

# Case Study

## Scholarship Disbursement through 529 Plans: Transformative Outcomes

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### Executive Summary

A forward-thinking scholarship program partnered with us to pilot an innovative approach to distributing student funding via 529 savings accounts. This strategic shift from traditional direct-to-institution payments involved establishing Foundation-owned 529 accounts for sixteen selected scholars. Funds were then efficiently disbursed from these accounts to students or universities as qualified 529 plan distributions, a departure from conventional scholarship disbursements.



This initiative aimed to overcome persistent challenges associated with traditional methods, notably aid displacement, administrative inefficiencies, and restricted student access to funds. Early results from this pilot program have been overwhelmingly positive, demonstrating significant improvements in operational efficiency, enhanced student financial well-being, and exceptional satisfaction among participating scholars. Building on this resounding success, the organization is now poised to expand the 529 disbursement model to at least 100 scholars, marking a significant step towards a more equitable and effective scholarship distribution strategy.

## The Challenge: Addressing Aid Displacement and Inefficient Processes

To address these challenges, the organization, with our guidance, piloted the use of 529 savings accounts for scholarship distribution. This approach offered several key advantages:

- **Mitigating Aid Displacement:** Funds held in third-party owned 529 plans typically do not impact a student's eligibility for need-based financial aid.
- **Enhanced Financial Flexibility:** 529 funds can cover a broad range of qualified education expenses beyond tuition, including room and board, books, supplies, and even technology.
- **Streamlined Administration:** Distributing funds through a 529 plan promised to simplify processes and reduce administrative burdens.

## Remarkable Early Results: A Resounding Success

The pilot program yielded remarkable positive results across several key areas:

- **Elimination of Aid Displacement:**  
The 529 disbursement method effectively prevented aid displacement for all sixteen participating scholars, ensuring they received the full intended financial support.
- **Significant Gains in Operational Efficiency:**  
Staff reported a substantial reduction in administrative workload compared to previous methods, freeing up valuable time and resources. The direct payment model minimized the need for complex university interactions and manual reimbursement processing.



- **Empowered Student Financial Health:**  
Surveys and interviews revealed that scholars deeply appreciated the flexibility of the 529 funds. The most common uses included covering essential living expenses like room and board, and purchasing necessary books and supplies. Importantly, nearly half of the scholars indicated they planned to save a portion of the funds for future educational costs, demonstrating greater financial control and foresight.
- **Exceptional Student Satisfaction:**  
An impressive 100% of surveyed scholars reported being satisfied with the 529 distribution method, highlighting a significantly improved experience compared to previous, more restrictive approaches.

## Key Recommendations for Expansion

Building on the overwhelming success of the pilot, the evaluation identified several key recommendations to optimize and scale the 529 disbursement model:

- **Prioritize Expansion:** Given the clear benefits and positive feedback, a strategic expansion of the 529 program is strongly recommended, initially prioritizing students most vulnerable to aid displacement. The organization aims to scale the program to at least 100 scholars.
- **Enhance Communication and Transparency:** Continuous efforts to improve communication regarding the 529 process are crucial. This includes providing clear and accessible guidance materials and proactively informing students about payment processing and the advantages of the 529 plan.
- **Implement Direct Deposit:** To further enhance the student experience and address concerns about mail delays and inconvenience, the implementation of direct deposit for fund disbursement is a high priority.
- **Centralize Data Management:** Exploring the creation of a secure student portal would streamline the collection of necessary information, allow students to manage their details efficiently, track payments, and access relevant resources, further reducing administrative burden.

## Conclusion: A Paradigm Shift in Scholarship Disbursement

The early outcomes of this 529 scholarship disbursement pilot represent a significant step forward in creating a more equitable, efficient, and student-centric model for distributing scholarship funds. The program effectively eliminated aid displacement, streamlined administrative processes, and, most importantly, empowered students with greater financial flexibility and control over their educational expenses. The overwhelmingly positive response from participating scholars and the clear operational benefits provide a strong foundation for the organization's ambitious plans to expand this innovative

approach to at least 100 scholars. This initiative demonstrates the transformative potential of leveraging 529 plans to enhance the impact and effectiveness of scholarship programs, ultimately fostering greater student success.