth Services Review*, 35(3), 535-547.

<sup>2</sup> Elliott, W. (2009). Children's college aspirations and expectations: The potential role of college development accounts (CDAs). *Children and Youth Services Review*, 31(2), 274-283.

