

Creating Inclusive College Savings Vehicles with and for NYC's Diverse Families

Introduction to the Save for College Program's Approach to Democratizing Capital Markets and Savings Options

In 2014, a five-year-old growing up in one of NYC's highest-income neighborhoods was at least 20 times more likely to have a NY 529 Direct Plan account than a child growing up in one of NYC's lowest-income neighborhoods. Such a stark disparity in 529 account usage—and the potential investment returns and tax benefits that come with them—is part and parcel of the broader inequalities in access to mainstream financial products that have helped to drive the racial wealth gap. NYC Kids RISE worked with its partners to expand access to the NY 529 Direct Plan and other college savings vehicles by removing structural barriers that particularly hinder low-income families, families of color, and non-English speaking families.

WHAT: Since the inception of the Save for College Program, NYC Kids RISE has worked with the Office of the New York State Comptroller to expand access to capital markets for NYC's families. The Save for College Program automatically opens an NYC Scholarship Account in the NY 529 *Direct Plan* for every participating student—a process that does not require a Social Security Number of Individual Tax Payer Identification Number (ITIN) and does not impact a family's public benefits. NYC Kids RISE and its partners also successfully advocated for enhancements to the NY 529 *Direct Plan* disclosure booklet, website and forms that make it easier for families to open their own NY 529 account alongside their scholarship account, including:

- Elimination of the initial and ongoing minimum contribution, meaning a parent/guardian can open an account without a deposit and can deposit as little as \$1 at a time;
- Translation of the NY 529 *Direct Plan* into Spanish;
- Planned addition of money orders as an accepted deposit method, enabling unbanked families to more easily contribute to these accounts; and
- Simplification of the online enrollment application.

These and other changes accomplished since the Program's launch in 2017 have expanded access to this important wealth-building tool not only for families in the Save for College Program, but for families throughout the city, state, and country who can now take advantage of the more inclusive features of the NY 529 *Direct Plan*, the nation's largest direct-to-consumer 529 plan.

NYC Kids RISE also worked with Amalgamated Bank to provide a customized, FDIC-insured college savings account option for participating families who choose not to open an investment account for their own savings. This option has no account maintenance fees or account minimums, accepts IDNYC (NYC's municipal ID) as a form of identification, and allows for various methods of deposit, including cash.

WHY: 529 plans are the country's main state-administered, tax-advantaged investment products created to help families save for college and career education.¹ With \$371 billion² invested in 529 plans across the country, they are a potentially powerful tool to promote wealth-building and economic opportunity for families. However, data at both the national and local levels show that the benefits of 529 plans have overwhelmingly gone to families toward the top of the income ladder.³ This unequal access to 529 accounts is one glaring example of broader disparities in access to mainstream financial products among low-income communities and communities of color.⁴ For families without access to a 529 account or even a bank account, building savings for their children's post-secondary education is fraught with obstacles.

HOW: The Save for College Program's work with the Office of the NYS Comptroller and Amalgamated Bank to create inclusive college savings options has been guided by academic and original research, best practices from across the country, and feedback from the pilot area's highly diverse communities. In 2016, Program partners held a series of focus groups with diverse low- and moderate-income families in key neighborhoods to better understand the vast disparities in use of college savings vehicles.⁵ These focus groups revealed a set of barriers that, along with other research and best practices, became the foundation for a set of requested enhancements that the Save for College Program partners brought to the Office of the NYS Comptroller.

Since then, NYC Kids RISE has continued to synthesize and present the feedback from its 70+ stakeholder feedback sessions and the hundreds of college savings and financial empowerment workshops held with families. This real-time information about diverse families' and communities' experience with college savings products was instrumental in making the case for the enhancements that NY 529 has made, as well as the college savings bank account that Amalgamated created.

SELECTED METRICS FROM THE PILOT PHASE

(as of June 30, 2020*)

- **1,592 bank** or 529 accounts opened or connected through the Program
- **299 informational workshops** about families' college savings options held
- **2,214 attendees** at workshops about college savings options
- **1,094** of 529 accounts opened through the Program with less than a \$25 initial deposit
- **4x average increase** in likelihood of having a 529 account in each zip code from 2014 (before the Save for College Program) to 2019
- **351 people without a savings and/or checking account** that opened their own college savings account

WHAT'S NEXT: NYC Kids RISE continues to work with the Office of the NYS Comptroller and family, school, and community partners to make the NY 529 *Direct Plan* a more inclusive college savings product. Requests NYC Kids RISE shared with the Office of the NYS Comptroller to increase the NY 529 *Direct Plan's* inclusivity include the following:

- Creation of FDIC-insured investment option;
- Translation of 529 materials, including the online application, into additional languages;
- Additional NY 529 marketing dollars for education and communication in communities with the lowest level of participation in the NY 529 plan;
- Additional resources for nonprofits and community based organizations to provide outreach, education, and permitted navigational assistance about 529 plans in their communities;
- Matching grants for low and moderate income investors in NY 529;
- Inclusion of a default investment option;
- Enabling students with disabilities to use the funds in both their NYC Scholarship Accounts and their own college savings accounts for a broader set of expenses after high school, if they do not end up being able to use the funds for qualified college or career education expenses;
- Exploring opportunities to offer new investment options in the NY 529 plan for affordable housing, local businesses, and other local, socially responsible impact investments in New York communities.

Learn how you can help bring this platform to every family in every school across New York City at nyckidsrise.org.

**Due to the COVID-19 pandemic, all NYC public schools transitioned to remote learning in March of 2020 for the remainder of the school year and through the end of the pilot in June 2020, impacting metrics and milestones for the final quarter.*

ENDNOTES

- 1 Tax benefits vary by individual circumstances and the state in which an account owner pays income tax.
- 2 College Savings Plans Network, [2019 Year-End Data Infographic](#).
- 3 See, for example, U.S. Government Accountability Office, "A Small Percentage of Families Save in 529 Plans," GAO-13-64; Published: Dec 12, 2012. Publicly Released: Dec 12, 2012.
- 4 "Underbanked" means the individual has a bank account but still relies on alternative, non-bank financial services, including those with high fees or other predatory features. For more information, see "Where are the Unbanked and Underbanked in New York City?", Urban Institute, September 2015.
- 5 MDRC, "Possibilities, Promise and Potential: Low- and Moderate-Income Parents' Views of College Savings," 2016, unpublished (available upon request).

The NYC Kids RISE Save for College Program is a scholarship and savings program administered by NYC Kids RISE, Inc., a nonprofit, in partnership with the NYC Department of Education and the City of New York. NYC Kids RISE is neither affiliated with, nor an authorized distributor of, New York's 529 College Savings Program and does not solicit investments or provide investment advice. The City of New York and the NYC Department of Education offer no endorsement or recommendation about, and do not control, own or are affiliated with the program manager for New York's 529 College Savings Program and any particular college savings or other investment vehicle, including ones which families may learn about through the Save for College Program.

The NYC Kids RISE Save for College Program is a public-private-community partnership that provides families, schools, and communities with a way to work together to save for their children's futures. It's a universal scholarship and savings platform designed to make college and career training more accessible and achievable for all NYC public school students—regardless of their family's income or immigration status. NYC Kids RISE, a nonprofit organization, manages the Save for College Program in partnership with the NYC Department of Education and the City of New York.

