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

Coronavirus may change the college experience, but not the plan to pay for it

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COVID-19 has shut down campuses, sidelined athletics and shifted learning from classrooms to computers – all while rattling the financial markets families depend on to grow their college funds. At this point, the status of the fall semester remains unclear. Longer-term outlooks are even cloudier as universities assess the possible impacts of shrinking enrollment and revenue.

Three keys to successful college planning

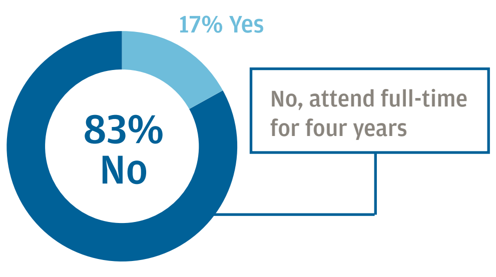
No matter what the future holds for younger generations, college is likely to be a part of it. More than eight in 10 high school seniors still plan to pursue four-year degrees, though many are now considering less expensive schools closer to home.[1] Meanwhile, nearly 90% of current college enrollees expect to continue with online learning if social distancing keeps campuses closed.[2]

The bottom line: **The aftereffects of COVID-19 may change the college experience, but not the value of a diploma or the plan to pay for it.** Regardless of how the pandemic plays out, the keys to successful planning and investing remain the same:

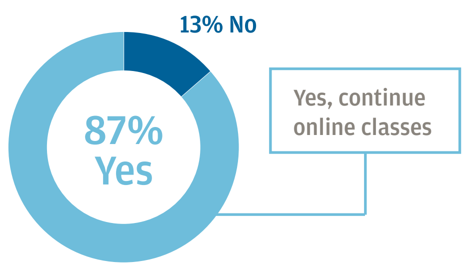
1 | Know your "number" when it comes to college costs
2 | Set realistic financial aid expectations
3 | Don't just save; invest toward college goals

COLLEGE IS ESSENTIAL: STUDENTS STILL PLAN TO ATTEND DESPITE COVID-19

High school seniors: Have you changed plans to attend college?[1]



College students: Will you continue online classes if campus stays closed?[2]



[1] Art & Science Group, March-April 2020. [2] College Reaction, April 2020.

1 | Know your "number" when it comes to college costs

Even if college costs get lower, they still aren't likely to be low

COVID-19 is making it harder to estimate future costs, a family's share and the monthly investment needed to reach their "number." With many parents suffering financially and others concerned about health risks, college enrollment seems likely to decline, including international students who tend to pay full price. Universities may also see falling revenues from sports, room and board, government assistance and fundraising. Will they increase prices to offset those losses or lower them to attract more students? Only time will tell.

In the meantime, **online learning** may offer less relief than expected. In fact, average per-credit tuition for online classes at public colleges is actually higher than for in-person classes, though students can save on housing costs, meal plans and other on-campus living expenses.[3]

Going forward, colleges may be forced to cut prices if distance learning remains the only option. Nearly 80% of current students rate virtual classes as worse[2], and two-thirds of high schoolers would expect to pay "much less" for an online degree.[1]

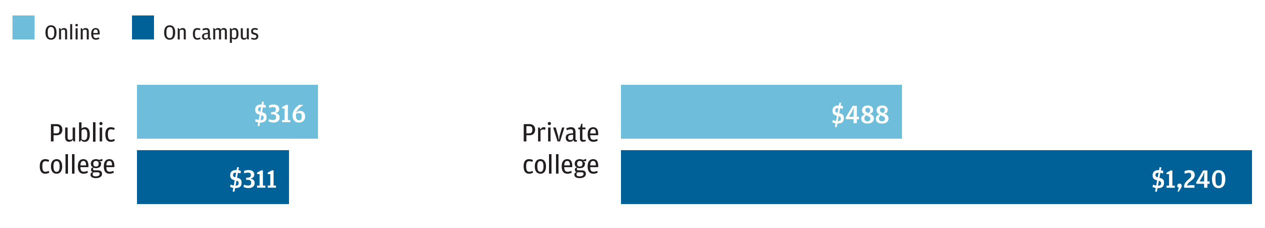
More families may also start to consider **community college** as a way to reduce costs and gradually ease students back onto campuses. Even then, however, the total price tag could get high, especially if degrees are completed at private universities.

KEY TAKEAWAY

Families shouldn't necessarily invest less in anticipation of lower costs. Even if college gets less expensive, chances are it still won't be inexpensive. And prices could quickly return to previous highs once the pandemic is behind us.

With just $18,135 in college savings, the average family is well below where they need to be, even in the most optimistic price scenarios.[4] Going forward, they need to plan wisely, contribute regularly and invest tax-efficiently in order to achieve their number.

AVERAGE TUITION PRICE PER COLLEGE CREDIT[3]



2 | Set realistic financial aid expectations

Families need to invest for the costs financial aid is unlikely to cover

Any declines in college costs may be offset by declines in financial aid. Total aid has been trending lower over the past decade and may fall even further in the wake of COVID-19. As families create and revisit college plans, what can they reasonably expect from financial aid?

The pandemic is wreaking havoc on federal and state budgets, which could mean less **government aid** for the foreseeable future. **Institutional aid** may also shrink as fundraising dwindles, particularly at schools without the large endowments of elite universities. Also consider that, just like many individual investors, endowments haven't been immune to recent market declines, which could further drain the financial aid pool.

In a weakening economy with low interest rates, **student loans** could become more affordable if Congress opts to reduce rates for the 2020-21 school year. That said, borrowing is typically viewed as a last resort, given the burgeoning student debt crisis.

KEY TAKEAWAY

If financial aid declines, the need to invest only rises. Keep in mind that even before COVID-19, the average grant covered just 12% of the total bill at four-year public colleges – and nearly half of families earned too much to qualify.[5]

[3] *U.S. News & World Report*, January 2020. [4] Sallie Mae, *How America Saves for College*, 2018. [5] Sallie Mae, *How America Pays for College*, 2019.

3 | Don't just save; invest toward college goals

COVID-19 is creating volatility in the market and uncertainty about its long-term economic toll. In response, some investors are retreating to low-yielding savings accounts that historically lag well behind tuition inflation. Together with guidance from a financial professional, these tips can help investors make more informed decisions with their college dollars.

KEY TAKEAWAY

Savings alone won't pay for college. It takes long-term investments to keep pace with rising costs and achieve funding goals. As always, be sure to consult financial and tax professionals for advice about your specific situation.

When college is still years away

- **Don't let volatility derail you.** If kids are young and college goals haven't changed, your plan probably shouldn't either. You still have time to ride out short-term bumps and realize the long-term return potential of stocks and other growth-oriented investments.
- **Stay diversified and invested.** Owning a mix of assets that tend to rise and fall at different times may smooth out your investment ride and keep you on course through volatile periods. Many 529 plans offer age-based or asset allocation portfolios designed to provide diversification over the long term.
- **Put contributions on autopilot.** Arranging for the same amount to be automatically transferred from a checking account to your 529 plan each month takes the emotion and market timing out of investing.
- **Buy on market dips.** If COVID-19 fears drive down market prices, it could present an opportunity to "buy low," especially if you invest in a 529 plan with high contribution limits.

When college is coming soon or here now

- **Review your portfolio mix.** If your account value is fluctuating widely with market ups and downs, it could be a sign that you're taking on too much risk for your short timeframe.
- **Consider postponing withdrawals until later college years.** If your portfolio is down and you have other sources of college funding, delaying withdrawals gives your investments more time to recover. Paying from current income may be one option for bridging the gap. Taking on manageable student debt could be another, especially if interest rates decline.
- **Consider moving funds to younger children.** This is another way to give college funds more time to recoup any losses. If older kids choose more affordable colleges during the pandemic, it may be easier to cover those costs without tapping into investments.
- **Redeposit college refunds.** Many schools returned room and board payments to families after campuses locked down. If that money originally came from a 529 plan, the full refund amount can generally be reinvested without tax consequences if done by July 15, 2020.

WHAT ARE 529 PLANS AND WHY ARE THEY IMPORTANT DURING COVID-19?

529 plans are generally sponsored by states, but typically available to any U.S. resident for investing and spending funds at any accredited college nationally as well as many institutions overseas. Though widely used in all market environments, 529 plans offer several features that can help investors navigate COVID-19, including:

- **Tax-advantaged investing** that gives families the potential to keep more earnings for college
- **Flexibility to change account beneficiaries** to a family member if a child doesn't attend college or has funds left over
- **Diversified age-based portfolios** that automatically become more conservative as college gets closer
- **Professional portfolio management** from investors who have navigated challenging markets in the past
- **Special gift and estate tax benefits** that enable families to contribute large amounts as opportunities arise

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

May 2020

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Asset Management