

Proposed Legislation to Expand College Savings In Texas: A Down Payment on Our Kids' Futures

This legislation would expand college savings in Texas by allowing school districts to develop partnerships with financial institutions to open and manage college savings accounts for students and their families.

This legislation would:

- Allow schools and school districts to develop partnerships with local financial institutions, non-profit organizations, and/or philanthropic institutions to open and manage optional savings accounts for students and include them as part of the financial education curriculum.
- Provide a choice of savings products for schools to distribute through the program – either a college savings product or a general youth savings account.
- Extend existing exemptions for assets in Texas' 529 plan accounts to college savings accounts distributed through this program, including the protection that assets in these savings accounts will not affect eligibility for Texas need-based financial aid.
- Rely on private sector management and funding instead of state funds.

Why Do We Need This Program?



Saving for college at an early age is the best strategy to build savings. However, many families start late or do not save at all.



As higher education costs continue to rise, more students and families go into debt to attend college or delay attending.



More college debt means that young adults are less likely to invest in other assets like a home or business.



More jobs in Texas require higher education degrees and our students need to be able to compete for jobs.

What Are The Benefits?



Students build saving and money management skills, which have positive effects on their future financial security and our economy.



Parents and students are empowered to save and plan for the future together.



Research has found that students with as little as \$500 in savings are 3x more likely to go to college.¹



This initiative encourages postsecondary attendance and contributes to building a highly skilled workforce in Texas.

Related Data and Resources

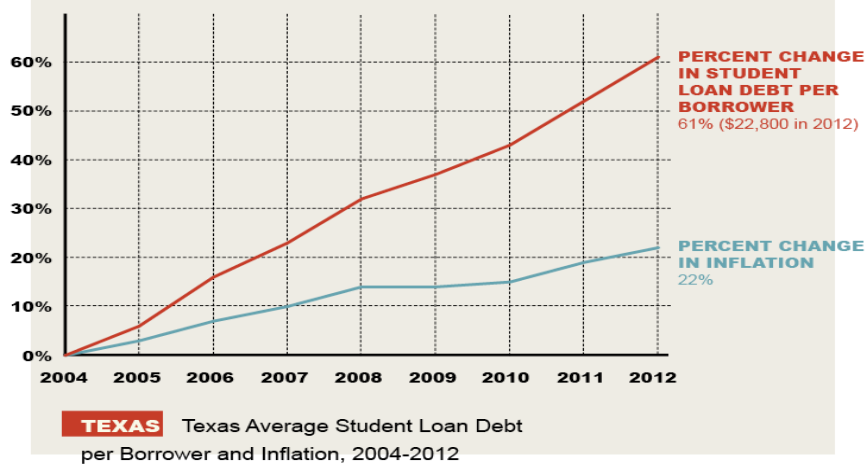
Successful Pilot in Amarillo, Texas Demonstrates Need for Statewide Initiative

During the 2012-13 school year, OpportunityTexas (a joint initiative of the Center for Public Policy Priorities and RAISE Texas), along with a few national partners and support from the U.S. Treasury Department, conducted the [Assessing Financial Capability Outcomes \(AFCO\)](#) youth pilot in elementary schools in the Amarillo Independent School District in partnership with Happy State Bank. This pilot enabled a test of a program similar to the one proposed in this legislation - combining Texas' financial education curriculum with school-based savings accounts.

The pilot found:

- Both the financial education and savings accounts improved students' attitudes toward saving and about financial institutions.
- Students were more likely to open a savings account if they received financial education.
- Thirty-eight percent of students in the Amarillo pilot opened a savings account, with no difference in student account enrollment between schools with more and fewer economically disadvantaged students.
- Nearly all teachers in the Amarillo pilot thought the program was beneficial, reporting that offering savings accounts in conjunction with the curriculum brought what students were learning to life.

Average Loan Debt Grows Faster than Inflation



Soaring College Costs Lead to High Levels of Student Debt

According to a recent [report from the Texas Comptroller](#), "student loan debt has increased at a faster rate than inflation. Between 2004 and 2012, the average Texas student debt balance grew by 61 percent. Inflation increased by only 22 percent."

Long Term Financial Advantages for Students

When young people have a savings account, they are more likely to continue saving in the future. One study found that students with a savings account seven years later were two times more likely to have a savings account and four times more likely to own stocks.³

¹ Assets and Education Initiative. (2013). Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education. In W. Elliott (Ed.), *Biannual report on the assets and education field*. Lawrence, KS: Assets and Education Initiative (AEDI). http://save4ed.com/wp-content/uploads/2013/07/Biannual-Report_Building-Expectations-071013.pdf.

² Assessing Financial Capability Outcomes Youth Pilot, <http://opportunitytexas.org/about-us/current-initiatives/smarter-texans-save>.

³ Friedline, T., & Elliott, W. (2013). Connections with banking institutions and diverse asset portfolios in young adulthood: Children as potential future investors. *Children and Youth Services Review*, 35(6), 994-1006.