



Democratizing Capital Markets & Savings Options

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

In New York City and throughout the country, deep disparities exist in access to and ownership of mainstream asset-building tools, including college savings vehicles. Indeed, mainstream financial products and markets have often failed to serve all communities equally—particularly low-income families, families of color, and non-English speaking families.

As discussed in the Account Infrastructure brief, both the scholarship and the savings components of the Save for College Program were designed to expand access and reduce structural barriers to investment products, or the accounts that let people earn money from **capital markets**. Increasing ownership of asset-building tools is an impactful way to combat wealth disparities and support economic mobility for low-income communities and communities of color.

To that end, NYC Kids RISE has worked since the inception of the Save for College Program with the **Office of the New York State Comptroller (OSC)**—under the leadership of Comptroller Thomas P. DiNapoli—to make capital markets more accessible to NYC families through enhancements to the New York's 529 College Savings Program *Direct Plan* (**NY 529 or the Direct Plan**). 529 plans are

***Bolded words** are defined as Key Definitions at the end of this document

the country's main state-administered, tax-advantaged investment products created to help families save for college and career education.¹ They are a critical wealth-building tool for families. With more than \$25 billion in assets under management, New York's plan is the country's largest direct-to-consumer 529 plan. It is a powerful state-sponsored tool for New York to advance financial inclusion and economic opportunity. Removing structural barriers to mainstream financial institutions and financial assets like 529 plans for low-income families and families of color can set students up for financial success and help reverse trends that have contributed to large and growing wealth disparities.

NYC Kids RISE has also worked with Amalgamated Bank to provide a customized college savings bank account option for those who cannot or choose not to open an investment account. Throughout both of these efforts, NYC Kids RISE gathered feedback and expertise of families and incorporated this into their work. This brief will explore the accomplishments to date and the work in progress to democratize capital markets and other savings options for all families.

BACKGROUND: **Unequal Access to Capital Markets and 529 Savings Accounts**

There are clear disparities in access to asset building tools by income, race, and language. These disparities are driven by structural barriers that prevent families from saving money for higher education and accessing capital markets.



I think when you hear about how expensive college is, the big number is scary...and we are living in a low-income environment and everything is tight and you're living paycheck to paycheck it seems crazy if you are thinking about \$80,000. You have to get the big number out of your head. We should think small. \$3.00, \$1.50, the change you collect at the end of the week.

— NYC parent and focus group participant



Usage of 529 accounts is one important indicator of a family's access to capital markets. Data at both the national and local levels shows deep disparities in access to 529 accounts based on race, income, neighborhood, and language. Nationally, according to the Government Accountability Office (GAO), 47% of families with 529 plans in 2010 had an annual income of over \$150,000.² And according to the Brookings Institution, an estimated 70% of the federal tax benefits from 529 plans go to households making more than \$200,000.³

What is a 529 Plan?

A 529 plan is a qualified tuition program and the country's main state-administered investment plan designed specifically for families to save for college and career education, with \$371 billion⁷ invested in 529 plans across the country. Money in a 529 plan account is invested in financial markets so that it has the potential to grow over time. It grows tax-free, and earnings are tax-free upon withdrawal if used for qualified higher education expenses. Many states also have state tax deductions or credits for deposits into 529 accounts.⁸ Each State manages its own 529 plan, and the Office of the New York State Comptroller and the New York State Higher Education Services Corporation manage the NY 529 Direct Plan, which alone has 917,969 accounts and \$25 billion in assets across New York.⁹ As participants in the Save for College Program, families have access to the NY 529 Direct Plan in two ways: via the NYC Scholarship Account and as one of the options for the savings account that they can open themselves to save money alongside the scholarship account.

Similarly, here in New York City, according to 2014 data, a child growing up in an NYC neighborhood that is in the top 20% of income is around 20 times more likely to have a New York 529 Direct Plan account than a child growing up in a neighborhood that is in the bottom 20% of income.

Overall, there is just one NY 529 account for every 91 children in the lowest-income quintile of NYC neighborhoods, versus one NY 529 account for every four children in the highest-income quintile. You would have to visit at least five kindergarten classrooms in a neighborhood such as Corona or Brownsville to find one student with a 529 account, whereas in the average kindergarten classroom on the Upper East Side about half the students in the class would have an account.⁴

NY 529 Usage

You would have to visit at **least five kindergarten classrooms** in the lowest income neighborhoods to find **one student with a 529 account**



whereas in the average kindergarten classroom in the highest income neighborhoods about **half the students in the class would have an account**.



SOURCE: Based on NYC Department of Consumer Affairs analysis of administrative data provided by the NY 529 Plan and American Community Survey (2015) demographic data. This analysis does not include data regarding other types of higher education savings investment accounts and savings accounts



At a Family + Community Dinner students decorated capes to show off their superpowers, encouraging them to dream big about their futures.

All told, the benefits of 529 plans have overwhelmingly gone to families toward the top of the income ladder, contributing to growing wealth divides by income and race. As families at the top continue to benefit disproportionately from economic growth while median incomes stagnate and wealth inequality increases, ownership of assets in capital markets is critical for promoting agency in the economy.

Focus groups with diverse low- and moderate-income families in the Northeast Bronx, East and West Harlem, and Western Queens⁵ about college savings accounts pointed to multiple issues that contribute to these disparities in the use of 529 accounts, including:

- The perception that saving for college is only for the wealthy and not something that low-income people can or should do;
- Language barriers;
- Religious barriers because some religions do not allow interest to be accrued on savings or investments;
- Fear of risk-taking and of losing money in the market;
- Confusion because there are too many investment options without support for how to navigate the various options;
- The need to make deposits by cash or money order rather than through a bank account;
- Distrust of depositing money online; and
- The need to make deposits in small increments because of a lack of disposable income and not being able to do so because of minimum contribution amounts.



At Family + Community Dinners, families connect with each other while also learning more about their child's NYC Scholarship Account and 529 plans.

To address these barriers, NYC Kids RISE worked with various partners to expand access to capital markets and reduce barriers for communities and families to save for college in the following ways:

1. **NYC Kids RISE worked closely with the Office of the NYS Comptroller to request changes to the NY 529 Direct Plan to make it more accessible to low-income and undocumented families.**

As participants in the Save for College Program, families can access an NY 529 *Direct Plan* account in two ways: via 1) the NYC Scholarship Account that is automatically opened for their child when they enter a participating school, unless they choose not to participate; and as

one of the options for the college savings account that families can open to save their own money alongside the scholarship account. On the savings side, the Office of the NYS Comptroller eliminated the initial and ongoing minimum contribution to the NY 529 *Direct Plan*, reducing the barriers for low-income families to open and maintain this type of college savings account. Other enhancements made to the NY 529 plan since the Save for College Program launched include: simplification of the online enrollment application; and translation of Plan services and materials (including the full disclosure booklet), phone service, public website, and paper enrollment application into Spanish to make the NY 529 plan more accessible to Spanish speakers.

2. **NYC Kids RISE collaborated with Amalgamated Bank to create an innovative savings account, another option for people for whom saving their own money in the NY 529 Direct Plan, or an investment account of any kind, does not make sense. This could be due, for example, to religious restrictions on investment earnings or because they want to be able to make deposits in-person.**

Amalgamated Bank was able to create a customized, innovative, branded account option for Save for College Program families called the **Amalgamated Save for College Bank Account**. This account helped to make the Save for

The Save for College Program is a model for expanding financial access and financial inclusion in New York City. We know that too many New Yorkers—especially low-income families, immigrant families, and communities of color—lack access to inclusive, affordable financial products and services. At the same time, student loan debt and predatory financial products continue to put our families and communities at greater and greater financial risk. Democratizing access to wealth-building tools like 529 plans and savings accounts is a powerful, proactive way to boost NYC families' financial health, promote upward economic mobility, and reduce inequalities in our system.

— LORELEI SALAS, Commissioner of the NYC Department of Consumer and Worker Protection and Ex-Officio Director of NYC Kids RISE



College Program's account infrastructure even more accessible and equitable by offering an **FDIC**-insured savings account option (without investment risk) that also has no account maintenance fees or account minimums, accepts IDNYC as a form of identification, and allows for various methods of deposit, including cash. In the span of about six months, Amalgamated Bank created this new account type, trained staff at all its NYC branches on how to open the accounts, and worked with NYC Kids RISE to create informational materials for families. This demonstrated the creativity and commitment of the Amalgamated team, from the leadership to the branch staff.

In addition to the above shared accomplishments, 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;
- Translating 529 materials, including the online application, into additional languages, to make it easier for those that have limited English proficiency to access account information and open their own accounts;
- Allocating additional NY 529 marketing dollars for education and communication about the NY 529

Feedback Loops Informing the Amalgamated Bank Account Option

The various focus groups and feedback sessions held with parents/guardians before launch and during the Program's first semester all indicated that families' main questions and concerns about opening their own 529 account tended to revolve around lack of familiarity with investment products, difficulty navigating the various investment options, religious objections to earning investment income, and/or lack of risk tolerance for investment loss. In addition, some of the school and community partners with whom NYC Kids RISE met to inform the account infrastructure (as discussed further in the Account Infrastructure brief) raised similar concerns. This feedback informed the need for and the design of the Amalgamated savings account option.

Direct Plan, particularly for communities with the lowest level of participation in the NY 529 Plan;

- Directing additional resources to non-profits and community based organizations to provide outreach, education, and permitted in-person navigational assistance about 529 plans in their communities;
- Providing matching grants for low- and moderate-income investors in NY 529;
- Inclusion of a default investment option.

Feedback Loops Informing NY 529 Enhancements

The 2016 focus groups with low- and moderate-income families, the meetings and feedback sessions with leadership from pilot schools prior to Program launch, and more than 10 feedback and user-testing sessions held with pilot area parents/guardians in three languages, all informed NYC Kids RISE's inclusive 529 advocacy agenda. In the Program's first year, NYC Kids RISE also gathered feedback on college savings options throughout the 180 informational workshops and 100 other events for pilot area parents hosted with school and community partners. These events enabled NYC Kids RISE to pilot, get feedback, and iterate on the informational materials, workshops, and navigational assistance designed to support the pilot area's diverse families to activate their scholarship accounts, open their own 529 or bank accounts, and start making deposits. At each event, NYC Kids RISE collected the feedback and questions raised from families about the college savings options and synthesized them into the enhancements recommended to the Office of the NYS Comptroller in September 2018.



Timeline of Advocacy and Partnership with the Office of the NYS Comptroller

Before the founding of the nonprofit NYC Kids RISE and the launch of the Save for College Program, the NYC Department of Consumer Affairs' Office of Financial Empowerment (DCA OFE)*—one of the founding partners in the Save for College Program along with the Gray Foundation—began advocating for changes to the New York 529 *Direct Plan* as a way to ensure that the Save for College Program would open up access to capital markets for NYC's diverse low-income families. The timeline shows highlights of the partnership with the Office of the NYS Comptroller to date.

2015	<p>NOVEMBER 2015: Then-Executive Director of the Office of Financial Empowerment, Debra-Ellen Glickstein, meets with then-Director of the New York State 529 College Savings Program to discuss the collaborative initiative between DCA OFE and the Gray Foundation to facilitate universal enrollment of NYC public school kindergartners in child savings accounts. DCA Commissioner Julie Menin followed up with a letter to the Office of the NYS Comptroller.</p>	■ <p>DECEMBER 2017: NYC Kids RISE executes a Sponsor Application with the NY 529 Program to enable the opening of NYC Scholarship Accounts for each participant and enable NYC Kids RISE to create and share informational materials and workshops about the NY 529 <i>Direct Plan</i> as one of the savings account options available to participating families.</p>
2016	<p>JUNE 2016: The NYC Mayor's Office for Economic Opportunity, DCA OFE, and the social science research firm MDRC conduct focus groups with low- and moderate-income NYC parents about college savings and 529 accounts. These focus groups deeply inform the Save for College Program's account design and its advocacy agenda.</p> <p>OCTOBER 2016: The DCA OFE team meets with Acting Director of the 529 Program. They lay out specific enhancements that they are requesting be made to the NY 529 <i>Direct Plan</i> before the launch of the Save for College Program.</p> <p>OCTOBER 2016: NYC Kids RISE is incorporated as a nonprofit to launch and manage the Save for College Program. Debra-Ellen Glickstein moves from the Office of Financial Empowerment to become the founding Executive Director of NYC Kids RISE.</p>	■ <p>JANUARY-JUNE 2018: The Save for College Program enrolls its first cohort of 3000+ kindergartners and opens their NYC Scholarship Accounts. NYC Kids RISE leads more than 180 informational workshops in schools and community centers throughout District 30 that spring semester.</p> <p>APRIL 2018: NY 529 releases a new online interface for its enrollment application, improving the user experience and providing clearer explanations of the investment options and risk levels.</p> <p>SEPTEMBER 2018: NYC Kids RISE sends a letter to the Office of the NYS Comptroller outlining recommendations to further promote equity and inclusion in access to the NY 529 plan, based on the feedback and learnings collected from Program partners during the first school year.</p>
2017	<p>JANUARY 2017: Prior to the launch of the Save for College Program, NYC Kids RISE requests enhancements to the NY 529 plan relating to technology for record keeping, making the user interface more accessible, eliminating minimum deposit requirements, confirming that ITIN numbers will be accepted to open 529 accounts, and translating NY 529's materials into non-English languages.</p> <p>SEPTEMBER 2017: Thanks to the leadership of the New York State Comptroller DiNapoli, NY 529 announces the elimination of initial and subsequent minimum contributions and clarifies ITIN acceptance for opening an NY 529 plan account. The Office of the NYS Comptroller credits NYC Kids RISE and the NYC Mayor's Office with bringing this request to eliminate the minimum contribution.</p>	■ <p>MARCH 2019: NYC Kids RISE leadership meets with NY 529 officials, including the Office of the NYS Comptroller and Ascensus, to communicate the feedback gathered to date and discuss the enhancements requested in the September 2018 letter.</p> <p>MAY 2019: NY 529 releases Spanish-language phone service, online and print materials, a full disclosure booklet, and paper application, supported by feedback from NYC Kids RISE and its partners on the importance of access for Spanish speakers. About 40% of District 30 families speak Spanish at home, as do about 15% of families across New York State.</p>
2020		<p>SPRING 2020: NY 529, in response to NYC Kids RISE's feedback, commits to adding money orders as an additional accepted method to deposit money into an NY 529 <i>Direct Plan</i> account, up to a maximum of \$100 per deposit, as a way to expand savings opportunities for families who are unbanked.</p>

* In April 2019 the agency name changed from Department of Consumer Affairs to the Department of Consumer and Worker Protection.

Metrics and Milestones

*Metrics as of June 30, 2020, unless indicated otherwise

1,592 families opened or connected their own college saving account separate from the NYC Scholarship Account

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

351 people without a savings and/or checking account opened their own college savings account

4x average increase in likelihood of having a 529 account across participating zip codes from 2014 (before the Save for College Program) to 2019

* 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 phase (June 30, 2020), impacting metrics and milestones for the final quarter.

SUMMARY AND NEXT STEPS

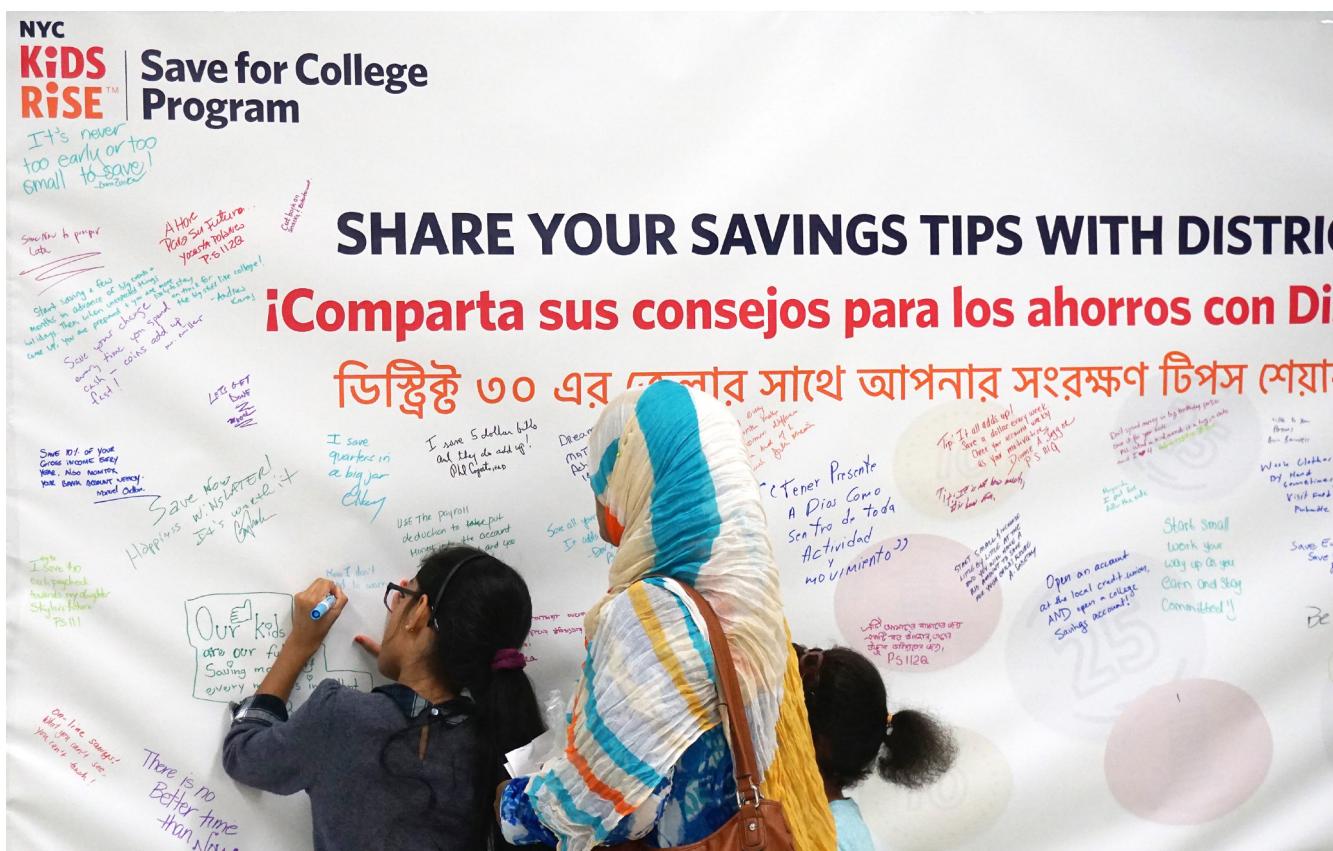
As a scholarship and savings platform for families, schools, and communities to save together, the Save for College Program must ensure that vehicles for families to save their own funds for higher education are as accessible as possible to all families regardless of income, race, language, religion, or immigration status. This includes investment products like NY 529, as well as other savings options.

To do this, NYC Kids RISE proposed enhancements for the NY 529 Direct Plan and worked closely with financial institutions like Amalgamated Bank to create

innovative options for savings that work around barriers facing diverse low-income families. While many critical changes have been implemented to democratize capital markets and savings options for participating families, there is more important work to be done. In addition to the important outstanding 529 enhancements discussed above, NYC Kids RISE's priorities going forward include:

1. Developing a zero-interest savings account for families with religious or other objections to earning interest or owning interest-bearing accounts;

2. Developing a “custodial savings account” that would allow families to save their own funds for their student’s benefit in a bank savings account owned by NYC Kids RISE, reducing the amount of identifying information that the parent/guardian would need to provide to the bank;
 3. Developing a mechanism for students with disabilities to be able to use the funds in their NYC Scholarship Accounts for other purposes beyond qualified higher education expenses, if they do not end up being able to use the funds for higher education, such as through rollover of the funds into a 529 ABLE account; and potentially enabling these families to connect a 529 ABLE account to their child’s scholarship account for their own savings, as well;
 4. Advocating for independent evaluators of 529 plans, such as Morningstar, to add inclusivity metrics to their evaluation criteria for states’ 529 plans. This would create additional incentives for states across the country to prioritize inclusion of diverse low-income investors in addition to low fees and high returns; and
 5. 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. Such investments would further strengthen local economies, enabling students and families to earn more money and build more assets—all while generating returns for their college savings accounts.



At a "Building Block party" at P.S. 76, a family writes their Savings Tips on a banner. Tips were crowdsourced from families to be shared across the district—illustrating how every family has something to offer the community at large.

Key Terms and Definitions

Capital Markets: The part of a financial system concerned with raising capital by dealing in shares, bonds, and other long-term investments.

NY 529 Direct Plan Account: A 529 plan account is a qualified tuition program administered by a state that is designed specifically for families to save for college and career education. Money in this account can grow over time and comes with potential tax benefits.⁶ However, money in this account can also lose value. In New York, the Office of the NYS Comptroller and NYS Higher Education Services Corporation co-administer New York's 529 College Savings Program *Direct Plan and Advisor-Guided Plan*.

Amalgamated Save for College Bank

Account: A customized, branded savings account option provided by Amalgamated Bank that any parent/guardian or family member of a child participating in the Save for College Program can open. The account is owned by the parent/guardian or family member, with the child named as the beneficiary. This account allows families to save at an insured financial institution and earn interest on the money they deposit into the account.

Office of the New York State

Comptroller: New York State's chief fiscal officer who ensures that State and local governments use taxpayer money effectively and efficiently to promote the common good. Thomas P. DiNapoli has served as the NYS Comptroller since 2007.

Federal Deposit Insurance Corporation

(FDIC): is an independent agency of the United States government. The FDIC protects depositors of insured banks located in the United States against the loss of their deposits if an insured bank fails.

Endnotes

- 1 Tax benefits vary by individual circumstances and the state in which an account owner pays income tax.
- 2 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.
- 3 David Wessel, "[Making Sense of the Uproar Over Obama's 529 Proposal](#)," Brookings Institution, 2015.
- 4 Based on NYC Department of Consumer Affairs analysis of administrative data provided by the NY 529 Plan and American Community Survey (2015) demographic data. This analysis does not include data regarding other types of higher education savings investment accounts and savings accounts.
- 5 The social science research firm MDRC, in partnership with the NYC Mayor's Office for Economic Opportunity and NYC Department of Consumer Affairs Office of Financial Empowerment, conducted six 90-minute focus groups of 2 to 12 participants (for a total of 60 participants) with a diverse set of low- to moderate-income parents across New York City. Initially, recruitment for the focus groups targeted parents with a household income of \$62,000 or less with at least one pre-school aged child, 0 to 5. Soon after recruitment began, the age category was expanded from families with children between the ages of 0 to 5 years to include families with at least one child under the age of 11 in order to ensure focus groups were adequately populated. The geographic targets for this study were Northeast Bronx, East and West Harlem, and Western Queens. One focus group was conducted all in Spanish. Another group targeted working parents to ensure their representation in the data set. See MDRC, "Possibilities, Promise and Potential: Low- and Moderate-Income Parents' Views of College Savings," 2016, unpublished (available upon request).
- 6 Tax benefits vary by individual circumstances and the state in which an account owner pays income tax.
- 7 College Savings Plans Network, [2019 Year-End Data Infographic](#).
- 8 Tax benefits vary by individual circumstances and the state in which an account owner pays income tax.
- 9 Data provided by the Office of the NY State Comptroller, as of March 31, 2020
- 10 College Savings Plans Network, [2019 Year-End Data Infographic](#).
- 11 Tax benefits vary by individual circumstances and the state in which an account owner pays income tax.
- 12 Data provided by the Office of the NY State Comptroller, as of March 31, 2020

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

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.

The Save for College Program launched a pilot phase in Fall 2017 to enroll three cohorts of students across 39 pilot schools in Queens. Following this pilot phase, NYC Kids RISE aims to scale the Save for College Program to serve every NYC public school.

Ultimately, the Save for College Program will become a universal, community driven wealth-building platform—embedded in homes, schools, and neighborhoods—to build assets and support expectations for every NYC public school student's educational future. This platform represents an investment in the financial and social resiliency of NYC's families and neighborhoods, and it provides one immediate way to drive financial assets into the hands of low-income communities and communities of color that have been systematically excluded from wealth-building opportunities.

This platform comprises six components, or "pillars," that enable the platform to achieve its goals. Throughout this pilot phase, a network of partners from throughout Queens



A mom and her son show off hand-decorated piggy banks at a College Savings Breakfast hosted by the Astoria Houses Residents Association.

and the city has laid the groundwork for each of these pillars. Together, we are at the beginning of building a new, neighborhood-based financial infrastructure that will have an impact on generations of New Yorkers.

Each of these briefs focuses on one of these pillars, highlighting the stories, accomplishments, and learnings from the first phase of this work. We hope these briefs will inform and inspire similar efforts in other contexts, while also celebrating and deepening the Save for College Community's work together going forward.