

Navigating the College Affordability Crisis: Insights from College Savings Accounts

Based on BFI Working Paper, “[Navigating the College Affordability Crisis: Insights from College Savings Accounts](#),” by Guglielmo Briscese, John A. List, and Sabrina Liu, University of Chicago

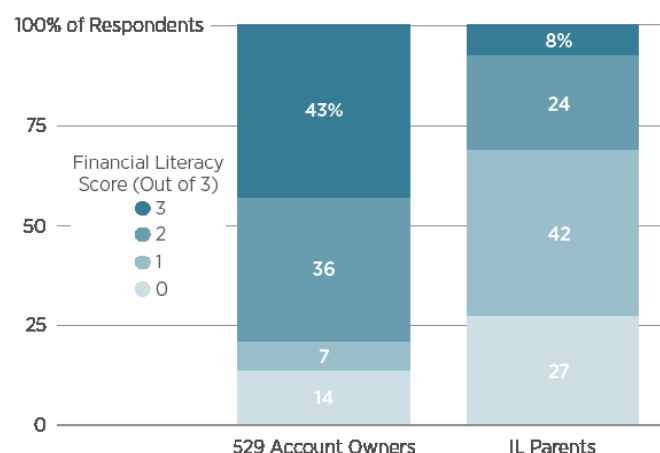
While 61% of parents could save enough to cover half of their child’s college costs, they still believe their savings would be meaningless, suggesting behavioral barriers may be as important as financial ones for college affordability.

With higher education costs consistently outpacing inflation and with public funding declining, college affordability has become a critical barrier to economic mobility for middle- and low-income families. While College Savings Accounts (CSAs), or 529 plans, offer tax-advantaged vehicles for college savings, their adoption patterns and educational impacts remain poorly understood.

In this paper, the authors conduct the first large-scale analysis of College Savings Account participation and effectiveness using comprehensive administrative data. They draw on administrative data from over 900,000 Illinois 529 accounts (2000–2023) linked to educational outcomes, plus complementary surveys of account owners and parents. Their research reveals the following patterns:

- CSA participation remains concentrated among higher-income, more educated families although adoption has expanded to every ZIP code in Illinois.

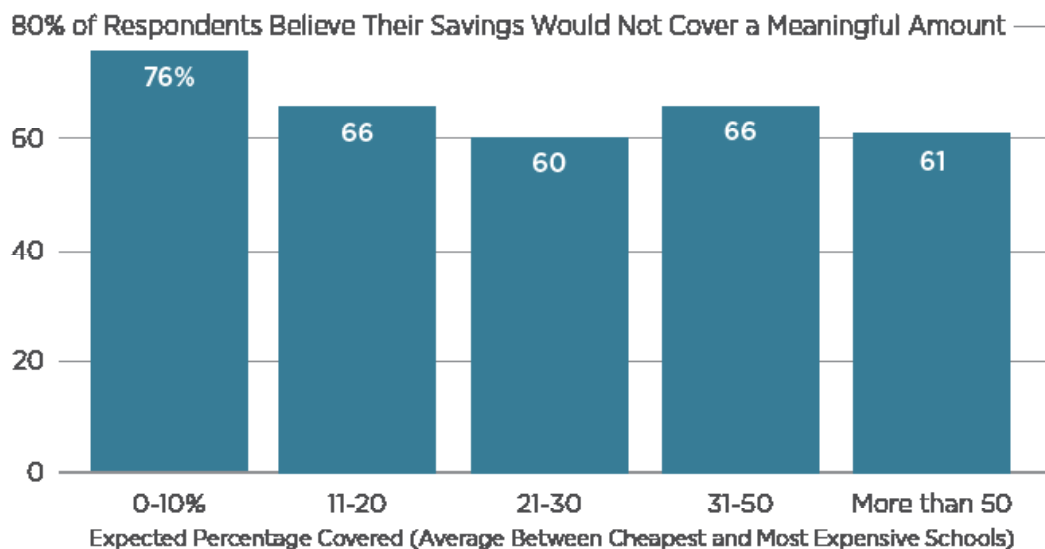
Figure 1 • Differences in Financial Literacy Between 529 Owners and IL Parents



Note: This figure shows the share of 529 owners vs the share of Illinois parents who scored between 0 and 3 on three survey questions on financial literacy as measured by (Lusardi and Mitchell, 2023).

- Financial literacy emerges as a key barrier: 61% of parents who could save enough to cover half of future college costs still perceive their potential savings as meaningless.

Figure 2 • Parents' Underestimation of Own Savings to Cover Child's Future Costs of College



Note: This figure shows the share of Illinois parents who believe their savings would not cover a meaningful amount, broken down by the projected share that their self-reported possible savings amount may be able to cover given the future cost of their child's college, after accounting for inflation.

- Among participants, higher savings are strongly correlated with better educational outcomes, including four-year college enrollment, attendance at selective institutions, and pursuit of post-graduate degrees.

These findings suggest that targeted interventions addressing financial literacy gaps

and misperceptions about modest savings could significantly expand CSA effectiveness as a tool for educational equity. Beyond state-level 529 program optimization, the findings also suggest promising avenues for federal policy coordination and institutional innovation.

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