

Those Pesky Asset Limits: Lessons from the SEED Initiative

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SEED Initiative

- Children's savings account demonstration in 12 sites across country, including PR
- Function as matched savings accounts, with various structures, including savings accounts, investment accounts, 529 college plans
- Designated uses vary across sites: include education, business start-up, home downpayment, computer, rental assistance, car purchase, etc.
- Most sites allow emergency withdrawals
- Match money usually held in separate custodial account

Barriers to SEED Savings

- While encouraging families to pursue saving for children, we must ensure that access to public assistance benefits is not jeopardized by accumulating assets and savings
- Challenges:
 - Low asset limits
 - Existing treatment of children's savings
 - Federal vs. state
 - Existing treatment of IDAs
 - Rigid rule structure

Children's Savings Penalized

- Most states exclude children's earnings from income determinations if the children are FT students or PT students working PT, but once these earnings are placed in savings accounts, they are treated as an asset
- Nearly 40 states treat children's savings as family assets (either explicitly or implicitly)
- Youngest children hurt most
 - States that exempt children's savings accounts from asset tests often require that all deposits come from children's earnings

Asset limits and the Children's Savings Story in 2006

- Individual Development Accounts have helped clear a path
 - TANF and AFIA IDAs are exempt from asset limits
 - Some states have liberal IDA language which exempts IDAs, including some children's savings accounts, from some assistance programs
 - Proposed Food Stamp regulations allow states to exempt IDAs for education, home purchase, and business start-up
 - IDAs have drawn attention to asset development at the state level
- But most states lack a coherent policy toward assets and savings and little attention is given to children's savings

Some existing vehicles in state policy to protect children's savings

- Individual Development Accounts (IDAs)
- Restricted bank accounts
- Education savings accounts and college savings plans
- Trusts or accounts deemed inaccessible to the family

Children's Savings Accounts ≠ IDAs

- IDAs and Children's Savings Account uses may not line up (so state IDA exemptions won't apply)
 - Traditional three uses v. expanded uses including computer purchase, housing assistance, etc.
- Federal IDA legislation requires deposits come from earnings
 - Children's savings accounts usually encourage deposits from family, friends, community organizations
- Funding source not AFIA or TANF, so same IDA exemptions from asset tests don't apply
- Different structure: allowance for emergency withdrawals, use of benchmark payments, age parameters, accountholder

Clearing the Obstacles

- Eliminate asset tests in public assistance programs
- Exclude children's savings accounts from resource limits in public assistance programs
- Raise asset limits enough to protect children's savings accounts
- Seek income exemptions





Exemptions for Children's Savings Accounts

- Just as states have adopted IDA policies that exempt policies that exempt non-AFIA, non-TANF IDAs from asset limits, they can exempt children's saving accounts
 - Flexibility in TANF, Medicaid, SCHIP, child care; possibility with FS
 - Avoid limiting uses for children's savings (e.g., for education only)
 - Allow deposits from multiple sources
 - Establish reasonable savings goals
 - Set same rules for applicants and recipients
 - Restrict access to funds in accounts



Exemptions for Children's Savings Accounts

- Change political will to support children's savings
 - Michigan, Illinois, Puerto Rico, Delaware
- Structure matters: deem accounts “inaccessible to the family” or “not readily available to the household” (FS language)



What about Food Stamps and SEED?

- If inaccessible to the family (so can't be used for food), then exempt
- Application of 2002 Farm Bill:
 - States have option of aligning policies
 - States with higher asset limits or particular exemptions in TANF or Medicaid can apply same rules to Food Stamp program
 - States have option to exclude IDAs from FS asset tests (if do so in other programs)



Raise asset limits enough to protect Children's Savings Accounts

- Appealing to policy makers who fear incentives to seek assistance if asset tests eliminated
- States have the option to raise asset limits, particularly in TANF and Medicaid, movement in Food Stamps



Seek income exemptions

- Does it count as income?
 - Income deposited in the account
 - Interest earned on account
 - Benchmark payments
- From the Arkansas Code, some model language:
“Funds deposited in an IDA shall not count as income, assets, or resources of the individual in determining financial eligibility for assistance or services pursuant to any federal, federally assisted, state, or municipal program based on need”



What about SSI and SEED? (Part I)

- PASS Accounts: Support asset accumulation for self sufficiency
 - Never approved for person under 14; initially only last for 18 mos with extension to 48 mos
 - For kids 14-16: postsecondary ed only use
- Account structure: So long as structured so withdrawals are restricted and require approval of another individual/entity (custodial); they are considered inaccessible
- Vendor payments and limited uses (no food/shelter)



What about SSI and SEED? (Part II)

- If child under 14 (no PASS), ownership and receipt matters:
 - SEED account cannot be “owned” by SSI recipient (SEED child) or parents/siblings
 - If account owned by another relative who is not receiving SSI, even if lives in same household, won’t be counted against SSI
 - If parent or siblings receive SSI, parent can’t own the account even if intended beneficiary of SEED funds is not an SSI recipient (parent’s name may be on account if acting as an agent for the child)