TAUB CENTER FOR SOCIAL POLICY STUDIES IN ISRAEL
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POLICY BRIEF

Child Development Accounts in Israel: Background and Review of Options

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Many young adults in Israel start their adult lives without sufficient resources to maximize their abilities to the full. Child development accounts based on a partnership between the government and parents are a method for dealing with this reality.

Child development accounts have been implemented in many countries for more than a decade and have been under discussion in Israel for a number of years. This policy brief looks at various options for these savings accounts and the social and budgetary implications of each.

Introduction

Welfare states have in recent years emphasized social investment as a major focus of their activity. Using a variety of tools, these welfare states aim to advance social development, to combat inequality and poverty, and to see their populations prosper. One of the essential means to realize this goal is to increase the material and human capital of all citizens in society. Specifically, in order to ensure that citizens will be able to realize their potential and thereby both improve their own condition and contribute to society, the state must guarantee that young people beginning their adult lives have access to vital systems, including the education and professional training systems, tools for optimal integration into the workforce, and resources to acquire housing and start families.

In the current Israeli reality, thousands of young adults who complete their high school education and/or military or national service must begin their adult lives without sufficient resources to fulfill their maximum potential. Child development accounts, based on a government-individual partnership, are one way to address this reality. These programs seek to ensure that every young adult has the basic financial resources to integrate optimally into society and the economy.

The idea of savings accounts for children has been implemented in various countries for more than a decade, and, in recent years, has also been under discussion in Israel. The legal basis for adopting such a plan was recently included in the Economic Arrangements Law. This policy brief will examine four different options for child development accounts and show the social and budgetary implications of each option.

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1. *Background*

Savings plans in Israel and around the world

Over the last twenty years, the use of "asset building" tools has grown as a means of combating poverty and inequality. Underlying this concept is the assumption that families and individuals who want to advance and improve their situation require sufficient resources to invest in education, housing and the labor market, without which their path to social mobility is virtually blocked. Those who advocate this approach assume that while cash benefits are vital for addressing poverty in the short run, it is also very important to enable low-income families to accrue assets which they can use in the future to advance up the social ladder. Moreover, the accumulation of these assets impacts on people's hopes and behaviors even during the accrual period (Sherraden, 1991).

Since the concept of asset-building was first conceived, various countries around the world have adopted a variety of programs in order to increase family and individual assets, with an emphasis on asset building for people living in poverty and suffering economic hardship and exclusion (Sherraden, 2014). Initially these programs were designed mainly for adults and served for short-term savings to complement income-based support programs. Based on what has been learned from these programs and demonstration projects, the prevailing trend is to start saving as early as possible, and the focus is therefore on families with children. The assumption is that over time families without resources can be helped to build assets that will help their children integrate in the workforce in their adulthood. Table 1 presents a review of different savings plans for children in other countries.

Even though these plans have different forms, asset-building programs for children, termed child development accounts (CDAs), share basic principles. Their proponents note that, optimally, these accounts begin at the child's birth and continue until adulthood, and they recommend implementing universal and progressive plans and focusing on building assets that will contribute to the child's development. In particular, the accumulated experience in operating such programs emphasizes the importance of accessibility of the program to the target population and the ease of its implementation. The purpose is to ensure that the policy makers' intention of building assets for those who need them actually materializes and that it is not hindered by operational difficulties, bureaucratic barriers or the lack of information.

The growth of child development accounts has been accompanied by many studies to explore outcomes. Since no such program cohort has yet reached young adulthood, there is no data about the program’s full impact. However, early research indicates that these programs have already had a positive impact on children's emotional and social competence in the short run (compared to a control group of children who did not participate in the program), and on parents' expectations for the future (Huang et al., 2014). It is assumed that the very act of joining a savings account, the expectations that it brings and hopes of future change, have an impact on the families' behavior (Beverly et al., 2015).

Table 1. **Child development accounts in various countries**

Country	
Uganda	Account for orphans whose parents died from AIDS to fund their high school education. In parallel, there is funding for asset-building workshops and school mentoring programs (Curley et al., 2010).
United States	There are several programs, the largest ones of which are based on college savings funds. Some states offer matching funding[1] for college savings for low-income families. Nevada and Maine have universal programs, in which the state deposits an initial sum and adds matching funds to deposits in the savings account (Clancy and Sherraden, 2014).
Great Britain	Currently, there is no active program. From 2005-2010, there was a universal and progressive program whereby children from low-income families were entitled to the deposit of additional amounts by the government. No limits were imposed on the use of the savings funds. The program was stopped after five years due to budget cuts (Beverly et al., 2013).
South Korea	The program began in 2007 for children from low-income families. The program offers 1:1 matching funding. At the age of 18 the money can be used to fund education, vocational training, purchase of a home, startup initiatives, medical expenses, and wedding expenses (Kim et al., 2011).
China	A pilot program was held in a single district and there currently is discussion of opening savings accounts for low-income children (Zou et al., 2015).
Singapore	• Since 1993, there has been a program for children ages 6-16 for education expenses (enrichment programs, etc.). • Since 2001, there has been a savings account for every child who is born, in which an initial sum is deposited and the parents can continue saving and receiving matching funding from the state at a 1:1 ratio. The money from birth to age 6 can be used to fund the child's education and health expenses. • Since 2005, there has been a program for children ages 13-20, including the deposit of an initial sum by the government (the sum changes according to the family's economic situation), and the option of saving and receiving matching funding at a 1:1 ratio. The funds are dedicated for higher education (Sherraden, 2014; Loke and Sherraden, 2015).
Canada	Several programs designed to fund higher education: • A universal program founded by the government in 1998 allows savings and matching funding of 20% of the amount. Low-income families are entitled to additional matching funding of 10-20% of the deposit amount. • A program that began in 2005 for low-income families by which the government deposits an initial sum into a savings fund and another amount every year (up to a maximum of 15 years) (Beverly et al., 2013; Loke and Sherraden, 2008).

[1] Through the matching system the state invests in the savings accounts varying amounts of money depending on the amount of the deposits by another party (in this case the parents). A 1:1 matching funding ratio means that the state deposits one currency unit for each currency unit invested by the parents.

Source: Gal, Madhala-Brik, Grinstein-Weiss, and Covington, Taub Center.
Data: Various studies (referenced in table).

Designated savings accounts in Israel

It is evident that in the Israeli reality where the incidence of poverty and levels of inequality are particularly high, savings accounts designed to boost families' assets could help. This is especially true because among low-income families the number of children is higher and so the likelihood that these children will lack the essential resources to optimize their abilities and human capital as adults is also higher (Grinstein-Weiss, 2016).

Over the past several decades, various programs have been developed in Israel with the aim of providing an asset base for young people beginning their adult lives. These include programs giving scholarships for higher education to residents of the periphery and other specific target populations such as the Haredi population, as well as grants and savings deposits for soldiers completing their military service and individuals completing alternate national service. However, the size of these programs is relatively small and the target population does not comprise the entire population. Alongside the existing programs, there were a number of attempts to promote wider asset-building programs. The first initiative for savings accounts of this type was proposed by Prof. Vered Slonim-Nevo from Ben-Gurion University.[2] In the last decade, various agencies engaged in efforts to develop this sort of program, including the Ministry of Social Affairs and Social Services, the National Insurance Institute, and advocacy organizations such as Yedid – the Association for Community Empowerment. These agencies were advised by an advisory team headed by Prof. Michal Grinstein-Weiss of the Center for Social Development (Washington University). This effort created a firm conceptual basis and led to the decision to introduce an asset-building program in Israel called "long-term investment accounts for children." The framework proposal for the program was included in the Economic Arrangements Law (the Economic Efficiency Law) from November 2015, and its implementation is scheduled for the beginning of 2017.

When establishing asset-building programs, various issues arise that need to be addressed. Some of these questions are: Is the program universal or should it focus on particular populations? Will there be participation incentives? These can be through matching funding or grants at particular benchmarks throughout the program. What is the level of public investment? The larger the target population and grants are, the greater the public cost. What is the savings process? Deposits can be deducted from transfer allowances or taken directly from the parents' funds. Are the savings allowed to be used only for asset building purposes? Who will manage the savings? Will it be a public or private body? It also needs to be decided at what point the assets can be redeemed. The question of the complementary projects accompanying the program has also been widely discussed. For example, should the program be accompanied by programs to encourage financial literacy, or by other programs related to identifying the goals of the savings and their optimal use? This policy brief will take into account these issues (and others) when comparing the different options, and present a final discussion of the main issues.

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2 Account by the Welfare Subcommittee of the National Strategic Program for the Development of the Negev, December 2005 (not published).

2. Comparison of Child Development Account Options

This section presents four possible options for child development accounts:

Option 1: Based on the proposal approved in the 2015 Economic Arrangements Law.

Option 2: Based on the recommendation to provide an "Empowerment Grant" presented in the Report of the Committee for the War Against Poverty, 2014.

Option 3: Based on a program originally developed in 2010 by a research team at the Center for Social Development, Washington University in St. Louis. The proposal served as the basis for early discussions of child development accounts in Israel (Grinstein-Weiss et al., 2010).

Option 4: A proposal that combines different suggestions and recommendations and is based, inter alia, on the recommendations of researchers from the Center for Social Development and proposals that were included in the Economic Arrangements Law (Grinstein-Weiss et al., 2016).

As part of the comparison, data is presented for each of the different options: the terms of the plan; the sum expected to be available to the child at the age of 18 and at the end of the program; and the projected costs to the state at two points in time – the first year and when the program is fully operational, namely when the amount in the total savings reaches its maximum.[3] The calculations presented in the various options are based on data presented as part of the Economic Arrangements Law, the recommendations of the Committee for the War Against Poverty, publications of the Center for Social Development at Washington University, and data from the National Insurance Institute (NII), the Bank of Israel, and the Central Bureau of Statistics (CBS). The costs that appear in the document do not include administration costs, which will be determined according to the agency that manages the savings accounts. The full calculation of the amounts presented in the various options and the assumptions underlying the calculations appear in Appendix Table 1, and a summary table comparing the various indexes for the four options appears in Appendix Table 3.

Option 1 (Economic Arrangements Law)

Amount available to the child at age 18: NIS 12,215

Amount available to the child with additional parental deposits: NIS 23,930

Cost to the state for the first year: NIS 110,300,000

Annual cost to the state upon full implementation: NIS 2,417,034,000

This option presents the proposal for long-term saving for children as approved in the Economic Arrangements Law. The program is for all newly born children. In this program, the state will budget NIS 50 per month for each savings account, as well as a variable lump sum at withdrawal (NIS 500 for redemption at age 18, and NIS 1,000 if redeemed at age 21). Parents will be given the option of depositing an additional NIS 50 monthly from their child allowance. At the end of the period, the child will have NIS 12,500 (NIS 13,000 if withdrawn at age 21), and NIS 23,930 if their parents opt for adding to the savings (NIS 25,000 at age 21).

[3] In order to compare the amounts calculated for each option, the calculation was made based on the assumption that the plan would apply only to new-born children.

The savings account can be used at age 18 for any purpose with parental approval and at age 21 without restrictions. Information regarding the administration mechanism and the agency that will manage the savings funds has not yet been published.

Assuming that half of the parents would choose to save for their children until age 21, the program's cost for the first year is estimated at NIS 110 million, and the annual cost after the program is fully implemented is estimated at NIS 2.4 billion.

Option 2 (The Committee for the War Against Poverty)

Amount available to the child at age 18: NIS 37,370

Cost to the state during the first year: NIS 12,136,600

Annual cost to the state upon full implementation: NIS 580,923,800

This option presents a plan based on the recommendation to provide an "Empowerment Grant," which appeared in the report of the Committee for War Against Poverty, and which was developed by the NII. According to this option, the grant will be given to children who are economically disadvantaged, identified as those with parents who do not receive income tax credit on savings programs (pensions, advanced study funds, provident funds, etc.). In this framework, after a child is born, mothers will be given the option of investing their maternity grant (NIS 1,750 for the first child) in an account on behalf of their newborn. As a default option, mothers will be offered a monthly investment of a minimum sum of NIS 50 deducted from their child allowance, while the government would invest a matching sum (1:1 matching ratio). The family has the option to opt out of this program and continue to receive the full maternity grant and child allowance. This option proposes a real interest rate of 5%, subsidized by the Ministry of Finance.

At the end of the investment period, when the child reaches age 18, the savings will amount to NIS 37,370. The savings account can be used toward education or vocational training, starting a business or other long-term investments. This program would be administered by the banking system under fair competition terms, or alternately, by the postal bank.

On the assumption that one-third of eligible families choose to participate[4] and save until a child turns 18, the cost of the program for the first year is estimated at NIS 12 million, and when fully implemented the annual cost is expected to be NIS 580 million. If the number of families who exercise their entitlement reaches 50%, the cost will reach NIS 870 million a year.[5]

[4] The estimate is based on the participation rates found for other savings accounts that provide matching funding (Sherraden, 2002; Azurdia et al., 2013).

[5] The cost difference arises from the additional matching funding for the families that are added to the program and does not include the savings basis of the maternity grant, because the state carries that cost for the families who do not join the program as well.

Option 3 (Center for Social Development, 2010)

Amount available to the child at age 18: NIS 16,508

Amount available to a child from a low-income family: NIS 22,120

Cost to the state during the first year: NIS 48,914,000

Annual cost to the state upon full implementation: NIS 355,311,800

As noted previously, this option is based on a plan developed especially for Israel by researchers at the Center for Social Development at Washington University in 2010 under the leadership of Prof. Grinstein-Weiss. This proposal served as the basis for early discussions in Israel about child development accounts, and, since then, the Center for Social Development's recommendations have changed and evolved. The program proposes opening long-term savings accounts for all children at birth as the default option, but allows parents to opt out should they so choose. This savings account will begin with a basic sum equal to the maternity grant (offsetting the maternity grant), and, every month for the first five years after its opening, NIS 50 will be invested from the child allowance and matched by the government (1:1 matching ratio). For low-income families who deposit NIS 50 in the account every month the state will put in an additional NIS 100 a month (2:1 matching ratio). Likewise, the state will deposit NIS 1,000 at two points during the program: at the start of first grade and again at the start of middle school.

The accumulated savings amount is expected to reach NIS 16,508 for all children and NIS 22,120 for children from low-income families. The savings are intended to be used for higher education, vocational training, renovation or purchase of an apartment, purchase of a car, or starting a business.

Assuming that one-third of families participate and invest NIS 50 a month, the annual cost to the state upon full implementation is estimated at NIS 355 million. If the rate of families participating is one-half, the cost is estimated at about half a billion shekels a year. Administration will be by a government body such as the National Insurance Institute.

Option 4 (The Combined Proposal)

Amount available to the child at age 18: NIS 13,060

Amount available to a child eligible for matching funding: NIS 36,490

Cost to the state during the first year: NIS 120,222,320

Annual cost to the state upon full implementation: NIS 2,483,413,693

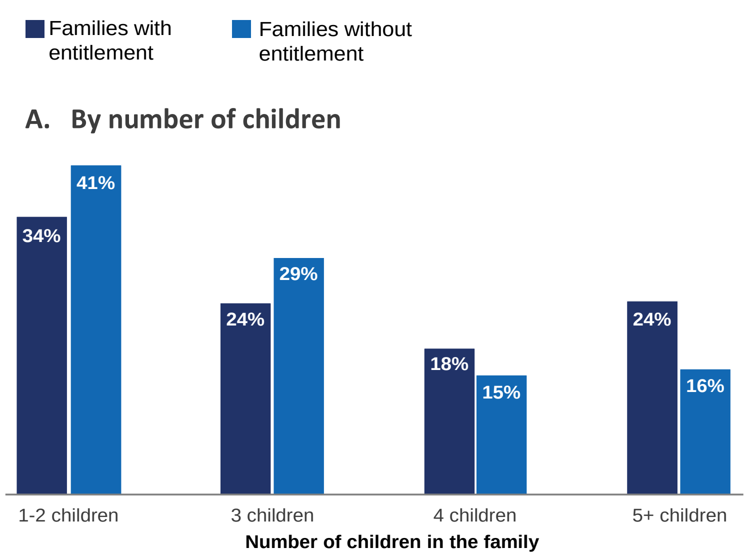
This alternative proposes a long-term savings grant for every child, with a higher savings amount for children from economically disadvantaged backgrounds. Similar to the Committee for the War Against Poverty proposal (Option 2) and that of the Center for Social Development (Option 3), this program also gives mothers the option of depositing their maternity grants into an account in their children's name. In addition to the initial deposit, the state will deposit NIS 50 monthly for all children until age 18. Children from families living in poverty will be given the option of an additional savings – either NIS 10 or NIS 50 monthly – deducted from their child allowance, with a matching amount contributed by the government (1:1 matching ratio). Children entitled to additional savings will be identified based on the family’s entitlement to social assistance or disability benefits, or children in rehabilitation boarding schools or rehabilitation-therapeutic settings for a year or more. The share of children eligible for additional funding according to these criteria is estimated at 27% of all children. At the end of the savings period, each child will be entitled to NIS 13,060. Children eligible for higher savings, whose parents decided to deposit a basic sum of NIS 10 a month, will be entitled to NIS 17,750, and children whose parents saved the maximum and deposited NIS 50 a month will be entitled to NIS 36,500. When the child reaches age 18, the savings can be used for higher education, vocational training, starting a business, or buying an apartment.

Assuming that one-third of families eligible for the additional savings participate and choose to deposit NIS 50 a month, the estimated cost of the program during the first year by the state is NIS 120 million, and once fully implemented the annual cost is expected to reach NIS 2.5 billion. Assuming that half of the families participate fully, the annual cost when all of the savings reach the maximum amount is estimated at NIS 2.6 billion. It is proposed that the savings mechanism of this program be administered by the National Insurance Institute.

Figures 1A-D present the characteristics of the families that will be eligible for additional savings according to the conditions proposed by this program. As can be seen, the eligible families are characterized by a higher number of children per family, fewer rooms in their home, lower income, and a lower level of education of the head of household compared to families that are not eligible. The savings amount for children from eligible families, which can reach NIS 36,500 per child, can provide a significant launching point for these children in circumstances where their parents might be hard-pressed to save such an amount of money.

Figure 1

Distribution of families with children entitled to subsidies in the 4th option



Source: John Gal and Shavit Madhala-Brik, Taub Center.

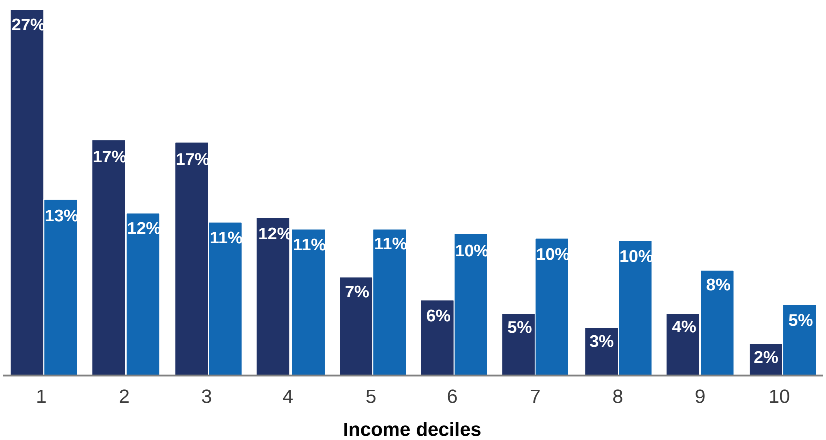
Data: Central Bureau of Statistics, *Household Expenditure Survey 2014*.

Figure 1 (continued)

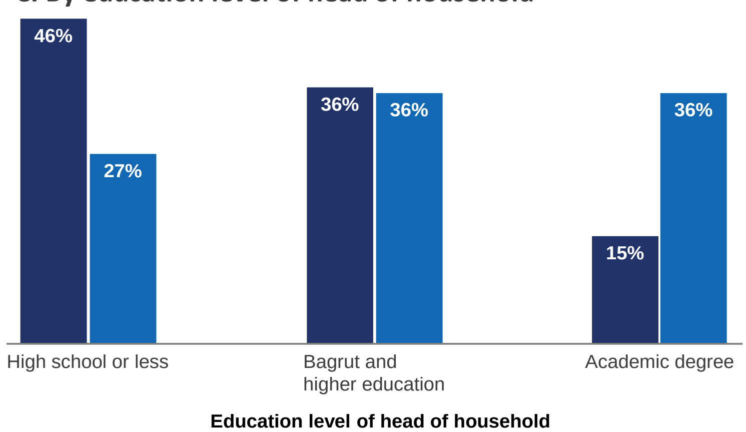
Distribution of families with children entitled to subsidies in the 4th option

Families with entitlement
Families without entitlement

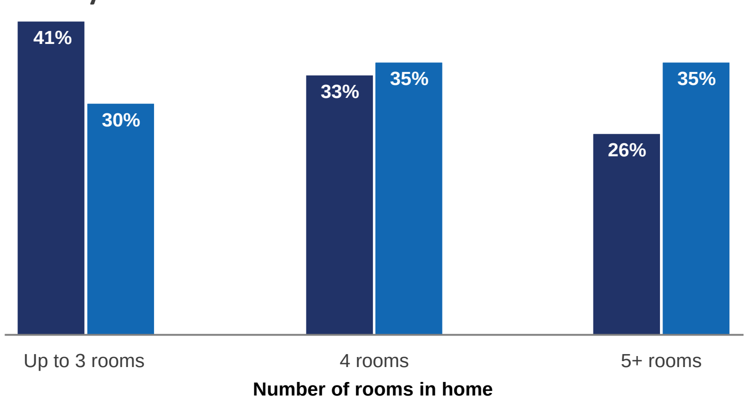
B. By income decile



C. By education level of head of household



D. By number of rooms



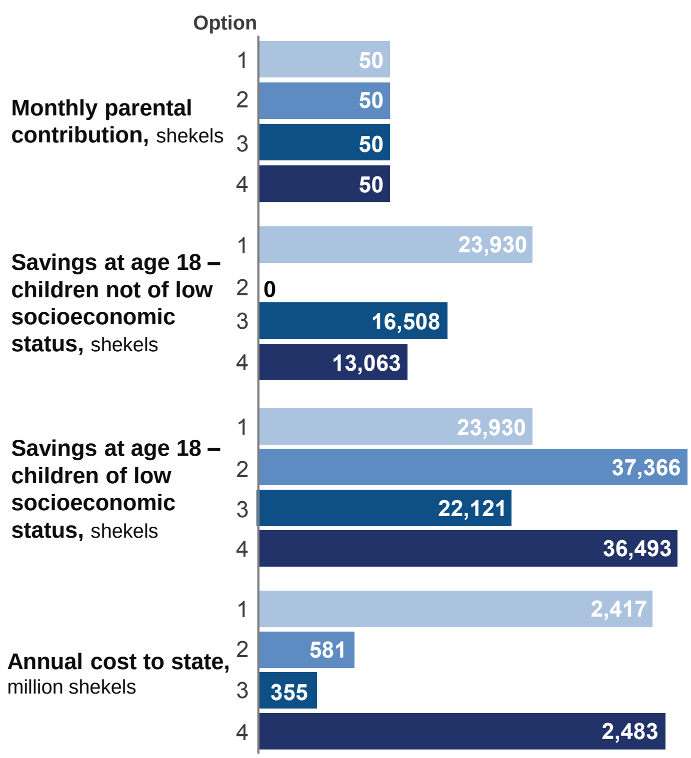
Source: John Gal and Shavit Madhala-Brik, Taub Center.
Data: Central Bureau of Statistics, *Household Expenditure Survey 2014*.

It should be noted that discharged soldiers and national service volunteers also receive a NIS 9,000-19,700 grant and NIS 13,000-28,500 deposit (the Guidance Unit for Discharged Soldiers website). Those amounts are to be added to the amount received as part of the savings program to provide a starting point for the young adults.

Figure 2 compares between the deposit amounts required from the parents, the savings amounts at the end of the savings period for all children and for children from disadvantaged families, and the cost to the state for each of the four options.

Figure 2

A comparison of savings options and costs, 2016 prices



Figures shown are based on the assumption that programs offering parental choice of participation will have a participation rate of one-third, and that in Option 4, families that are participating and are entitled to a larger deposit will choose to deposit NIS 50 per month.

Source: John Gal and Shavit Madhala-Brik, Taub Center.

Data: Economic Arrangements Law; Report of the Committee for the War Against Poverty; CBS; Bank of Israel.

3. Discussion of Selected Issues

The differences between the various options presented here indicate that the characteristics of the program and the way it is operated have significant consequences for its expected impacts. This section will review some key issues that must be considered when selecting a child development account in Israel.

A. The amount of the savings. One central issue is the target amount of money that those participating in the program should ultimately receive when reaching the full savings amount, which is to say when they are of age to withdraw the money. Two of the options (the first one, based on the Economic Arrangements Law, and the third, based on the recommendations of the Center for Social Development) offer children from low-income families an amount that is equal, for the sake of illustration, to funding one or two years of higher education. The other options (based on the recommendations of the Committee for the War Against Poverty and the combined recommendation) offer higher amounts, which should suffice to fund at least a full degree at an academic institution, if not more.

B. The target population and program accessibility. One of the key elements that distinguishes between the alternatives is whether the program will be universal, for all young people, specifically for low-income populations, or progressive, with some combination of the two. Allocating resources to programs focused on low-income target populations can help the young people with the greatest needs and the lowest chances of acquiring their own assets without help. However, universal programs are easier to implement and have been seen to gain broader and more stable public support over time. Furthermore, focusing the program on low-income populations raises complicated questions regarding identification of the target population and dealing with the difficulty of exercising the right to participate in the program. The progressive alternative, which offers a combination between the two possibilities and the distinction between the level of support given to the two populations, is more complicated to administer and more expensive, but it might enjoy combined advantages: on the one hand helping low-income populations with increased support and potentially higher participation rates due to the simplification of the eligibility criteria, and on the other hand helping all young people and maintaining stable public support over time.

C. Participants' savings patterns. In the first and fourth options, the basic deposit is not dependent on the parents opting to participate in the program. The participants' impact on the program is limited to a voluntary option to deposit an additional sum of money in the savings account over time (in addition to the fixed amount deposited in the savings account). In the second and third options, the families have greater discretion and parents can opt out of the program as early as the time of the initial deposit. Therefore, the latter two alternatives require active participation of the parents as well as a large allocation of resources on their part. This means the parents have to set aside regular amounts of money in the present in order to guarantee significant savings in the future.

D. Costs to the state. It is clear that the higher the final amount of payment and the wider the target population, the greater the cost to the state by the time the program is fully operational. Furthermore, alternatives that offer funding by the state that matches the parental contribution significantly increase the level of public spending. As can be seen in Figure 2, the costs of the programs range between NIS 355 million and NIS 2.48 billion a year. Beyond the cost, the administration of matching funding is not easy and implementation might be difficult.

E. The administration mechanism. The success of child development accounts depends on program accessibility and the efficiency of the administering authority. Therefore, issues such as who will operate the program and who will be responsible for handling the deposits are vital issues for the program's success. There are different possibilities for those responsible for the programs as well as for the financial agents responsible for the accounts. For instance, there is a question as to the role of governmental and private financial agencies in the operation of the program.

F. Other elements of the program. In some of the child development accounts there are elements that are not directly related to allocating resources to the families. In similar programs operated in different countries, for example, financial literacy classes, even in school, are an important element in the efforts of the program's proponents to promote savings and the judicious use of resources. The importance of this subject as part of the child development accounts program is controversial, but in any case it appears that it has not yet been discussed in detail in the context of the Israeli program.

G. Restricting the purposes of the savings for asset building. Another subject worthy of discussion is whether it is appropriate to limit the use of the money to defined objectives, as is the case of the deposit account for discharged soldiers, or whether use of the money should be at the discretion of the recipient. Based on international experience, most of the alternatives included in this document propose limiting the autonomy of the savings recipients to specific areas of expenditure. In some of the options, the expenditure objectives focus on asset building: education, starting a business and so on.

4. Summary and Conclusions

Asset building policies have been implemented in many countries in the world in the last decade, and there appears to be room to institute a similar program in Israel. As long as the adoption of such a program is in addition to the income-based support programs and reasonable access to services, and does not come in their place, it is likely to make a real contribution to the group of programs that attempt to deal with the high levels of poverty and inequality in Israeli society, and to ensure that children reaching adulthood have sufficient assets to integrate successfully in society.

Even though numerous studies have been undertaken on the subject, the designers of child development accounts face many questions that do not have clear and proven answers. This is most certainly the case when trying to draw conclusions from the findings of studies conducted in different cultural and social contexts to the Israeli case. Among other things, we have insufficient knowledge of birth patterns and family behavior in the area of savings, future market trends, public support for the program, and the way young adults will use the support funds they receive. However, it should be remembered that there is always a high level of uncertainty when adopting new social policy initiatives. From what we know so far about child development accounts, it appears that this uncertainty should not prevent the adoption of the idea.

The presentation of the different options in this paper is meant to provide policy makers with a broad perspective on the range of possibilities in this area and indicate the advantages and disadvantages of adopting different structural characteristics in these programs. Studies conducted in other countries indicate that asset-building programs for the entire population that provide for a greater level of assistance to young people from poor families (progressive programs) have the best chances of succeeding and enjoy more public support. A comparison of the data shows that this assumption might be valid in Israel as well. The findings of the present analysis indicate that although this approach may require a larger investment of resources and may be more complex to administer, it gives young people considerable assets at the end of the program and will help confront the larger issue of inequality.

Appendix Table 1. **A comparison of estimated savings by year, in 2016 shekels**

	Option 1		Option 2	Option 3		Option 4	
	Without additional savings	With additional savings		Non-Low-income family	Low-income family	Without matching funds	Matching funds at 1:1 ratio
Monthly deposit	50	100	100	50/100	50/150	50	150
Interest	0.9%	0.9%	5.0%	0.9%	0.9%	0.9%	0.9%
Amount of savings by year:							
1	603	1,205	1,230	1,205	1,808	603	1,808
2	1,211	2,422	2,522	2,422	3,632	1,211	3,632
3	1,824	3,649	3,878	3,649	5,473	1,824	5,473
4	2,443	4,887	5,301	4,887	7,330	2,443	7,330
5	3,068	6,136	6,797	6,136	9,204	3,068	9,204
6	3,698	7,396	8,366	6,793	10,889	3,698	11,094
7	4,334	8,668	10,015	7,457	11,589	4,334	13,002
8	4,975	9,951	11,745	8,126	12,296	4,975	14,926
9	5,623	11,245	13,563	8,802	13,008	5,623	16,868
10	6,276	12,551	15,471	9,483	13,728	6,276	18,827
11	6,935	13,869	17,474	10,171	14,453	6,935	20,804
12	7,599	15,199	19,578	10,865	16,185	7,599	22,789
13	8,270	16,540	21,787	11,565	16,933	8,270	24,810
14	8,947	17,894	24,106	12,271	17,687	8,947	26,841
15	9,630	19,259	26,542	12,984	18,448	9,630	28,889
16	10,319	20,637	29,099	13,703	19,216	10,319	30,956
17	11,014	22,028	31,784	14,428	19,991	11,014	33,041
18	11,715	23,430	34,603	15,160	20,773	11,715	35,145
Total including maternity grant/withdrawal	**12,215**	**23,930**	**37,366**	**16,508**	**22,121**	**13,063**	**36,493**

Source: Gal, Madhala-Brik, Grinstein-Weiss, and Covington, Taub Center.

Basic assumptions for calculations:

- Annual interest rate in Options 1, 3 and 4 were calculations on the basis of the geometric average of the Bank of Israel interest rates for 2011-2015. The annual interest rate that appears in Option 2 is subsidized by state money, and the subsidy is for the difference between the estimated interest in the other options.
- The maternity grant that appears in the calculation is the average of that received by all women, which is NIS 1,148 according to data from 2014 (National Insurance Institute data, 2015).
- In Option 4, the calculation of the children entitled to additional savings is based on the assumption that parents choosing to participate in the program will save NIS 50 monthly and not NIS 10.

Appendix Table 2. **Cost of the option to the government by year, in 2016 shekels**

	Option 1	Option 2	Option 3	Option 4
State monthly deposit	50	50	50/100 (first 5 years)	50/100
Annual cost by year:				
1	110,332,365	12,136,560	48,914,015	120,222,320
2	222,540,381	24,479,442	98,659,569	242,488,419
3	336,655,933	37,032,153	149,250,797	366,833,042
4	452,711,449	49,798,259	200,702,076	493,291,523
5	570,623,853	62,768,624	252,976,575	621,773,341
6	690,422,856	75,946,514	277,401,051	752,310,867
7	812,138,643	89,335,251	281,960,033	884,936,993
8	935,801,883	102,938,207	286,542,556	1,019,685,138
9	1,061,443,734	116,758,811	291,148,158	1,156,589,253
10	1,188,970,214	130,786,723	295,750,827	1,295,546,930
11	1,318,409,590	145,025,055	300,370,602	1,436,588,972
12	1,449,790,557	159,467,961	325,234,510	1,579,726,644
13	1,583,142,239	174,145,646	330,230,621	1,725,051,682
14	1,718,494,195	189,034,3671	335,247,895	1,872,536,295
15	1,855,741,079	204,131,519	340,258,450	2,022,085,693
16	1,994,909,420	219,440,036	345,262,751	2,173,728,782
17	2,136,026,117	234,962,873	350,280,760	2,327,494,875
18	2,279,118,448	250,703,029	355,311,822	2,483,413,693
19	2,479,380,255			
20	2,682,611,225			
21	2,888,855,741	—	—	—
Withdrawal grant	137,915,456			
Additional cost of interest subsidy	—	330,220,762		—
Annual cost when fully operational	**2,417,033,905**	**580,923,791**	**355,311,822**	**2,483,413,693**

Source: Gal, Madhala-Brik, Grinstein-Weiss, and Covington, Taub Center.

Basic assumption for calculations:

- In Option 1 and Option 4 the number of children entitled without matching funds is based on data on births and population projections of the Central Bureau of Statistics.
- The estimate of the number of children entitled to matching funds in Option 4 is based on data about the number of children in families receiving disability allowances and in families receiving income support (National Insurance Institute) and data regarding those receiving work grants (Tax Authority and Bank of Israel). In addition, the basis for the estimates is the Central Bureau of Statistics, Income Survey from 2014.
- The estimate for the number of children entitled in Option 2 and the number of children entitled to additional grants throughout the program in Option 3 was estimated at close to one-third of all children. This estimated was used to calculate the number of children from families whose income is below the poverty line.
- For options with savings by parents, the share of families choosing to participate is estimated at one-third of the entitled families.
- In Option 1, the share of children choosing to withdraw the savings at age 21 is estimated at 50%.

Appendix Table 3. **A comparison of child development account options**

	Option 1 (Economic Arrangements Law	Option 2 (The Committee for the War Against Poverty report)	Option 3 (The Center for Social Development)	Option 4 (Combined Program)
Target population	All children	Children from low-income families- estimated at about one-third of all children (identified on the basis of those who do not receive income tax credits on savings programs)	All children. Children from low-income families, estimated at one-third of children, will receive additional savings and grants throughout the program	All children. Children from families eligible for social assistance benefits or living in boarding schools (estimated at 27% of children) have option of additional savings
Amount required from parents	Not required for basic savings. Parents can opt to save NIS 50 from their child allowance	NIS 50 monthly deposit deducted from child allowance; optional investment of maternity grant	The deposit of maternity grant and NIS 50 a month deducted from child allowance	Not required for basic savings. Optional investment of maternity grant. Parents with low-income can deposit NIS 10-50 a month from child allowance
Cumulative amount and withdrawal dates	Age 18: the child will have NIS 12,215 (age 21: NIS 13,000); for those opting for additional savings, age 18: NIS 23,900 (age 21: NIS 25,065)	Age 18: The child will have NIS 37,360	Age 18: the child will have NIS 16,500; children from low-income families will have NIS 22,100	Age 18: the child will have NIS 13,000; children from low-income families will have NIS 36,500
Purposes of use	Released with parental approval at age 18. From age 21, the account is released without restrictions	Education, vocational training, starting a business, long-term investment	Education, vocational training, driving school, starting a business, purchasing an apartment	Education, vocational training, starting a business, purchasing an apartment
Estimated cost to the state	NIS 110 million during the first year; NIS 2.4 billion when fully operational	NIS 12 million during the first year; half a billion shekels when fully operations	NIS 49 million during the first year; NIS 355 million when fully operational	NIS 120 million during the first year; NIS 2.5 billion when fully operational

Source: Gal, Madhala-Brik, Grinstein-Weiss, and Covington, Taub Center.

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