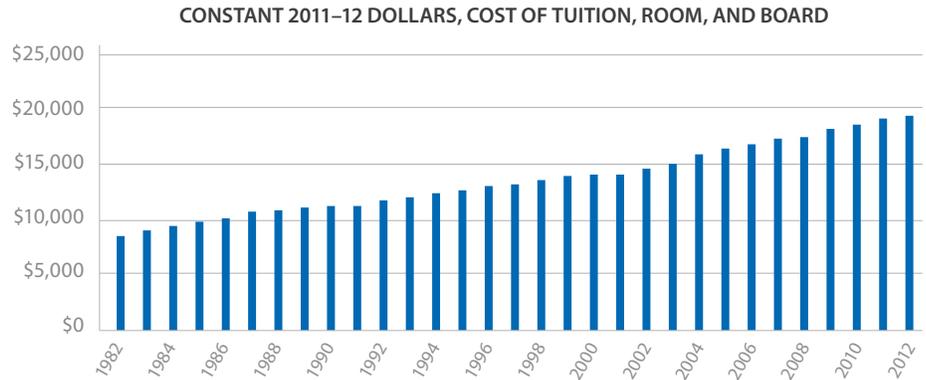


SAVINGS IMPROVES EDUCATION OUTCOMES

LOW-INCOME PARENTS PROJECTED TO SAVE ONLY 34% OF TOTAL COLLEGE COSTS¹

The average cost of tuition for higher education institutions in the United States has gone up every single year on record since 1981.²

According to Experian, the total student debt in the United States today is \$1.2 trillion with an average payment of \$279.³



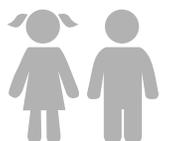
Today's low-income households are struggling to find an effective way to save for college—63 percent are not currently saving for their children's future education costs.⁴

Numerous studies show that even those families saving will not save enough to meet the total costs of college.

Traditional student loan borrowing can be particularly harmful for low-income students: every additional \$1,000 increase from the mean loan amount for low-income students results in a 60% decrease in the probability of college graduation.⁵ Yet, alternate ways of paying for college like financial aid programs or loans are fraught with their own hazards. If education remains the fastest track to financial security, low-income families need better vehicles to build their education savings.

STRATEGIES TO PROMOTE COLLEGE SAVINGS FOR LOW-INCOME HOUSEHOLDS

Safe, accessible products for New York parents already exist (NY's 529 college savings program), but they are rarely used. Uptake rates would improve if low-income households could direct state tax refunds to open or make additional contributions to education savings programs.



NO SAVINGS

3x
MORE
LIKELY TO
ATTEND
COLLEGE



\$1-\$499 IN SAVINGS

With little relief in sight, it is highly important to help families with children to save for their education. Research shows that low and moderate income children with **college savings of \$1-\$499 are more three times more likely to attend college and four times more likely to graduate.⁶**

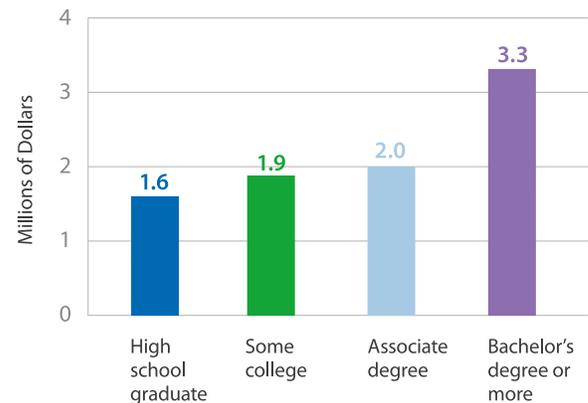
WHAT IS A 529?

FLEXIBLE USE OF SAVINGS	<ul style="list-style-type: none"> – Use at an eligible 2- or 4-year college – Use for tuition, certain room-and-board expenses, books, supplies, etc.
TAX BENEFITS	<ul style="list-style-type: none"> – Qualified withdrawals are free of federal taxes – Contributions can be deducted on New York State returns
EASY TO OPEN	<ul style="list-style-type: none"> – Minimum initial contribution is just \$25

BARRIERS TO OPENING 529s AT TAX TIME

- Unlike federal refunds, New York State tax refunds cannot be split between filers' bank accounts and additional accounts.
- 529 accounts cannot be opened immediately so the necessary account information cannot be included on the tax return.

ESTIMATED LIFETIME EARNINGS BY DEGREE EARNED



Source: Pew Research Center.⁸

“The value of postsecondary education extends beyond the household level. Collectively, a college educated workforce earns higher incomes and is more resilient in times of an economic downturn, which translates to higher revenue for local, state, and federal governments through higher taxes. It also increases productivity and contributes to economic growth.”

–RACHEL BLACK AND MARK HUELSMAN, *OVERCOMING OBSTACLES TO COLLEGE ATTENDANCE AND DEGREE COMPLETION*⁷

RECOMMENDATIONS

- Creating a provision to allow the split of a New York State refund to help low income families save at a time when they may be most flush with cash and help them meet the minimum balance of \$25 to open a 529 account.
- Streamline procedures so New Yorkers can open 529 accounts when filing taxes.
- Removing asset limits from public assistance in general and more specifically removing 529 accounts and other education savings accounts from asset limit tests to encourage low income families to save for their children's education.
- Establishment of a New York City Child Savings Account for every child to help families start saving for college early and to help alleviate some of the debt that coincides with attending college.

SOURCES

¹ Fidelity Investments, *College Savings Indicator Study 2013*.

² U.S. Department of Education, National Center for Education Statistics. (2013). *Digest of Education Statistics, 2012* (NCES 2014-015), Chapter 3.

³ Rayfield, Nicholas. “National Student Loan Debt Reaches a Bonkers \$1.2 Trillion April 8, 2015 11:24 Am.” USA Today 8 Apr. 2015, College sec. Print.

⁴ Ipsos Public Affairs, *How America Saves for College 2013, Sallie Mae's National Study on Parents with Children Under Age 18*.

⁵ Dongbin Kim, *The Effects of Loans on Student's Degree Attainment, 2007*.

⁶ Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education (2013). The University of Kansas School of Social Welfare, Assets & Education Initiative.

⁷ Black, Rachel, and Mark Huelsman. “Overcoming Obstacles to College Attendance and Degree Completion.” Newamerica.org. New America Foundation, 1 Mar. 2012. Web. 18 Sept. 2015.

⁸ Pew Research Center, *Is College Worth It?, 2011*.

