PART 2 IN SERIES

COVID & College: Taking control of college investment plans

College investors have control over the decisions that matter most

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COVID-19 and the actions to contain it have left us all feeling less in charge of everything from work and school to shopping and socializing. While some aspects of college also remain beyond our control in these days of virtual classes and campus restrictions, the three most important are always within our grasp. The key is to create and consistently follow a plan focused on future costs, financial aid and the investments needed to reach your goal.

	CONTROL WHAT YOU CAN	WHY A COLLEGE PLAN IS MORE IMPORTANT THAN EVER
1	**College costs** You can't control what colleges charge, but you can control how you plan to pay for it.	Families with a plan **save 3x more** than those without.[1]
2	**Financial aid** You can't control how much you receive, but you can control how much you need.	**64%** of current and incoming college students say COVID-19 has increased financial aid need.[2]
3	**Investing** You can't control how markets perform, but you can control how you invest.	Investors have contributed **$800 million more** into 529 plans during the first half of 2020 vs. 2019, despite COVID-19.[3]

MORE INVESTING EQUALS MORE CONTROL

The common thread across all three topics covered in this paper is the importance of investing as early, as often and as much as possible. **Here's what bigger college funds and a better ability to pay mean for families:**

GREATER FLEXIBILITY

Allows families to apply to more colleges and rule out fewer because of cost

STRONGER APPLICATIONS

Makes students more attractive to colleges financially challenged during COVID-19 and beyond

LOWER DEBT

Reduces the need to borrow and the long-term financial burden on students and parents

[1] Sallie Mae, *How America Saves for College*, 2018. Based on assets in 529 plans. [2] Scholarship America, July 2020. [3] ISS Market Intelligence, *529 College Savings Quarterly Data Update*, 2Q 2020.

1 | College costs

You can't control what colleges charge, but you can control how you plan to pay for it

Some colleges may freeze prices during the pandemic as a way to entice students not to drop out, transfer or take gap years. Even in those cases, however, we expect tuition inflation to pick back up and continue over the long haul. As costs rise, contributions into college investment accounts should too, especially with financial aid prospects looking dimmer.

Why college costs are likely to rise

COVID-19's economic, social and medical impacts are taking their toll on college admissions. For the 2020-21 academic year, it's estimated that **enrollment will drop by 15%, resulting in $23 billion in lost revenue.**[1]

But that's just the tip of the iceberg for colleges going forward. **Roughly 70 to 80% of their revenue comes from non-tuition sources** like government aid, fundraising and sports.[2] As those income streams dry up during the pandemic – and possibly for years to follow – schools may have no other choice than to raise tuition prices. And if, as expected, enrollment declines among international students who typically pay full price, even higher costs could be passed along to other families.

KEY TAKEAWAY: KNOW YOUR "NUMBER"

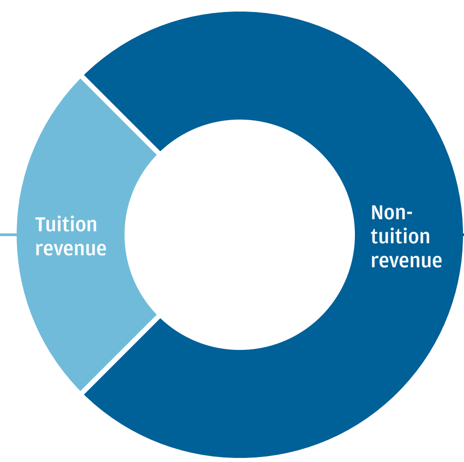
The only number that matters when it comes to college costs is yours.

Every family is different. Work with a financial professional to estimate your future expenses and the monthly investments needed to get there. Remember, the more you save, the more control you have over choosing colleges and covering costs.

LOWER COLLEGE REVENUE COULD TRANSLATE INTO HIGHER TUITION COSTS

90%
colleges concerned about declining **enrollment**[3]

55%
colleges concerned about declining **international enrollment**[3]



94%
colleges view **government funding** as a challenge[4]

71%
colleges expect **fundraising** to decline[5]

$1+ billion
lost revenue among colleges cancelling fall **sports**[6]

GETTING INTO EXPENSIVE COLLEGES MAY GET EASIER

Even if college prices don't go up, a family's expenses might. **More than half (56%) of colleges have revised or plan to revise their admission policies in response to COVID-19.**[3] As admission becomes easier, more students may be accepted into more selective – and expensive – schools.

[1] American Council on Education, April 2020. [2] National Center for Education Statistics, Spring 2019. [3] Inside Higher Ed, April 2020. [4] Association of Public & Land-Grant Universities, 2020. [5] EAB Global, April 2020. [6] CBS News, August 2020.

2 | Financial aid

You can't control how much you receive, but you can control how much you need

As COVID-19 continues to disrupt the major sources of financial aid funding, many families may be receiving less in free aid and relying more on their own investments. **Colleges** with less revenue coming in will have less to give out to students. **Federal and state governments** have seen the virus decimate their budgets. **Corporations**, a key source of scholarship funds, are tightening their fiscal belts. **Alumni** are cutting back on donations to alma maters. **Student work-study programs** remain limited, especially at locked-down campuses.

The financial aid crunch has already begun

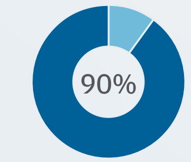
Colleges are seeing a spike in the number of families appealing their financial aid packages. But with fewer dollars to go around and more people pursuing them, those appeals may result in little extra assistance, if any.

The situation is likely to repeat itself next year as well. Aid awarded for the 2021-22 school year will be based on 2019 income earned *before* the widespread job losses and pay cuts resulting from COVID-19. And yet, nearly **eight in 10 colleges say they do not plan on discounting prices** in an effort to reduce the volume of financial aid appeals.[1]

More bad than good with student loan debt

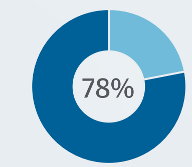
The **good news** for college borrowers is that interest rates on federal loans now sit at record lows. The **bad news** is that college debt now stands at all-time highs. And those low rates only apply to new federal loans issued through June 2021. They don't change existing loans or their monthly payments. Given the heavy burden that borrowing continues to put on students and parents alike, it should remain a last resort.

FINANCIAL AID APPEALS ARE RISING...



Colleges expecting an increase in financial aid appeals due to COVID-19[1]

...BUT COLLEGE COSTS MAY NOT BE DECLINING



Colleges not planning to lower prices to reduce financial aid appeals[1]

KEY TAKEAWAY: INVEST MORE, BORROW LESS

As free aid dwindles, investing for college takes on even greater importance as a way to meet the rising costs while keeping student debt at manageable levels. Investing also gives you more control over the process, with less dependence on financial aid decisions made by others.

J.P. MORGAN PROPRIETARY RESEARCH[2]

RIPPLE EFFECTS: HOW COLLEGE DEBT IMPACTS FAMILIES, FINANCES AND FUTURE GENERATIONS

"Student loan payments affect my ability to:"

19%
Start a family

48%
Buy a home

53%
Pay off other debt

62%
Save for retirement

66%
Build an emergency fund

87%
Save for a child's education

[1] National Association of Student Financial Aid Administrators, June 2020. [2] J.P. Morgan Asset Management, May 2020.

3 | Investing

You can't control how markets perform, but you can control how you invest

Savings alone won't pay for college. With bank accounts and CDs yielding interest rates well below tuition inflation, more families need the growth potential of stocks and other long-term assets to keep pace.

Of course, with investing comes volatility. If you start early and invest through college, you're bound to experience some bumps along the way. You can't entirely avoid those normal market swings, but you can minimize their impact on your college fund by staying invested and diversified over time.

529 plans are keeping college investors on track

As a whole, families with 529 plans have fared relatively well through COVID-19, thanks to portfolio choices and tax breaks that promote disciplined, long-term investing. With a 529 plan, **investments grow tax deferred, and withdrawals are tax free** when used to pay any qualified expense at any accredited college in the U.S. or overseas.[1] Families can open accounts for children, grandchildren or any other loved ones planning to attend community colleges, four-year universities, vocational schools, graduate schools or online programs.

One popular option for 529 plan investing is a professionally managed **age-based portfolio** that generally starts out aggressive and then automatically becomes more conservative as a child gets older. The goal is to maximize return potential when time is on your side while minimizing risks in the critical years leading up to and through college. When U.S. stocks fell 20% in the early stages of COVID-19, for example, the average college-age portfolio declined just 1.6% to help avoid large downturns when families could least afford them.[2]

KEY TAKEAWAY: GAIN CONTROL WITH A 529 PLAN

A 529 plan puts you and your financial professional in charge of the key decisions affecting college funds. Working together, you name an account beneficiary and choose investments. You decide how much to contribute and how often. You determine when to take withdrawals and how to spend the money.

529 PLANS ENCOURAGE HEALTHY INVESTING HABITS

Account owner behavior during COVID-19[3]

98% haven't taken early withdrawals

Tax treatment provides incentive to stay invested until college

93% haven't changed investment mix

Portfolios built and managed by experienced professionals

84% have maintained or increased contributions

Automatic investing helps families stick with their plan

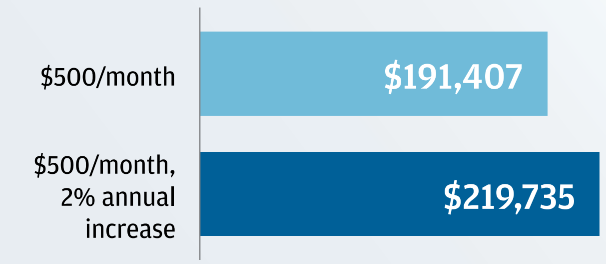
[1] Earnings on federal nonqualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements. Please consult your tax advisor about your particular situation. [2] Morningstar, May 2020, based on 1Q 2020 performance. [3] Savingforcollege.com, May 2020.

College investing strategies for the pandemic and beyond

- **Put college savings on cruise control**
  Arrange for the same dollar amount to be automatically transferred from a checking account to a 529 plan each month. It's a simple way to make sure you don't skip contributions or stray from your plan during times of uncertainty.
- **Increase automatic contributions over time**
  As your salary rises or expenses decline, remember to periodically increase the amount automatically going into your 529 account. Even small additions can make a big difference over the years.
- **Move other college accounts into 529 plans**
  More than 70% of college funds are currently held outside 529 plans, including savings accounts earning low returns and brokerage accounts subject to annual taxes.[1] Shifting those dollars to a tax-advantaged 529 plan can help them work harder and more efficiently.
- **Free up new money for college savings**
  Look for ways to invest without disrupting your normal budget. For example, you could:
  - **Refinance mortgages and other debt** while interest rates are low and reinvest the savings
  - **Invest "social distancing" savings** if you're spending less on travel, dining and entertainment
  - **Invest tax refunds**, bonuses, gifts and other extra cash into 529 plans

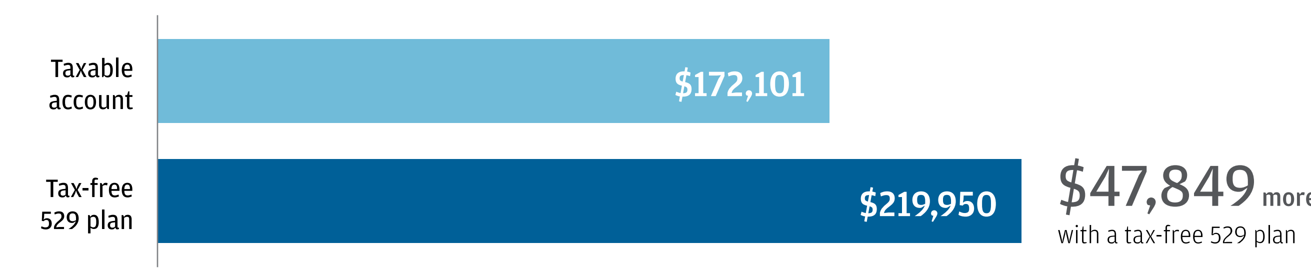
CONTRIBUTE MONTHLY AND INCREASE ANNUALLY TO STEADILY BUILD COLLEGE FUNDS

Investment growth over 18 years[2]



INVEST IN TAX-ADVANTAGED 529 PLANS AND KEEP MORE FOR COLLEGE

Investment growth over 18 years[3]



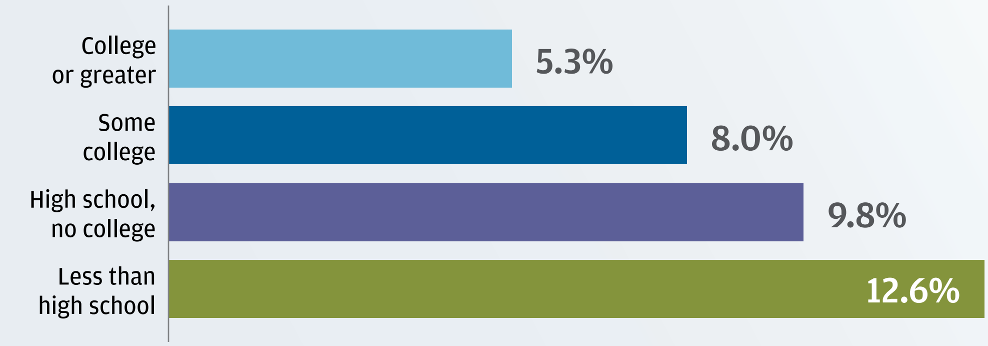
[1] ISS Market Intelligence, *2020 529 Industry Analysis*. [2] J.P. Morgan Asset Management. Chart assumes an annual investment return of 6%, compounded monthly. Investment losses could affect the relative tax-deferred investing advantage. This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses. Such costs would lower performance. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. A plan of regular investment cannot ensure a profit or protect against a loss in a declining market. This chart is shown for illustrative purposes only. Past performance is no guarantee of future results. [3] J.P. Morgan Asset Management. Illustration assumes an initial $10,000 investment and monthly investments of $500 for 18 years. Chart also assumes an annual investment return of 6%, compounded monthly, and a federal tax rate of 32%. Investment losses could affect the relative tax-deferred investing advantage. This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. These figures do not reflect any management fees or expenses that would be paid by a 529 plan participant. Such costs would lower performance. This chart is shown for illustrative purposes only. Past performance is no guarantee of future results.

Is college still worth it?

Just as a college plan puts investors in control, a college diploma gives students the power to chart a better future. Compared to less-educated workers, college graduates typically enjoy higher salaries, better employee benefits and more career advancement. They're also less likely to be unemployed, especially in challenging times like COVID-19.

HIGHER EDUCATION, LOWER UNEMPLOYMENT

Unemployment rates by education level, August 2020[1]



99%
parents of students heading to college before COVID-19 are still planning on college today[2]

FOR MORE INFORMATION

To learn more about college planning and 529 college savings plans:

- Consult your financial professional
- Visit www.ny529advisor.com
- Call 1-800-774-2108

ALSO AVAILABLE

COVID & College: Investing for the future in an uncertain present

Review the first article in our series to discover how COVID-19 may change the college experience, but not the plan to pay for it.

[1] Bureau of Labor Statistics, for civilians age 25 and older. [2] Lipman Hearne, April 2020.

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Before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.

Market Risks. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. The value of Investments may be negatively affected by the occurrence of global events such as war, terrorism, environmental disasters, natural disasters or events, country instability, and infectious disease epidemics or pandemics. For example, the outbreak of COVID-19, a novel coronavirus disease, has negatively affected economies, markets and individual companies throughout the world. The effects of this pandemic to public health and business and market conditions, including exchange trading suspensions and closures, may continue to have a significant negative impact on investments.

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