

## U.S. DEPARTMENT OF THE TREASURY

### Press Center



# Remarks of Treasury Secretary Timothy F. Geithner As Prepared for Delivery White House Task Force on Middle Class Families Meeting on College Access and Affordability Syracuse University, Syracuse, New York

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Mr. Vice President, Secretary Duncan, Chancellor Cantor, I am pleased to join you today to discuss the importance of college education and college affordability to the U.S. economy and American families. This subject is touching close to home these days because next week I'll be dropping my daughter off at college.

But besides the personal significance, college affordability is central to two key economic trends. Over the past generation, we have gone from a nation of savers to one of borrowers. We have devoted too many resources to consumption and not enough to investment. During this same period, we have also lost our global educational lead. While we once outpaced all other advanced economies in the percentage of our population that graduated from high school and college, much of the rest of the economically developed world has now caught up or surpassed us.

Americans are already on the way to reversing the first of these trends. After years of taking on too much debt, Americans are starting to save again. The saving rate has climbed from a low 1.2 percent at the beginning of 2008 to an average of 5 percent during the second quarter of this year. The Administration has sought to help encourage greater savings by devoting a substantial portion of the Recovery Act to providing a tax cut for 95 percent of American working families and additional support for the unemployed. People are using these resources to pay off their debts and rebuild their savings.

It is also important that America regain its global educational lead. This is critical to the health of our overall economy because a better-educated workforce is a more productive and innovative one. One way to gauge the extent to which we have fallen behind is to look at two groups of Americans. Among 55-to-60 year olds today, we have the highest high school and college graduation rates of any advanced economy in the world. Yet among today's 25-to-34 year olds, we are below average for high school graduation and in the middle of the pack for college graduation.

A college education is one of the best investments a family can make. Beyond the many intangible rewards, economists estimate that college graduates earn 50 percent more than otherwise similar high school graduates over the course of their lifetimes.

The Administration has sought to boost college attainment by including an American Opportunity Tax Credit in the Recovery Act. The credit provides up to \$2,500 to help offset the cost of tuition and other expenses of college and is expected to save nearly 5 million low- and moderate-income families \$9 billion between now and the end of 2010.

As the Vice President has said, we are also working to implement, expand or improve a wide array of other government programs that encourage education savings and increase college enrollment. Today I want to highlight one program in particular, Section 529 savings plans.

These plans can be an immensely effective way for Americans to save for college. They are generally administered by the states, and they allow people to put aside money for college and enjoy investment earnings that are free of federal taxes and, in some cases, receive state tax benefits, as well. When state tax benefits are included, a typical middle class family can accumulate 25 percent more in 529 accounts than they can in a typical taxable savings account.

But in a report being issued by Treasury today, we find that these accounts are not being broadly used by Americans who could benefit from them. For example, only 5 percent of families with children in the middle of the income distribution have 529 accounts, while nearly one third of those in the top 5 percent of the distribution have them. The report makes a series of recommendations to expand their use, lower investment fees and make them safer for Americans across a wide range of incomes.

Helping Americans save more for college will help more go to college. Helping Americans save more generally will help the overall economy. Only by pursuing both aims and reversing the unfortunate trends of the past generation will we achieve the President's goal of a new foundation for growth and a sustainable prosperity for all Americans.

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