I analyse the idiosyncratic drop-out risk associated with education choices over the life cycle. The binary choice between working and attending university generates the well-known trade-off between foregone earnings and returns to education. I show that education systems which enrich education choices beyond this binary choice, offering choices which differ in expected returns and drop-out risk, improve sorting into education. Because drop-out risk depends on innate ability, a second trade-off then arises between higher expected returns and higher drop-out risk, which is shaped by the design of the education system. I characterise this trade-off and show that progressive taxation might increase enrolment in tertiary education because it does not only reduce the expected return to education, but also its variance.

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