

HOW AMERICA SAVES FOR COLLEGE

Sallie Mae's National Study of Parents with Children under 18
Conducted by Gallup

2010



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Sallie Mae
12061 Bluemont Way
Reston, VA 20190
703-810-3000

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Gallup
901 F Street, NW
Washington, DC 20004
202-705-3030

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FOREWORD

from Sallie Mae



American families have felt first-hand the significant impact of the economic crisis. The job market continues to show weakness, homes have lost value, and families are concerned about their economic future. Many studies have found that families are making tough choices in limiting their discretionary spending. It is in the context of this crisis that Sallie Mae has commissioned Gallup to conduct the second annual study of *How America Saves for College*, a national survey of families with children under 18. This year's survey shows that, despite the on-going economic uncertainty, most families have not lessened their commitment to saving for a college education nor have they lowered their expectations for higher education attainment for their children. However, this challenging environment has illuminated the need for an increased commitment to savings that can soften these short-term economic impacts and the need for families to make smarter choices about their spending and saving.

This year's study sheds significant light on the unshakeable and powerful belief that Americans have in the value of college and the importance of saving to invest in that education. This year, saving for college has become just as high a priority as saving for retirement for American families. That belief in the value of education coupled with prioritization of college savings is only part of the solution.

These values and attitudes require information, tools, and savings vehicles that make saving for college easier and more accessible, especially for lower-income families. More than one-quarter of families who are not saving say that it is because they don't know the best way to save for college; we must do more to educate families about the resources that exist and make those resources easily accessible.

Beyond the broad implications of this year's study there are several more nuanced policy questions, which the 2010 *How America Saves for College* study raises:

- ▶ Balancing saving for retirement and saving for college and choosing how much to save for each is a tough decision for parents. However, since research suggests that having a strong plan for both is the best way actually to achieve realistic goals, it is concerning that one-quarter of all saving-for-college parents consider their retirement accounts as part of how they are saving for their child's education. Without dedicated college savings plans or accounts that facilitate good distinct planning for both retirement and college, American families could be setting themselves up for coming up short on both important goals. What more can we do to help families set realistic college savings goals and put plans in place to reach them?
- ▶ It comes as no surprise that wealthier families have the resources to save for college in terms of dollars. But, once again, this year's study clearly shows that low- and middle-income families, for whom saving for college can make more incremental difference, have more will and commitment to save. Compared to

wealthier families, lower-income families save roughly double the percentage of their annual income. Since we know they have the will, how can we modify the already strong and existing college savings programs to make it easier for low- and middle-income families to save? Should we look to a 401K model that would allow for regular automatic contributions and engage employers in assisting in college savings, while increasing the flexibility of the savings plans?

- ▶ As education borrowing has increased, federal policy has focused on increasing flexibility once borrowing decisions have been made. How can federal policy direct resources at encouraging families to save and reduce their reliance on borrowing? While loans play an important role in access and choice, creating greater incentives to save for college will have the additional social benefit of making families think smarter about their school decisions and costs, increasing the likelihood that students graduate with manageable debt and an education that was a good value. It is also clear that when families save for college, there is an increased likelihood that their children will attend. How could additional federal resources encourage saving so that the path to college is clear?

As the American economy recovers, adjusts, and competes globally, it is more important than ever to have a population who is educated and prepared to drive recovery and expansion. Finding the right education, at the right school, in the right field is a unique and individual choice for each family. Part of making that choice manageable and realistic is helping families invest in their future by finding ways to save more for college. The *How America Saves for College* study can serve as a critical goal post by which we can measure our progress in improving who saves for college and the ways they do it. We also hope that the findings of this study and our research series will help inform and focus policy makers on practical solutions that will empower America's desire and ability to save for college.

OVERVIEW OF FINDINGS

Sallie Mae's *How America Saves for College* 2010 study provides insight into today's savings behaviors by parents of tomorrow's college students. Conducted by Gallup, the report is based on a nationally representative survey of 2,092 parents with children under the age of 18. Furthermore, it discerns some of the attitudes these parents have toward their children attending college and their confidence, concerns and competing priorities when it comes to saving.

In addition to analyzing the behavior of specific families, Gallup created a national saving-for-college composite and an assessment of savings rate in relation to college-savings goals for the 2010 study. By combining information about the savings vehicles parents use and amounts saved in each, Gallup was able to create the mathematical composite, generating a virtual picture of the national saving-for-college fund. This picture reveals the role each of the various savings mediums currently plays across all families saving for college. The gap assessment shows the national college-savings rate as it compares to the savings goal parents have stated they would like to achieve by the time their child enrolls in college.

Families Rely On A Variety Of Savings Vehicles To Meet Their Goals

How America Saves for College identified ten categories of savings vehicles used by parents who are saving for college. Retirement savings accounts are not only used intentionally to set aside money for college, they house the greatest proportion of college savings along with investments. Twenty-three percent of the money being saved for college today sits in parents' retirement accounts. Interestingly, this percentage holds true across racial/ethnic lines and income groups. Twenty-one percent of total college savings is held in investments, but the proportion increases as income increases. The next most-used savings vehicles are general savings accounts, where 14 percent of college funds are saved, and 529 college savings plans which hold 12 percent of funds. Proportional use of general savings accounts is similar across racial/ethnic groups and income groups. Racial/ethnic groups also save similar proportions to one another in 529 college savings plans; however, the percentage of college savings in 529s increases as income increases.

The typical American family who has saved for college has saved an average total of \$28,102 across all savings vehicles and is projected to have saved \$48,367 by the time their child reaches age 18. In total, American families saving for college are on track to exceed their stated average savings

goal of \$42,090 by more than \$6,000. (It is important to note that parents' stated savings goals do not reflect actual amounts required to pay for college.)

The goals given by families are realistic in relation to the amounts they are currently saving annually. Families need to save \$2,434 per year for the years remaining until their child is 18 to reach their stated goal, and they are currently saving slightly more, an average of \$2,666 per year, which represents an average of 2.9 percent of their annual income.

Parents Are Optimistic About College Attendance

Similar to last year, nearly nine of ten parents said it was likely their child would attend some form of higher education with 72 percent saying it was very likely. Parents who have saved for college are more likely to say their child would attend college than parents who have not saved.

Although 72 percent of parents say they intend to pay half or more of the total costs of college, this is lower than the 79 percent last year who said they intended to pay that high of a portion. Parents with younger children intend to pay more of the costs than parents of older children. Although parents with higher incomes intend to pay a higher share of costs than parents with lower incomes, the percentage of parents earning less than \$35,000 per year who said they intend to pay nothing dropped to 11 percent from last year's 19 percent. More White parents than African-American or Hispanic parents intend to pay most or all of the costs; conversely, a higher percentage of Hispanic parents intend to pay less than half the costs.

How Parents Save

Overall, three out of five parents of college-bound children have saved or invested for their oldest child's college education. However, there is a distinct correlation between income and college-savings action. The percentage of families who save increases sharply as income levels rise. Eighty-eight percent or more of parents with incomes above \$100,000 have saved compared to 72 percent of parents with incomes of \$50,000-\$100,000, 46 percent with incomes \$35,000-\$50,000 and 37 percent of parents with incomes under \$35,000. By race/ethnicity, 65 percent of White parents reported saving, compared to 56 percent of African-American parents and 44 percent of Hispanic parents.

Parents began saving for college when their child was 3.2 years old and save an average of \$2,923 per year toward their child's future education. Parents of teenagers save a greater yearly amount, \$3,320, than parents of younger children.

Just over half of families who are already saving for college plan to increase their annual savings with families that save amounts in the bottom half of the annual savings values (\$1,200 per year or less) most likely to say they are planning to increase their savings. Forty-four percent plan to keep their annual savings the same and 4 percent plan to decrease the annual amount they are saving for college.

The most commonly used college-savings vehicle is a general savings account or CD, used by half of all families saving for college for some portion of their college savings. The next most commonly used vehicles are investments (such as stocks, mutual funds, money market accounts or bonds) used by one-third of families, then 529 college savings plans and retirement accounts, both used by one-quarter of parents.

Almost half of parents not currently using a 529 college savings plan said that they are not at all familiar with 529 plans. The most commonly cited reason given by parents who are saving for college but not using a 529 plan was that they do not have enough information about 529s (22%) and a similar percentage said another savings plan is already meeting their savings needs.

Manual deposit is the primary method used to deposit funds by 55 percent of parents saving for college compared to 32 percent who automatically deposit funds. Thirteen percent rely primarily on friends/family to make deposits. Forty-one percent report depositing funds on a regular set schedule while the remaining population deposits funds as their budget allows. Those who use 529 plans are much more likely to deposit funds on a set schedule and to deposit automatically than those who do not use 529 plans.

The Priority Of Saving For College

Saving for college is becoming an increasingly important priority. The percentage of parents ranking saving for college as a top savings priority increased to 21 percent from last year's 14 percent, and rivals the 22 percent who rank saving for retirement as their top priority. When considering all items mentioned, 42 percent of parents said saving for their child's education was one of their top two savings priorities compared with 32 percent who cited retirement as one of their top two savings priorities.

In general, savings priorities differ by income. Retirement is more frequently mentioned as a parental priority as wealth increases. Saving for college is the number one priority among those earning less than \$35,000 per year. Only among this income group is retirement not listed in the top two savings priorities.

When asked to state the amount being saved this year toward their top savings priority compared to last year, 38 percent of parents said they are saving the same, 34 percent said they are saving less and 28 percent said they are saving more than they were saving last year. Overall, 14 percent of parents report not saving for anything at all right now.

Among the parents who are not saving for their child's education, the most frequently cited reason for not saving is that they do not have enough money to save for their children's education. In 2010, 68 percent of parents who haven't saved cited this as a major reason for not doing so, and 90 percent said this was either a major or minor reason for not saving.

The confidence of parents who have begun saving for college increased from 50 percent in 2009 to 61 percent in 2010, while the confidence of parents who have not begun saving fell from 33 percent to 23 percent. Parents with older children have less confidence in their ability to save than parents of younger children. Parents who deposit on a regular, set schedule and those who make automatic deposits were more likely to be extremely confident than parents who don't. It should be noted that African-American parents (35%) are more confident in their ability to save than White or Hispanic parents (21% each) and they are also more likely than the average to deposit automatically (40% for African-Americans vs. an average of 32%).

Motivators To Save More For College

Matching contributions from employers into a college savings fund continues to be the program parents said would be most likely to motivate their saving for college. Fifty-four percent of parents indicated this program would be very likely to motivate them to save or save more for college. Among parents already saving for college, 59 percent indicated this would motivate them to save more. Among parents who have not yet begun to save for college, 47 percent said this would motivate them to begin saving. Parents of children ages 0-6 were more likely to be motivated by employer matching contributions than parents of older children.

Similar to last year, 43 percent of parents said a program that would provide tax benefits for money dedicated to a college savings fund would be very likely to motivate them to save or save more for college. A guaranteed interest rate, low fees, FDIC insurance, and an investment fund that carries high return opportunity are all equally motivating to about one-third of parents.

METHODOLOGY



The following report presents the findings of a quantitative survey research program conducted by Gallup, Inc. on behalf of Sallie Mae. The overall objective of the study was to determine how American families are saving for higher education. The study also measures public attitudes toward college, saving behaviors, and various topics related to college saving and saving priorities. To achieve this goal, Gallup, Inc. conducted nearly 2,100 interviews with parents of children under age 18 residing in telephone households in the United States.

The surveys were conducted March 24 through May 3, 2010. Interviews were conducted in both English and Spanish. Up to five calls were made to each household to reach an eligible respondent, that is, one initial call plus four additional calls if necessary. The sampling frames used for this study included:

- 1 a national sample of adults age 18 and over from the Gallup Panel who indicated they had a child under the age of 18 during a previous panel survey in February 2009,
- 2 a national sample of adults in Gallup's daily opinion polling who had agreed to be recontacted and had previously indicated they had a child under the age of 18 in their household,
- 3 a national listed sample of Hispanic parents of children under 18,
- 4 a national listed sample of African-American parents of children under 18.

The resulting data set was statistically adjusted (weighted) using the following variables: race/ethnicity, region, gender, education and age as defined by the most recent data from the Current Population Survey (CPS), conducted by the U.S. Census Bureau. The final results of the survey are representative of adult parents, age 18 and over, with a child under the age of 18 who reside in households with telephones.

The questionnaire was developed in consultation with representatives from Sallie Mae and Gallup, Inc. All interviewing was supervised and conducted by Gallup, Inc.'s full-time interviewing staff. For results based on the total sample size of 2,092, one can say with 95 percent confidence that the error attributable to sampling and other random effects could be plus or minus 2 percentage points. For sub-groups within these populations, e.g. race, income, etc. the sampling error would be greater. For example, among the sub-group of parents who had saved for college, the overall sampling error, based on approximately 1200 interviews, is plus or minus 4 percentage points. In addition to sampling error, question wording and practical difficulties in conducting surveys can introduce error or bias into the finding of opinion polls. Tables of recommended sampling tolerances are located in the Technical Appendix to this report. The following presents key findings of the survey. Included in the detailed findings are the results of all items queried. The base population for each question is all respondents unless otherwise noted. Reported frequencies may not add up to 100 percent due to rounding.

The use of linear and logistic regression was required in order to understand how saving behavior varied by race when controlling for income. Regression is a commonly used statistical technique for assessing the influence of one variable (e.g. race) on another (e.g. saving) when controlling for a third (e.g. income).

Composite and Saving-for-College Assessment Sources

For parents who have begun saving for college, Gallup used information parents provided about their actual savings behaviors and goals to assess how prepared parents may or may not be when faced with a future tuition bill.

The following values were calculated at the respondent level from survey responses provided by parents who had saved for college. Parents who have not yet saved anything for college are not included in this analysis.

Savings Rate: The annual estimated rate of saving was provided by respondents.

Percent of Income Saved Annually: To determine this value, the annual savings rate was divided by the mid-point value of the respondent's income category.

College Saving Goal: Respondents were asked how much they intend to have saved for college by the time their child is 18 years old. This value was used as the college savings goal.

Total Amount Saved by Age 18: Using the total amount saved, current age of child and annual rate of savings, a total amount saved by age 18 was calculated at the individual level.

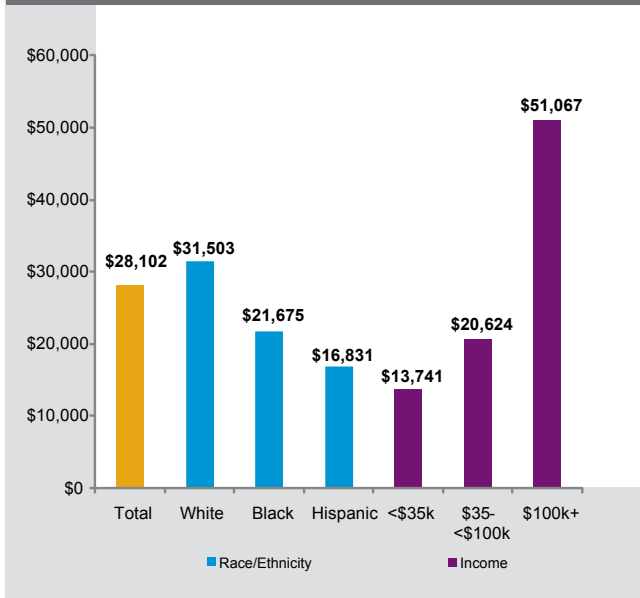
Composite View of Savings Vehicles and Total Amount Saved: The values for each savings vehicle in the composite view were aggregated across all savers before being added together to arrive at the total amount saved. These values were not calculated at the individual level.

HOW AMERICAN FAMILIES SAVE FOR COLLEGE

Composite View of Savings Sources

The composite¹ analysis within the *How America Saves for College* study provides insight into the relative importance of various savings vehicles utilized by parents who are saving for college for children under the age of 18. Gallup created this mathematically representative composite of all of the methods families use to save for college by aggregating the information provided by families who are saving about the amounts they have currently saved in each of ten savings vehicles. By creating a mathematical composite, we are able to see the average dollar amounts and proportion of total dollars being saved for college by American families in each of these savings sources.

Fig. 1 Average Total Amount Saved for College, by Race/Ethnicity and by Income



The typical American family who has saved for college has saved an average total of \$28,102 across all savings vehicles. The total amount saved varies by race/ethnicity and income. By race/ethnicity, White families have saved the most, at \$31,503. African-American families have saved \$21,675. Hispanic families have saved the least, at \$16,831.

The amount saved increases as income increases. Families earning \$100,000 or more per year have saved the greatest amount, \$51,067. Families earning between \$35,000 and \$100,000 per year have saved \$20,624. Families earning less than \$35,000 per year have saved the smallest total amount, \$13,741.

Fig. 2 How the Typical Family Saves for College: Average Amount of Total College Savings Saved in Each Vehicle

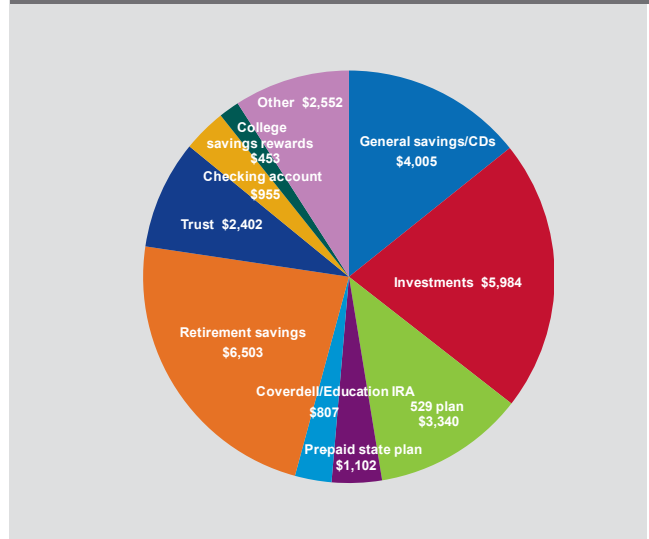
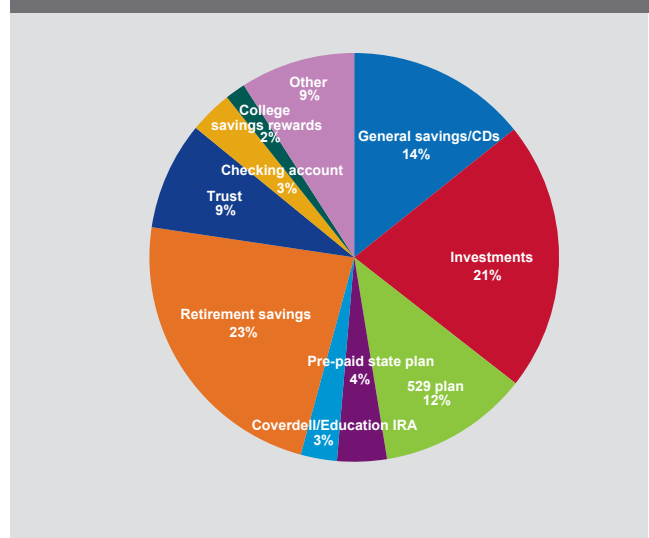


Fig. 3 How the Typical Family Saves for College: Average Percent of Total College Savings Saved in Each Vehicle



¹ See composite explanation in the Methodology section, page 12.

Retirement savings accounts and investments are used to save the greatest amounts of money. Twenty-three percent (\$6,503) of the money being saved for college is saved in retirement savings accounts. This average holds true across racial/ethnic and income groups; all racial groups and all income levels saved 22 to 26 percent of their total college savings in retirement savings accounts. An additional 21 percent of total funds (\$5,984) is saved in investments. White families saved 24 percent of total funds in investments (\$7,538). African-American and Hispanic families use investments less than White families; African-American families saved 15 percent of their savings (\$3,317) in investments and Hispanic families saved 10 percent (\$1,660) in investments.

The proportion of money saved in investments and the dollar amount saved increases as income increases. Families earning \$100,000 or more saved \$12,943 (25% of their college savings) in investments while middle-income families saved \$3,926 (19%) and families earning less than \$35,000 saved \$1,234 (9%) in this savings vehicle.

The next most-used savings vehicles are general savings accounts (14% of saved funds) and 529 college savings plans (12% of saved funds). The average saving family saved \$4,005 in general savings accounts and \$3,340 in 529 plans. General savings accounts are used to save a similar proportion of savings by White (14%), African-American (18%), and Hispanic (13%) families. Statistically similar proportions are saved in general savings accounts across income levels as well. Proportionally, families earning \$100,000 or more saved a greater percentage in 529 college savings plans (15%) than families earning less than \$35,000 (4%). Across income groups, the wealthiest families saved the highest dollar value, \$7,903, in 529 college savings plans; families earning between \$35,000 and \$100,000 saved \$1,609, and families earning less than \$35,000 saved \$522 in this vehicle. The proportion of savings set aside in 529 college savings plans does not differ among racial/ethnic groups, but White families saved an average of \$4,185 in 529 plans and African-American and Hispanic families saved \$1,992 and \$1,207, respectively.

Hispanic families use checking accounts (15%) to save a

greater percentage of college savings than White families (2%). Families earning less than \$35,000 saved a greater percentage in checking accounts (14%) than middle-income (4%) or higher-income families (1%). Families earning less than \$35,000 also saved the greatest dollar amount in checking accounts; they saved \$1,896 compared to \$727 and \$716 for middle- and higher-income families, respectively.

Trusts are used to save 9 percent of savings overall, or \$2,402. White (9%), African American (8%) and Hispanic (6%) families saved similar proportions of savings in trusts. Families earning \$100,000 or more saved 8 percent of their college savings in trusts and families earning between \$35,000 and \$100,000 saved 6 percent. Families earning less than \$35,000 saved 16 percent of their college savings in trusts, a percentage that does not differ significantly from the other income groups.

Several savings vehicles are not used to save large sums of money by any group. Pre-paid state savings plans are used to save 4 percent of savings, \$1,102, on average. These pre-paid plans are used to save 1 to 6 percent of savings across racial/ethnic and income groups. Coverdell education savings accounts are used to save an average of \$807 (3%) and savings contributions from this source range from 2 to 6 percent across racial and income groups. College savings rewards programs are used to save an average of \$453 or 2 percent overall (1% to 4% across groups).

The average saving family uses some other savings vehicles to save 9 percent of their total college savings (\$2,552). This proportion is stable across all income and racial categories with families in each group using other vehicles to save 8 to 10 percent of college savings.

Table 1 Composite View of College Savings Vehicles, Average Value Saved in Each Vehicle

	Savers		Race/Ethnicity						Income					
			White		Black		Hispanic		<\$35k		\$35k-<\$100k		\$100k+	
	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean
General savings accounts or CDs	1241	\$4,005	503	\$4,360	352	\$3,847	332	\$2,245	208	\$2,131	490	\$3,953	535	\$5,613
Investments, such as stocks, mutual funds, money market accounts, or bonds	1242	\$5,984	492	\$7,538	360	\$3,317	334	\$1,660	211	\$1,234	490	\$3,926	533	\$12,943
A 529 college savings plan	1276	\$3,340	519	\$4,185	364	\$1,992	335	\$1,207	220	\$522	498	\$1,609	548	\$7,903
A pre-paid or guaranteed state college savings plan	1318	\$1,102	531	\$1,292	377	\$641	350	\$434	222	\$170	507	\$1,187	573	\$1,684
Coverdell Education Savings Account, formerly known as an Education IRA	1305	\$807	527	\$882	365	\$426	352	\$1,049	217	\$311	511	\$809	562	\$1,194
Retirement savings account, such as a 401K, IRA account or pension	1252	\$6,503	513	\$6,972	349	\$5,528	334	\$4,169	213	\$3,324	484	\$5,132	545	\$11,182
A trust	1303	\$2,402	527	\$2,774	369	\$1,673	347	\$1,011	219	\$2,240	502	\$1,321	568	\$4,283
A checking account	1295	\$955	535	\$619	363	\$1,352	339	\$2,590	207	\$1,896	506	\$727	569	\$716
A college savings reward program	1295	\$453	528	\$312	364	\$633	347	\$754	217	\$583	499	\$252	566	\$693
Some other way	1281	\$2,552	520	\$2,570	361	\$2,265	344	\$1,713	215	\$1,330	502	\$1,705	553	\$4,857
TOTAL		\$28,102		\$31,503		\$21,675		\$16,831		\$13,741		\$20,624		\$51,067

Table 2 Composite View of College Savings Vehicles, Average Percent of Total Saved in Each Vehicle

	Savers		Race/Ethnicity						Income					
			White		Black		Hispanic		<\$35k		\$35k-<\$100k		\$100k+	
	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean
General savings accounts or CDs	1241	14%	503	14%	352	18%	332	13%	208	16%	490	19%	535	11%
Investments, such as stocks, mutual funds, money market accounts, or bonds	1242	21%	492	24%	360	15%	334	10%	211	9%	490	19%	533	25%
A 529 college savings plan	1276	12%	519	13%	364	9%	335	7%	220	4%	498	8%	548	15%
A pre-paid or guaranteed state college savings plan	1318	4%	531	4%	377	3%	350	3%	222	1%	507	6%	573	3%
Coverdell Education Savings Account, formerly known as an Education IRA	1305	3%	527	3%	365	2%	352	6%	217	2%	511	4%	562	2%
Retirement savings account, such as a 401K, IRA account or pension	1252	23%	513	22%	349	26%	334	25%	213	24%	484	25%	545	22%
A trust	1303	9%	527	9%	369	8%	347	6%	219	16%	502	6%	568	8%
A checking account	1295	3%	535	2%	363	6%	339	15%	207	14%	506	4%	569	1%
A college savings reward program	1295	2%	528	1%	364	3%	347	4%	217	4%	499	1%	566	1%
Some other way	1281	9%	520	8%	361	10%	344	10%	215	10%	502	8%	553	10%
TOTAL		100%		100%		100%		100%		100%		100%		100%

College-Savings Assessment

The saving-for-college assessment is calculated using the aggregated data created for the composite. The assessment shows the projected total amount parents will have saved by the time the child reaches traditional college age, 18. Included in the assessment are estimates of any gap between the projected saved amount and stated savings goal, and the percent of current income required to meet that goal.

It is important to emphasize that projected savings gaps are correlated to parents' stated goals, not to the total cost of college. Families may be on track to meet their goals, but those goals do not equate to the total cost of college. For example, only 14 percent of respondents say they plan to pay all of the costs of college for their children, and, within that group, it is possible a portion may be planning to use borrowing or other means to meet total costs rather than to save the full amount.

COLLEGE-SAVINGS GOALS AND PROJECTED GAPS

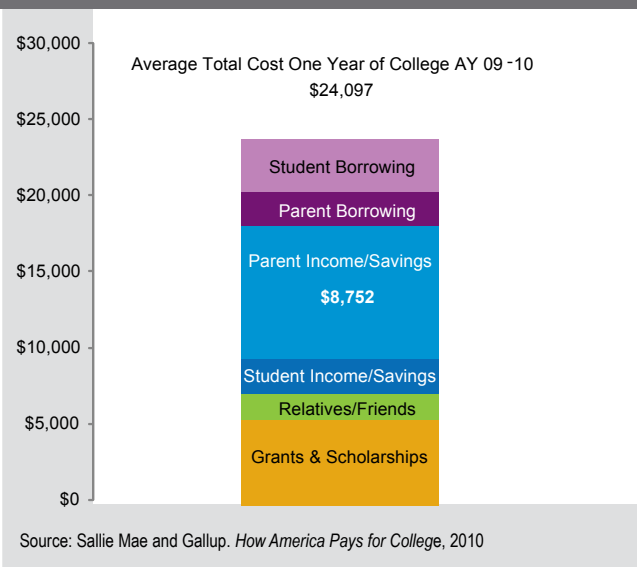
Parents saving for college were asked to estimate how much they save annually for college. Using these estimations combined with the total amount they have saved to date and the age of their child, the total projected savings by the time the child reaches college age were calculated at an aggregate, composite level.

The average saving family is projected to have saved \$48,367 by the time their child reaches age 18. This amount differs vastly by income. Families earning less than \$35,000 per year are expected to have saved \$24,733. Families earning between \$35,000 and \$100,000 are projected to have saved \$34,432. Families earning \$100,000 or more are projected to have saved an average of \$87,539 by the time their child is 18.

By race/ethnicity, White families are projected to have saved more than African-American or Hispanic families. For White families, the expected total savings by the time the child is 18 is \$53,507. For African-American families the projected total is \$38,296 and for Hispanic families the total projected savings are \$31,555.

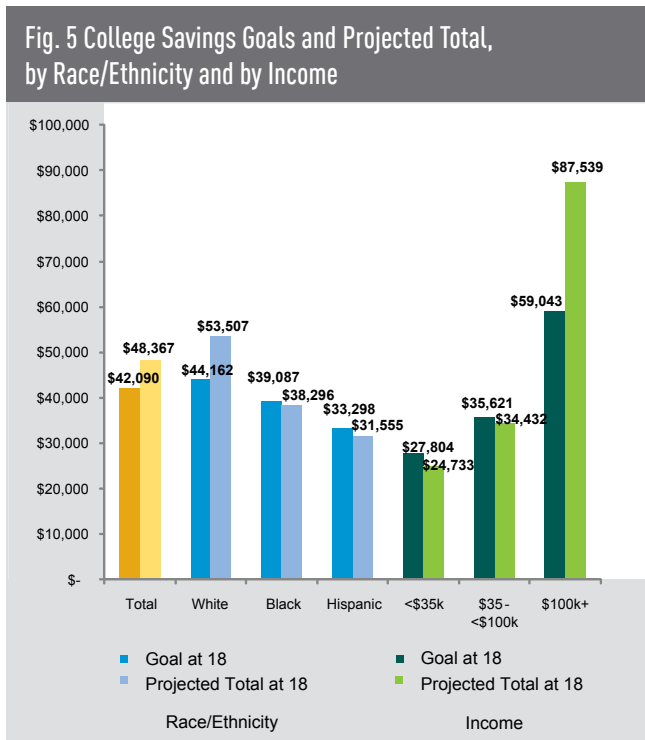
Comparatively, the average yearly cost contributed by families to pay for college from parent savings and income is \$8,752 in this year's *How America Pays for College* study, though this only accounts for 37 percent of the total average cost of college, \$24,097 per year.

Fig. 4 Average Contribution from Parent Income & Savings for One Year of College Costs AY 09-10



Therefore it seems parents are on track to save amounts that are close to the total value typically paid from parents' savings and investments but that do not come close to covering the actual total cost of college. If current trends continue, the cost of college is also likely to be higher in the future when it comes time for these parents to pay for college.

Total projected savings for when the child will be 18 were compared at the aggregated level to parents' reported savings goals for when their child is 18. The resulting differences are the projected savings gaps.



In total, American families saving for college are on track to exceed their stated savings goals and are expected to surpass their goal by \$6,278. Families earning less than \$100,000 or more per year are expected to fall slightly short of their savings goals. Families who earn less than \$35,000 per year are projected to have a shortage of \$3,071 when their child is age 18. Those earning between \$35,000 and \$100,000 are expected to have a shortage of \$1,189 compared to their goal. Families earning \$100,000 or more are projected to have saved \$28,495 in excess of their goal by the time their child is 18.

White families are expected to have surpassed their goal by \$9,345. African-American families are on target to fall just short of their goal, with a gap of \$791. Hispanic families are also expected to have a shortage, with a gap of \$1,743 expected.

It is important to note that these projections do not take into account any changes in savings behaviors that families may make in the years remaining before their child reaches age 18. They are calculated at the aggregate level, not at the individual level.

These projected savings gaps are also based solely on parents' reported savings goals, not on the actual amounts that will be required to pay for college.

² Calculated at the individual level across all saving respondents, then aggregated.

³ Statistically insignificant amount.

Table 3 Projected College Savings Gap against Goal

	Projected Total at 18	Goal	Projected Gap at 18
Total			
Savers	\$48,367	\$42,090	\$6,278
Income			
<\$35k	\$24,733	\$27,804	-\$3,071
\$35- <\$100k	\$34,432	\$35,621	-\$1,189
\$100k+	\$87,539	\$59,043	\$28,495
Race/Ethnicity*			
White	\$53,507	\$44,162	\$9,345
Black	\$38,296	\$39,087	-\$791
Hispanic	\$31,555	\$33,298	-\$1,743

*Other Races/Ethnicities not shown; small sample sizes

ANNUAL SAVINGS NECESSARY TO REACH GOALS

When looking at an individual level across all savers², Gallup analyzed families' current savings behavior compared to the behavior necessary to meet families' savings goals. Families reported both their current annual savings and the savings goal they have set for when their child enrolls in college. Gallup used these values (and estimated college enrollment to be the year the child turns 18) to determine how well families are progressing toward their stated savings goals.

Overall, the goals given by families are very realistic in relation to the amounts they are currently saving annually. (However, the goals they have established are not necessarily reflective of the actual amounts that will be required to pay for college.) Across all saving families, families have saved an average of \$2,666 per year. In order to reach their stated savings goals, families need to save \$2,434 per year for the years remaining until their child is 18, or \$232 less than they are currently saving.

By income, families earning \$100,000 or more are already on track to exceed their stated savings goal. To meet their goal, these families need to save \$3,289 per year, or \$1,315 less than they are already saving annually. Middle-income families earning between \$35,000 and \$100,000 are currently saving \$90 per year less³ than needed to reach their goal; they are currently saving \$1,814 and need to save \$1,904 to reach their savings goal. Families earning less than \$35,000 are also saving slightly less than the

amount needed to reach their goals. Families earning less than \$35,000 per year are currently saving \$1,788 per year for college and need to save an additional \$237 per year⁴ (\$2,025).

All racial/ethnic groups are saving at a slightly higher rate than necessary to reach their savings goals⁵, though none at a statistically significant amount. Hispanics are saving the greatest amount over what is needed, saving \$2,327 per year when they need to save only \$1,102 per year to reach their goal. White families are saving \$70 more than needed to reach their target, which would be \$2,761 per year. African-American families are saving \$324 more than necessary to reach their target, which would require saving \$2,057 per year.

It should be noted that all racial groups are saving fairly similar annual amounts but Hispanics report a much lower savings goal than African-American and White families.

The average saving family is saving 2.9 percent of their annual income toward college. This rate is fairly constant across demographic groups with income and racial groups saving between 2.6 and 3.8 percent of their income annually. The one exception is families earning less than \$35,000 per year; these families are saving 8.0 percent of their income toward college. Directionally, this seems to be a higher percentage than other groups, though it is not statistically significant. The gaps between what families are currently saving and what they would need to save to meet their goals are all quite small when expressed as a percentage of annual income. All of the savings gaps are +/-1 percent or less of annual income, with the exception of Hispanics, who are saving an average of 2 percentage

points more than necessary to reach their goals. All of the gaps, except those for all savers (0.2%) and for families earning \$100,000 or more (-0.7%) were within the margin of error for the populations shown, meaning none of the groups are saving significantly different amounts than the amount needed to reach their goals.

Again, it should be noted that the projected amounts needed to be saved annually are based solely on parents' savings goals, not on the actual amounts that will be required to pay for college.

Table 4 Average Annual College Savings Amounts and Percentage of Income Required to Meet Goals

	N	Current Annual Savings	Annual Savings to Reach Goal	Difference	% Income Currently Saved	% Income to Reach Goal	Gap
Total							
Savers	1166	\$2,666	\$2,434	\$232	2.9%	2.7%	0.2%
Income							
<\$35k	184	\$1,788	\$2,025	(\$237)	8.0%	9.0%	1.0%
\$35-\$100k	458	\$1,814	\$1,904	(\$90)	2.6%	2.8%	0.2%
\$100k+	517	\$4,605	\$3,289	\$1,315	2.6%	1.9%	-0.7%
Race/Ethnicity							
White	480	\$2,830	\$2,761	\$70	2.8%	2.7%	-0.1%
Black	336	\$2,381	\$2,057	\$324	3.6%	3.1%	-0.5%
Hispanic	297	\$2,327	\$1,102	\$1,225	3.8%	1.8%	-2.0%

⁴ Statistically insignificant amount

⁵ The "Other Race" category, which is not reported due to small sample size, is not saving enough to meet their goals, by a large margin

DETAILED FINDINGS

PARENT INTENTIONS

The prospect of their children attending college in the future is very real for American parents of children under the age of 18. Similar to last year, not one parent said it was “very unlikely” that their child would attend some form of higher education after completing high school. Perhaps parents view college as an opportunity for their children to lead enriched lives or, like two-thirds of the parents surveyed in *How America Pays for College 2010* who “strongly agreed” that “college is more important than it used to be,” parents of pre-college age children may believe that higher education will be a necessity.

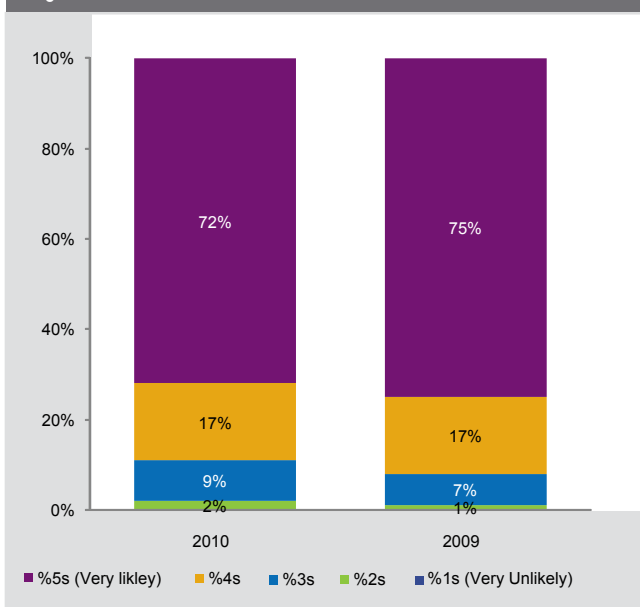
Despite the current economy—or perhaps the economy is driving their commitment—most parents are planning to pay a considerable portion of future college costs. Nearly three-quarters of parents plan to pay for half or more of costs. According to *How America Pays for College 2010*, parents are indeed responsible for paying the largest portion of college costs today. But that portion, which is close to half, is less than the portion parents of younger children intend to pay in the future. Are today’s parents of younger children realistic about the future cost of college? Are they overly optimistic about the amount they will be able to afford? Or, based on their current savings behavior, will they actually succeed in fulfilling their intentions?

LIKELIHOOD OF CHILD ATTENDING COLLEGE

How likely is it that your child will attend some form of higher education or career school after completing high school? Please use a five-point scale, where 5 means very likely and 1 means very unlikely.

Base: Parents of children younger than age 18.

Fig. 6 Likelihood That Child Will Attend Some Form of Higher Education, Year-over-Year



Similar to last year, nearly all parents surveyed (89%) believed it likely (combined 4 and 5 ratings) that their child would attend some form of higher education, with 72 percent saying it was “very likely” their child would attend some form of higher education.

With an average cost of attendance of \$16,436, four-year state colleges’ and universities’ costs increased by 16 percent over 2008-09. At \$35,201, four-year private colleges and universities remained above the average yearly cost of all other school types, although costs for this school type have increased by less (8.4%) in 2009-10 than they did in 2008-09 (17%).⁶

Across all children’s age categories, parents’ expectations of higher education remained high, with at least 70 percent in each age category considering attendance to be “very likely.” However, more parents of children aged 0-6 (95%) believed their children were likely (combined 4 and 5 ratings) to receive some form of higher education than parents of children aged 13-17 (87%) and aged 7-12 (86%).

As household income rose, so did the percentage of parents who felt their child was “very likely” to attend college. Nearly three-in-five parents (58%) earning less than \$35,000 per year said it was “very likely” their children would attend college while 65 percent of parents earning \$35,000 to \$50,000, 76 percent of parents earning \$50,000 to \$100,000 and 92 percent of parents earning \$100,000 or more said their child was “very likely” to attend.

⁶ Source: Sallie Mae and Gallup. *How America Pays for College*, 2010.

White and African-American parents expressed similar levels of agreement that their child is likely to attend higher education, at 90 percent and 92 percent, respectively. However, only 77 percent of Hispanic parents say their child is likely to attend.

Parents who have saved for college said it was more likely their child would attend college compared to parents who have not saved. Nearly four out of five parents (79%) who have saved for their child’s college education said their child was “very likely” to attend college, significantly greater than the 60% of parents who have not saved. In addition, non-saving parents were more likely than saving parents to say their child is “less than likely” (combined 2 and 3 ratings) to receive education beyond high school (18% compared to 7%, respectively).

Table 5 Likelihood of Child to Attend Higher Education after High School

	N	%5s (Very Likely)	%4s	%3s	%2s	%1s (Very Unlikely)
Total	2092	72%	17%	9%	2%	0%
Savers	1367	79%	14%	6%	1%	0%
Non-Savers	724	60%	22%	14%	4%	0%
Income						
<\$35k	590	58%	21%	16%	5%	0%
\$35-\$50k	226	65%	21%	13%	1%	0%
\$50-\$100k	577	76%	18%	5%	1%	0%
\$100-\$150k	388	92%	6%	2%	0%	0%
\$150k+	285	92%	8%	0%	0%	0%
Age of Child						
0-6 years	435	76%	19%	4%	1%	0%
7-12 years	725	70%	16%	12%	2%	0%
13-17 years	931	70%	17%	10%	3%	0%
Race/Ethnicity						
White	793	74%	16%	8%	2%	0%
Black	592	78%	14%	6%	2%	0%
Hispanic	600	54%	23%	19%	4%	0%

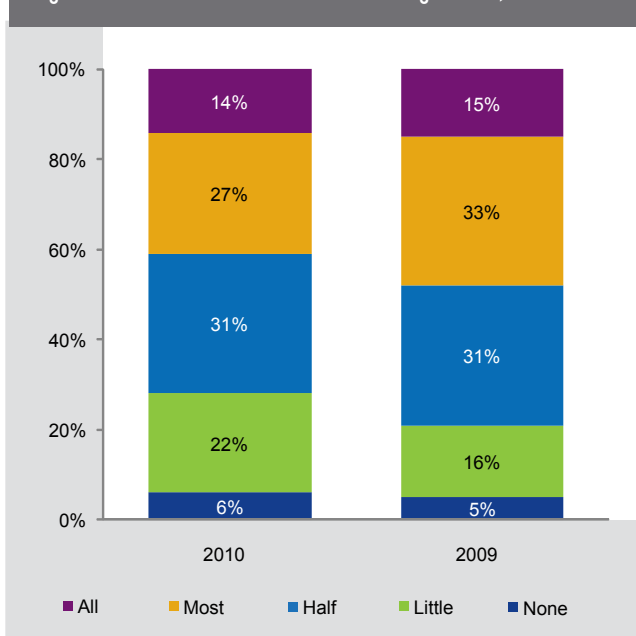
PARENT PLANNED CONTRIBUTION TO COLLEGE COSTS

If this child does go to college, how much of the total education cost and expenses do you expect you will contribute? This means how much of the total cost you will pay for as opposed to your child or someone else.

Base: Parents of children with some likelihood of going to college.

The optimism parents show in the likelihood that their child will pursue higher education is also reflected in parents’ expectations of how much of the college costs they will pay. Nearly three out of four (72%) expect to pay half or more of their child’s college costs. However, this figure is less than the 79 percent of parents last year who said they intended to contribute at least half of college costs. Compared to 2009, fewer parents (27%, compared to 33% in 2009) intend to pay most of the costs and a converse percentage (22%, compared to 16% in 2009) expect to pay little of the costs. While 14 percent of parents intend to pay for all college expenses, 6 percent intend to pay none of the costs.

Fig. 7 Intended Contribution to Total College Costs, Year-over-Year



Parents who have not saved for college are less likely to intend to pay half or more of college costs than parents who have saved. Fifty-three percent of non-savers intend to contribute at least half of the costs, a sharp decline compared to 63 percent the previous year and significantly

less than the 84 percent of saving parents who intend to contribute at least half of the cost. Non-saving parents are more likely to say they will contribute “none of the cost” (13% compared to 2%) or only “a little of the cost” than saving parents (34% compared to 14%).

Parents with younger children intend to contribute more to the costs of college than parents with older children. Eighty-one percent of parents with children aged 0-6 and 78% of parents with children aged 7-12 intend to pay at least half of the costs compared with 63 percent of parents with children aged 13-17.

Fig. 8 Parent Intended Contribution to College Expenses Year-over-Year, by Income

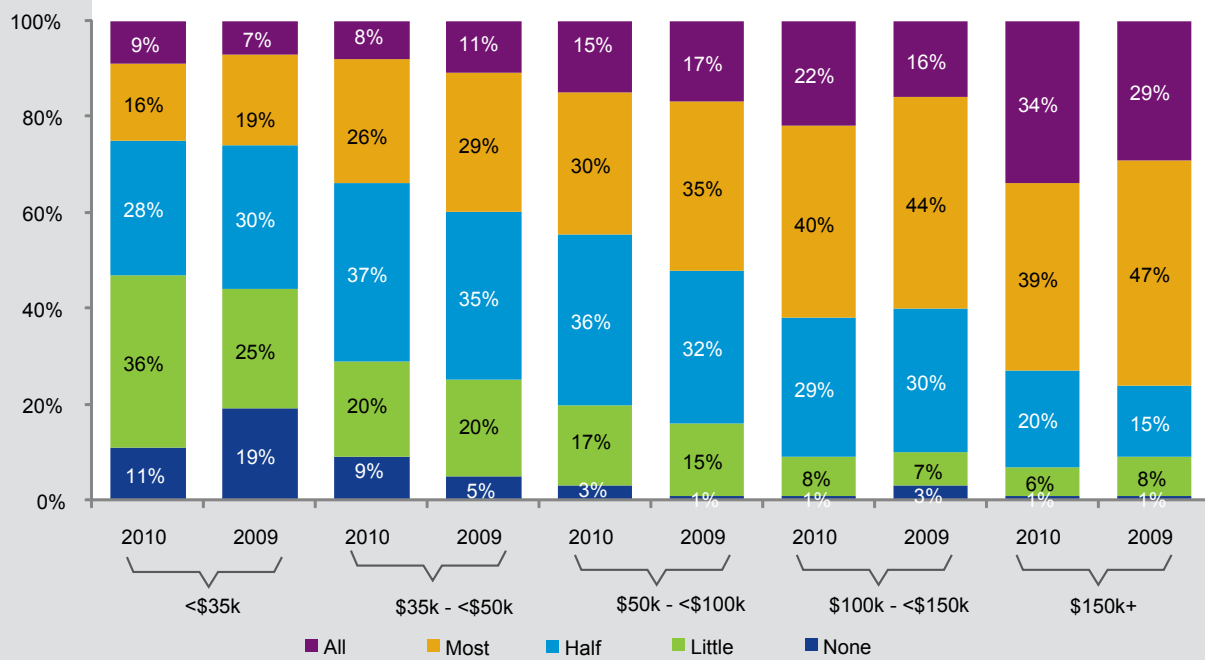
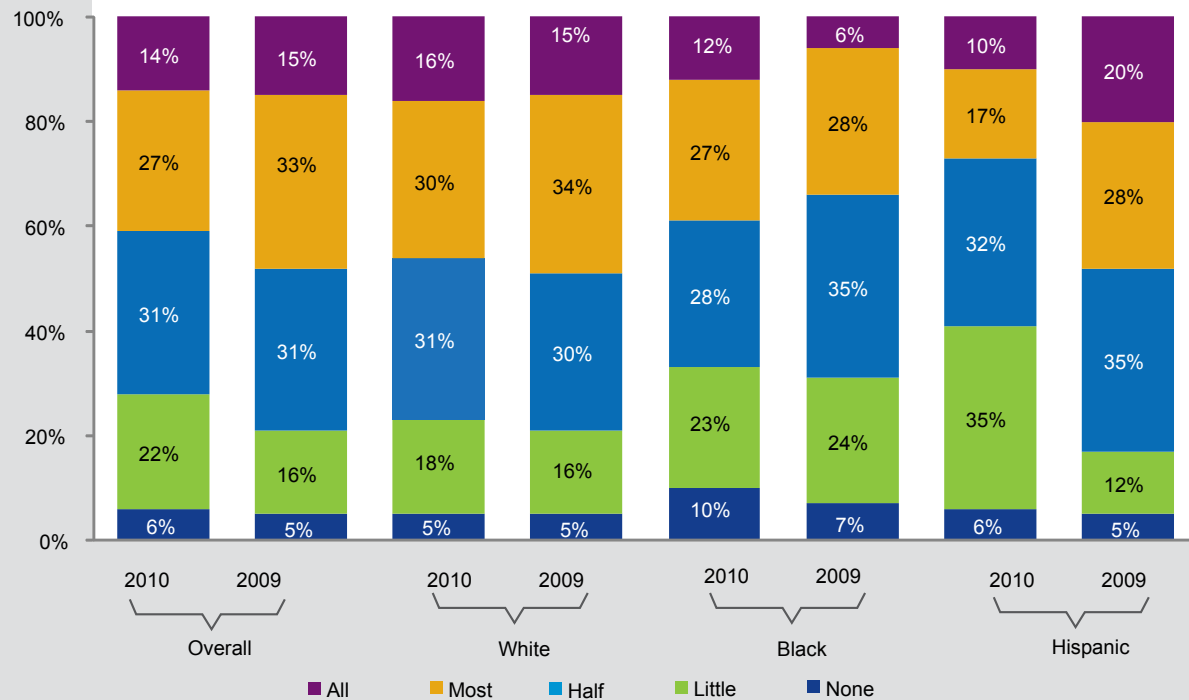


Fig. 9 Parent Intended Contribution to College Expenses Year-over-Year, by Race or Ethnicity



Among racial/ethnic groups, a similar percentage of White, African-American and Hispanic parents intend to pay half the costs of college. However, more White parents (47%) intend to pay all or most of the costs than African-American parents (39%) and Hispanic parents (27%). Conversely, a higher percentage of Hispanic parents (41%) intend to pay less than half the costs compared to African-American parents (33%) and White parents (22%).

	N	All	Most	Half	Little	None
Total	2092	14%	27%	31%	22%	6%
Savers	1367	18%	33%	33%	14%	2%
Non-Savers	724	8%	18%	27%	34%	13%
Income						
<\$35k	590	9%	16%	28%	36%	11%
\$35-\$50k	226	8%	26%	37%	20%	9%
\$50-\$100k	577	15%	30%	35%	17%	3%
\$100-\$150k	388	22%	40%	29%	8%	1%
\$150k+	285	34%	39%	20%	6%	1%
Age of Child						
0-6 years	435	18%	33%	30%	14%	5%
7-12 years	725	17%	29%	32%	18%	4%
13-17 years	931	10%	23%	30%	29%	8%
Race/Ethnicity						
White	793	16%	31%	31%	18%	4%
Black	592	12%	27%	28%	23%	10%
Hispanic	600	10%	17%	32%	35%	6%

SAVINGS BEHAVIORS

Six in ten parents in America with children under the age of 18 have begun saving for college, fewer than the nine in ten who believe it likely their child will attend college, and slightly fewer than the seven in ten who intend to pay for half or more of the costs of college. Following are details on how and how much parents who save are saving.

The composite representation (see page 13) of how America’s families are saving for college illustrates the relative importance of the various savings vehicles used across all parents who have currently saved some amount for college. However, although many parents use a variety of vehicles to save for college, most parents do not use all of the savings instruments identified. Included in the details in this section are the percentage of families using each specific savings vehicle and the average amounts they have saved in that medium.

WHO IS SAVING

Have you saved or invested money for this child’s (oldest) college education?

Base: Parents of children with some likelihood of going to college.

Overall, three out of five parents of college-bound children have saved or invested for their oldest child’s college education. However, there is a distinct relationship between income and college-savings action. The percentage of families who save increases sharply as income levels rise. Eighty-eight percent or more of parents with incomes above \$100,000 have saved compared to 72 percent of parents with incomes of \$50,000-\$100,000, 46 percent with incomes \$35,000-\$50,000 and 37 percent of parents with incomes under \$35,000. While the percent of families saving for college who earn \$100,000 or more increased in

2010 compared to 2009 (80%), saving dropped considerably among parents with incomes between \$35,000 and \$50,000, from 64 percent in 2009 to 46 percent this year.

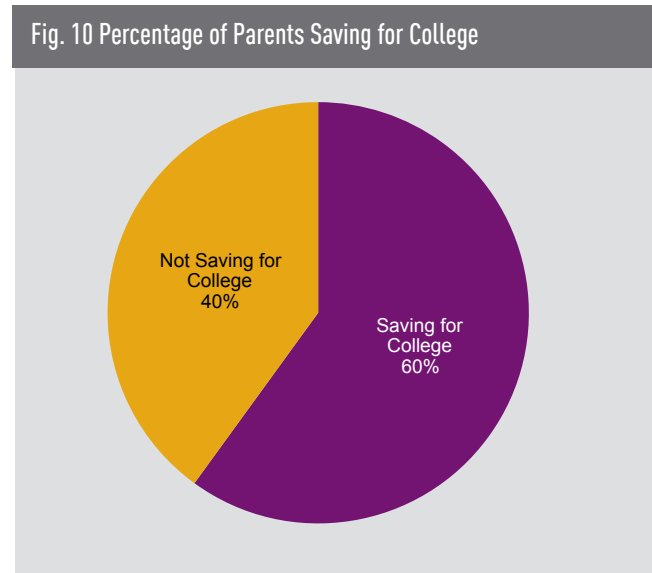


Fig. 11 Percentage of Parents Saving for College Year-over-Year, by Income

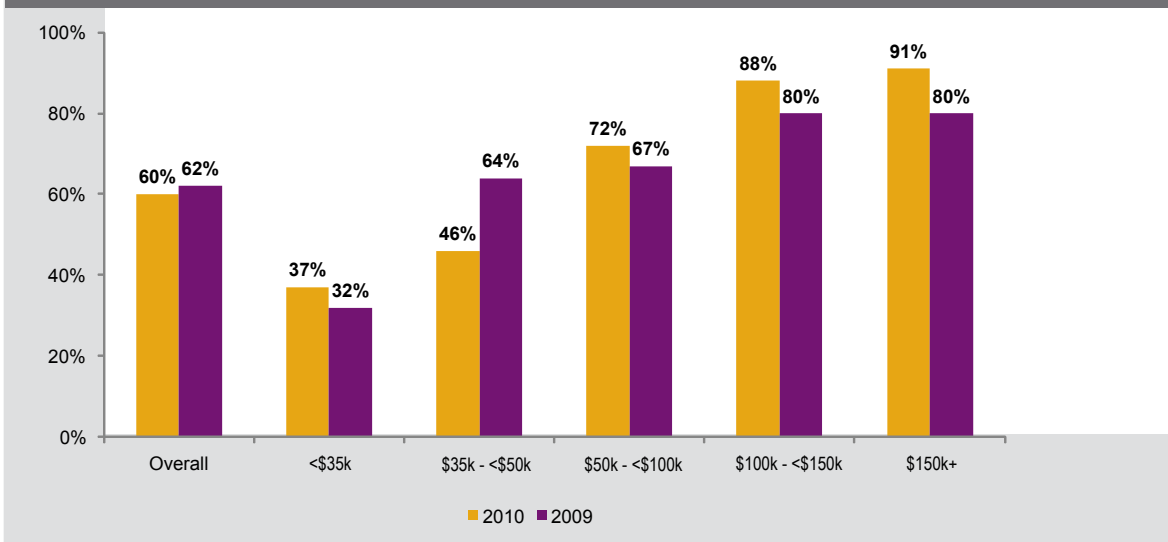
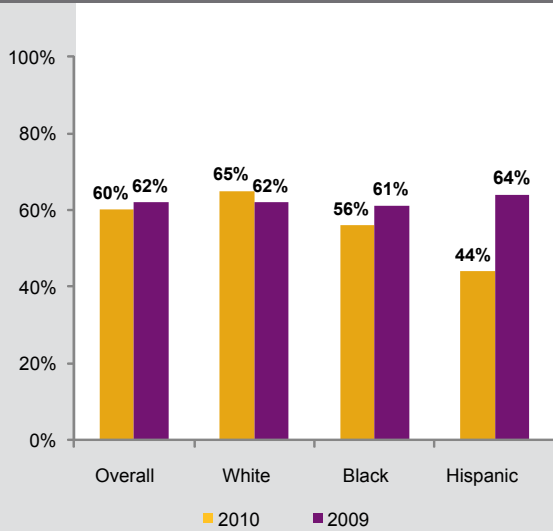


Fig. 12 Percentage of Parents Saving for College Year-over-Year, by Race/Ethnicity



Having saved for college varies greatly by race/ethnicity. Sixty-five percent of White parents reported saving, compared to 56 percent of African-American parents and 44 percent of Hispanic parents.

Table 7 Parents Who Have Saved for College

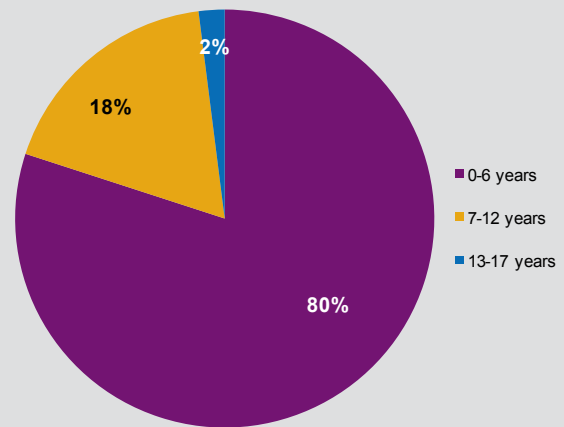
	N	Saving	Not Saving
Total	2092	60%	40%
Income			
<\$35k	590	37%	63%
\$35-\$50k	226	46%	54%
\$50-\$100k	577	72%	28%
\$100-\$150k	388	88%	12%
\$150k+	285	90%	10%
Age of Child			
0-6 years	435	67%	33%
7-12 years	725	67%	33%
13-17 years	931	50%	50%
Race/Ethnicity			
White	793	65%	35%
Black	592	56%	44%
Hispanic	600	44%	56%

WHEN SAVING BEGAN

What age was this child (oldest) when you first started saving for his/her college fund?

Base: Parents of children with some likelihood to attend college who have begun saving for college.

Fig. 13 Age of Child when Parent Started Saving



On average, parents this year reported that they began saving for college when their child was 3.2 years old, similar to the child's age that parents reported last year of 2.8 years. Eighty percent of parents started saving for college when their child was between the ages of less than a year to six years old. Nearly all parents who have begun saving for college (98%) started these college savings funds before their child reached age 13.

In general, wealthy parents started saving earlier in their child's lives than did lower-income parents. Eighty-three percent of parents with annual incomes of \$150,000 or more started saving before their child reached age seven compared to 69 percent of parents with incomes of less than \$35,000.

The onset of saving for college based on age of child is similar between White and African-American parents, and both groups started saving significantly earlier than Hispanic parents. Eighty-two percent of White parents and 78 percent of African-American parents began saving when their child was less than seven years old compared to 63 percent of Hispanic families. Sixteen percent of White parents and 20 percent of African-American parents began saving when their child was between the ages of 7 and 12 compared with 33 percent of Hispanic parents.

Table 8 Age of Child When Parent Began Saving for College Education

	N	0-6 years	7-12 years	13-17 years	Mean Age (years)
Total Savers	1367	80%	18%	2%	3.2
Income					
<\$35k	232	69%	27%	4%	4.5
\$35-\$50k	114	72%	26%	2%	3.7
\$50-\$100k	416	83%	15%	2%	2.9
\$100-\$150k	330	87%	13%	0%	2.7
\$150k+	259	83%	16%	1%	2.5
Race/Ethnicity					
White	547	82%	16%	2%	2.8
Black	383	78%	20%	2%	3.7
Hispanic	367	63%	33%	4%	5.2

AMOUNT SAVED

About how much do you save for college each year?

Base: Parents of children with some likelihood to attend college who have begun saving for college.

Parents who have begun saving for college save an average of \$2,923 per year toward their child's future education.⁷

With the exception of parents earning \$35-\$50,000, who save a lower average amount (\$1,444) than parents earning less than \$35,000 (\$1,994), the amount saved per year rises as income increases. Parents earning between \$50,000 and \$100,000 save, on average, \$2,152 per year toward college; parents earning between \$100,000 and \$150,000 save \$3,524 per year; and those earning \$150,000 or more save \$6,870 per year.

Parents of teenagers save a greater yearly amount, \$3,320, than parents of younger children. The average amount saved per year is similar for parents of children aged 0-6 (\$2,769) and parents of children aged 7-12 (\$2,657).

White families save an average of \$3,125 per year for college, which is higher than the amount saved per year by African-American families (\$2,473) and Hispanic families (\$2,610). White families save more for college than African-American and Hispanic families even when controlling for income.

Table 9 Average Savings Per Year

	N	Mean
Total Savers	1367	\$2,923
Income		
<\$35k	232	\$1,994
\$35-\$50k	114	\$1,444
\$50-\$100k	416	\$2,152
\$100-\$150k	330	\$3,524
\$150k+	259	\$6,870
Age of Child		
0-6 years	313	\$2,769
7-12 years	512	\$2,657
13-17 years	542	\$3,320
Race/Ethnicity		
White	547	\$3,125
Black	383	\$2,473
Hispanic	367	\$2,610

FUTURE SAVINGS PLANS

For the remaining years you will be saving for college, do you plan to

- Increase your annual savings for college*
- Decrease your annual savings for college*
- Or, keep your annual savings for college the same*

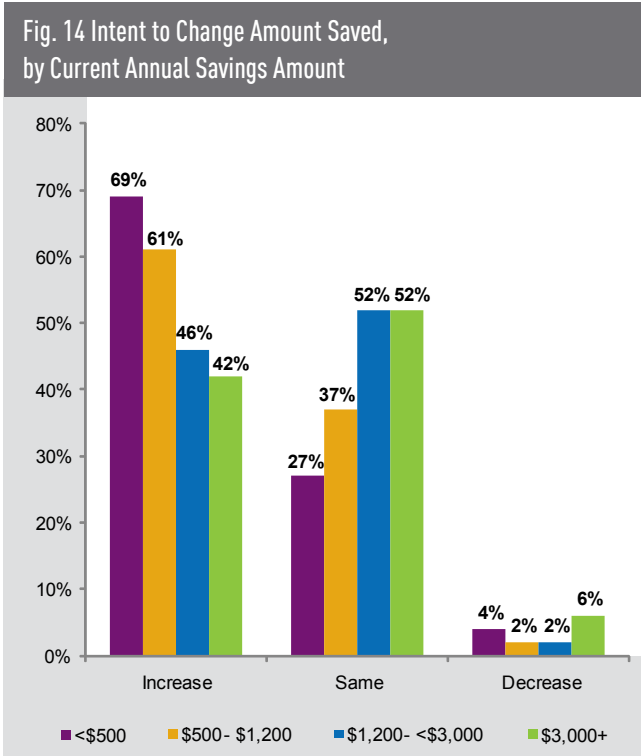
Base: Parents of children with some likelihood to attend college who have begun saving for college.

Just over half (52%) of families who are already saving for college plan to increase their annual savings and slightly fewer than half (44%) plan to keep their annual savings the same. Only 4 percent of saving families plan to decrease the annual amount they are saving for college.

Parents saving less than \$1,200 per year are more likely than parents who save higher amounts to plan to increase their annual savings. Parents saving greater than \$1,200 per year are more likely than those saving lower amounts to plan to maintain their annual savings amount.

Sixty-nine percent of families whose annual saving is less than \$500 (in the bottom quartile among values reported in this study) reported they would increase their annual saving for college as did 61 percent of families who save between \$500 and \$1,200 per year. Families in the top 50 percent of annual saving values are less likely to increase

⁷ The amount saved reported here is among parents who reported an amount. Please refer to pages 13-18 for a discussion of composite amounts saved across all families saving for college.



their annual saving than families in the bottom half. Forty-six percent of those saving \$1,200-\$3,000 annually and 42 percent of those saving more than \$3,000 per year reported that they plan to increase their annual saving for college. Families saving more than \$3,000 per year constitute the only group significantly more likely to report planning to keep their annual saving amount for college the same (52%) than to increase their annual saving amount (42%).

SAVINGS GOAL

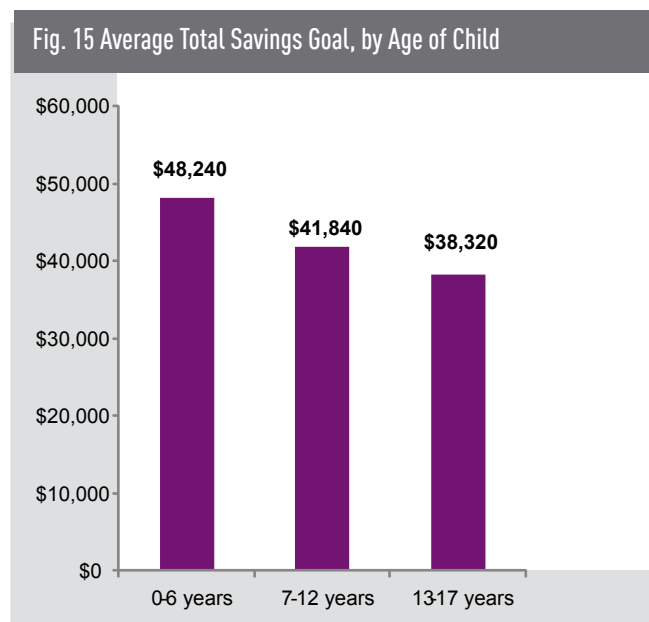
What is the total amount you plan to have saved for college by the time your oldest child is 18?

Base: Parents of children with some likelihood to attend college who have begun saving for college.

Families that have saved for college indicate that, by the time their child is 18, they plan to save, on average, a goal amount of \$42,090. This amount, however, varies greatly with income. On average, families earning less than \$35,000 per year plan to save \$27,800. The amount families plan to save increases for each income category, with families earning \$150,000 or more planning to save \$70,560.

Table 10 Future Savings Contributions Intent

	N	Increase	Same	Decrease
Total Savers	1367	52%	44%	4%
Income				
<\$35k	232	49%	43%	8%
\$35-\$50k	114	60%	39%	1%
\$50-\$100k	416	57%	40%	3%
\$100-\$150k	330	51%	47%	2%
\$150k+	259	44%	52%	4%
Age of Child				
0-6 years	313	64%	34%	2%
7-12 years	512	60%	38%	2%
13-17 years	542	36%	57%	7%
Race/Ethnicity				
White	547	51%	46%	3%
Black	383	59%	38%	3%
Hispanic	367	51%	43%	6%
Annual Savings				
<\$500	184	69%	27%	4%
\$500-\$1,200	293	61%	37%	2%
\$1,200-\$3,000	271	46%	52%	2%
\$3,000+	599	42%	52%	6%



Parents who have more time to save—and who are likely to face higher costs by the time their child turns 18—state higher total savings amount goals than parents of older children. Parents of children aged 0-6 plan to save \$48,240, while parents of children aged 7-12 plan to save \$41,840 and parents of children aged 13-17 plan to save \$38,320.

By race, White parents plan to save the most at \$44,160 while African-American parents plan to save \$39,090 and Hispanic parents plan to save \$33,300. These differences hold even when income is controlled.

	N	Mean
Total Savers	1367	\$42,090
Income		
<\$35k	232	\$27,800
\$35-\$50k	114	\$29,330
\$50-\$100k	416	\$37,310
\$100-\$150k	330	\$50,950
\$150k+	259	\$70,560
Age of Child		
0-6 years	313	\$48,240
7-12 years	512	\$41,840
13-17 years	542	\$38,320
Race/Ethnicity		
White	547	\$44,160
Black	383	\$39,090
Hispanic	367	\$33,300

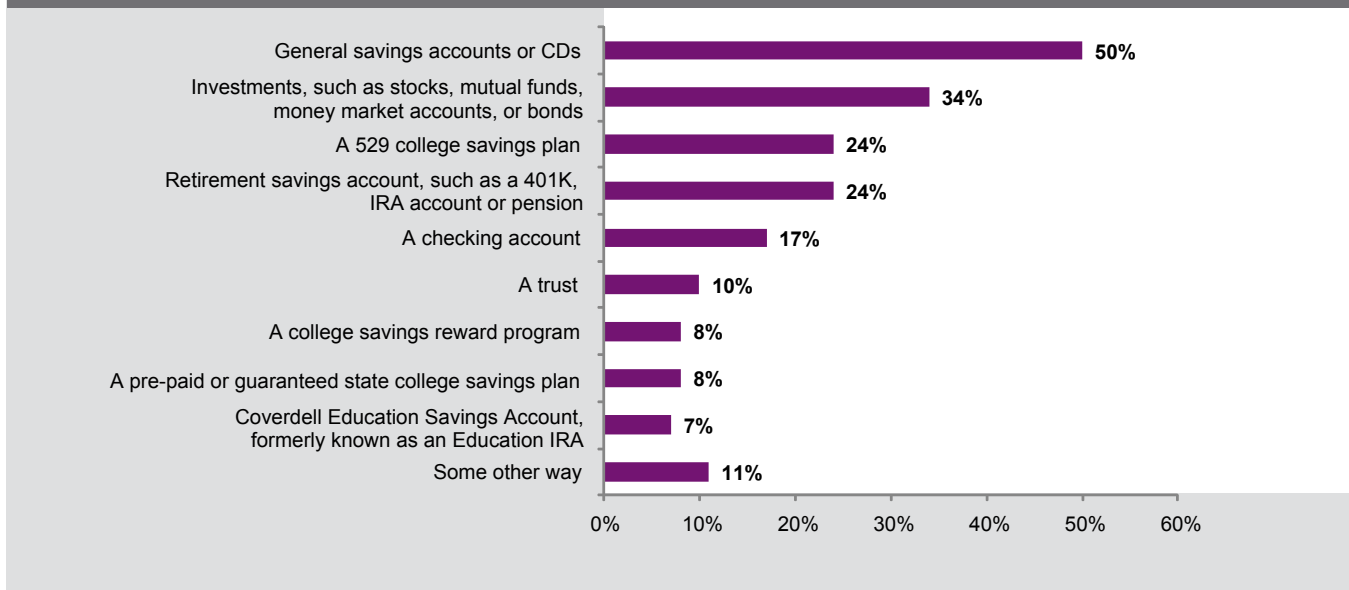
USE OF SAVINGS VEHICLES

How much money have you saved in each of the following types of savings or investments?

- General savings accounts or CDs
- Investments, such as stocks, mutual funds, money market accounts, or bonds that are not part of your 529 or 401k
- A 529 college savings plan
- A pre-paid or guaranteed state college savings plan
- Coverdell Education Savings Account, formerly known as an Education IRA
- Retirement savings account, such as a 401K, IRA account or pension
- A trust
- A checking account
- A college savings reward program
- Some other way

Base: Parents of children with some likelihood to attend college who have begun saving for college.

Fig. 16 Percentage Using Each Vehicle for College Savings



The most commonly used savings vehicles among saving parents are general savings accounts or CDs (50%) and investments such as stocks, mutual funds, money market accounts or bonds (34%). Nearly a quarter (24%) of saving parents use 529 college savings plans and nearly a quarter (24%) use retirement savings accounts to save for their child's education.

Across all races and incomes, except for those parents earning \$100,000 per year or more, general savings accounts are the most commonly used savings vehicle. Among parents earning at least \$100,000, 48 percent used investments and 43 percent used general savings. Investments are used by 34 percent of families earning between \$35,000

and \$100,000 per year and by 17 percent of families earning less than \$35,000 per year.

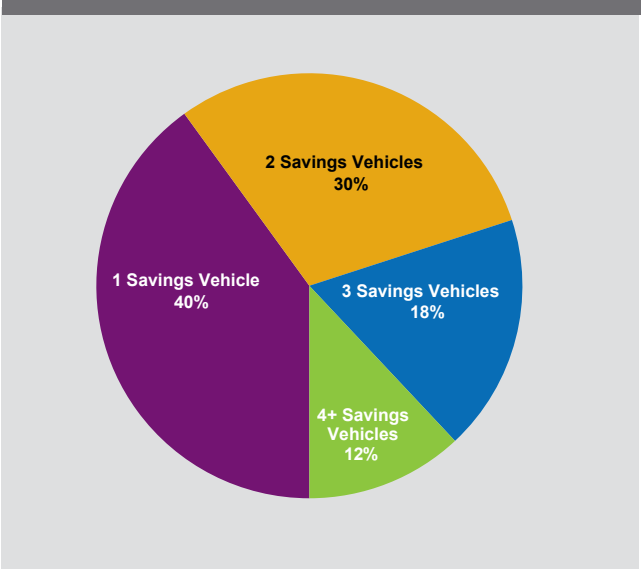
The 529 college savings plans are used significantly more often by higher-income families. Forty percent of families earning \$100,000 or more use a 529 plan to save for their child’s education compared to 20 percent of families earning between \$35,000 and \$100,000 and only 9 percent of families earning less than \$35,000 per year. 529 plans are more likely to be used by White parents (29%) than by Hispanic (14%) or African-American parents (16%). Statistically similar percentages of parents with children in all age groups are using 529 plans. Twenty-nine percent of parents with children ages 0-6, 24 percent of parents with children ages 7-12 and 21 percent of parents with children ages 13-17 are using a 529 plan.

Retirement savings accounts are used to save for college less often by Hispanic families (18%) than by either African-American (30%) or White families (24%). However, retirement savings accounts are used equally across income levels and children’s age categories.

Checking accounts are used to save for college by 17 percent of families, with lower-income families more likely to use a checking account as a savings vehicle than wealthier parents. Thirty-one percent of families earning less than \$35,000 per year use a checking account compared to 14 percent of families earning between \$35,000 and \$100,000 and 12 percent of families earning \$100,000 or more.

Other vehicles are used infrequently by families saving for college. Ten percent or fewer saving families use a trust (10%), a college savings reward program (8%), a Coverdell education savings account (7%), or a pre-paid or guaranteed state college savings plan (8%). Use of these savings vehicles varies little by income or race, with the exception of trusts which are used about twice as often by African-American families (17%) as either White (9%) or Hispanic (8%) families.

Fig. 17 Percentage Using One or More Savings Vehicles

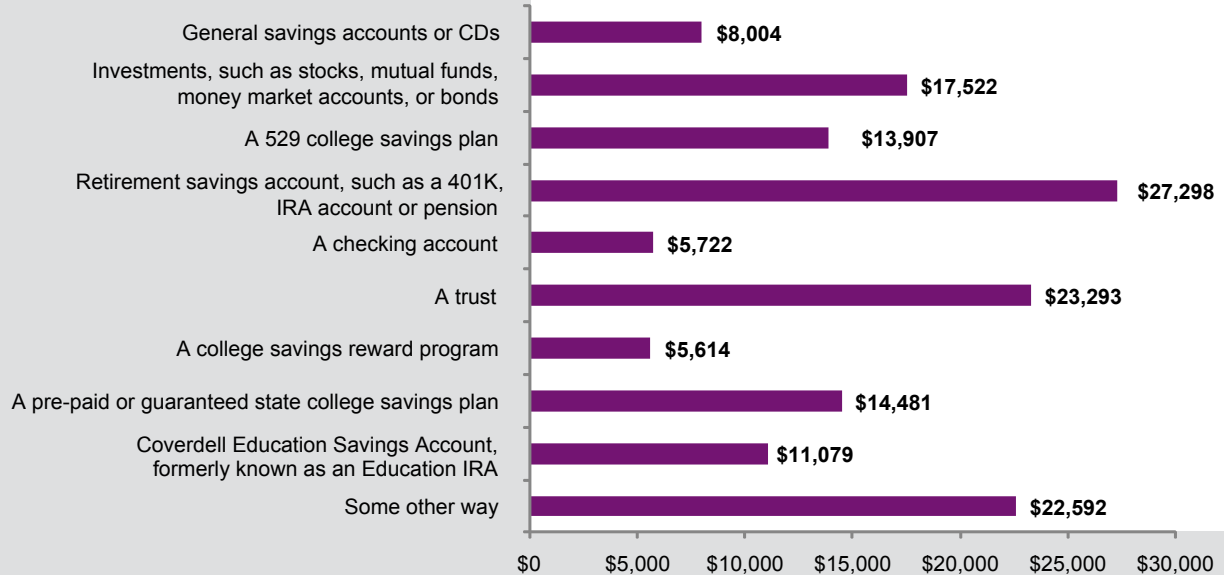


Most saving parents use a variety of savings vehicles with 60 percent using at least two vehicles. More vehicles tend to be used as income increases, with 68 percent of saving parents earning more than \$150,000 using two or more vehicles compared to 53 percent among those earning less than \$35,000.

Table 12 Vehicles Used by Parents to Save for College

	Total	Race/Ethnicity			Income		
		White	Black	Hispanic	<\$35k	\$35- <\$100k	\$100k+
N	1248	512	334	266	219	518	598
General savings accounts or CDs	50%	50%	54%	42%	46%	58%	43%
Investments, such as stocks, mutual funds, money market accounts, or bonds	34%	39%	31%	15%	17%	34%	48%
A 529 college savings plan	24%	29%	16%	14%	9%	20%	40%
A pre-paid or guaranteed state college savings plan	8%	8%	8%	3%	5%	7%	10%
Coverdell Education Savings Account, formerly known as an Education IRA	7%	7%	7%	7%	5%	5%	12%
Retirement savings account, such as a 401K, IRA account or pension	24%	24%	30%	18%	22%	24%	25%
A trust	10%	9%	17%	8%	15%	8%	10%
A checking account	17%	12%	24%	36%	31%	14%	12%
A college savings reward program	8%	7%	11%	7%	11%	7%	9%
Some other way	11%	11%	14%	8%	14%	11%	10%

Fig. 18 Average Amount Saved Per Vehicle



Used by nearly one-quarter (24%) of families to save for college, retirement savings accounts have the highest average balance, \$27,298, reported by families who use them. Trusts, though used by fewer families (10%), had an average balance of \$23,293. Saving parents who use investments, the second most commonly used vehicle, have saved an average of \$17,522 for college while amounts in prepaid state savings plans average \$14,481. The average amount in 529 college savings plans is \$13,907, slightly higher than the average amounts in Coverdell Education Savings Accounts, \$11,079. Though general savings accounts are the most commonly used savings vehicle, the average amount saved in them is a relatively low \$8,004. Checking accounts are also used to save smaller sums of money with an average amount saved of \$5,722. College savings rewards programs are used to save an average amount of \$5,614.

Table 13 Average Amounts Saved for College Per Vehicle

	Total	
	N	Mean
	1367	
General savings accounts or CDs	650	\$8,004
Investments, such as stocks, mutual funds, money market accounts, or bonds	472	\$17,522
A 529 college savings plan	338	\$13,907
A pre-paid or guaranteed state college savings plan	105	\$14,481
Coverdell Education Savings Account, formerly known as an Education IRA	112	\$11,079
Retirement savings account, such as a 401K, IRA account or pension	342	\$27,298
A trust	135	\$23,293
A checking account	225	\$5,722
A college savings reward program	107	\$5,614
Some other way	163	\$22,592

SAVINGS METHODS

Which best describes the primary way you contribute to college savings funds?

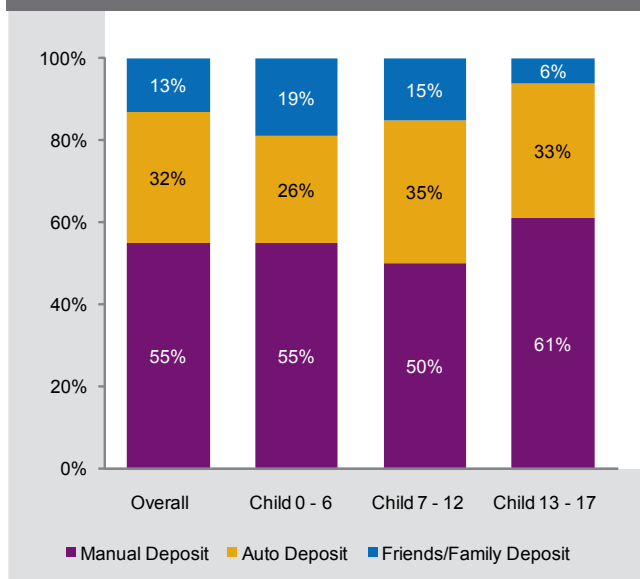
- a. Funds are automatically deposited
- b. You manually deposit funds
- c. Friends and/or family deposit funds

Base: Parents of children with some likelihood to attend college who have started saving for college.

The primary method most parents use to contribute to college savings is manually depositing funds (55%). Far more parents use this method than use automatic deposit (32%). Nearly one in eight parents (13%) said savings contributions come primarily from friends and/or family deposits.

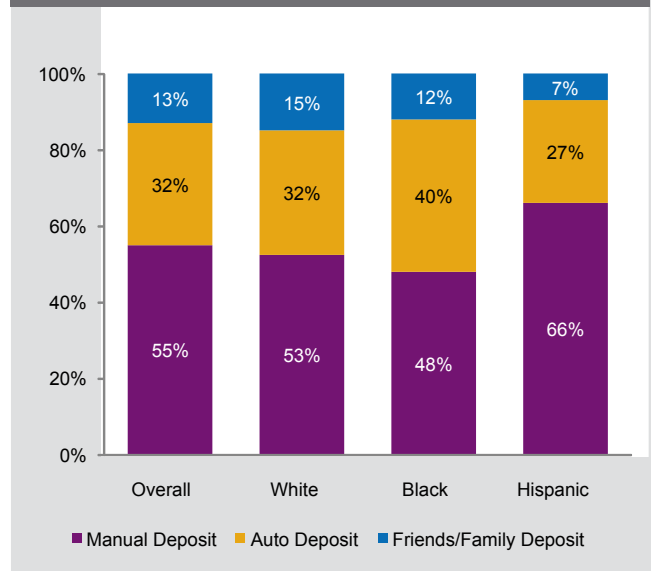
Parents with incomes less than \$35,000 per year are least likely to deposit funds automatically (19%) compared to parents with moderate to high incomes who automatically deposit funds in similar proportions (33% to 42%) to each other.

Fig. 19 College Fund Contribution Method, by Age of Child



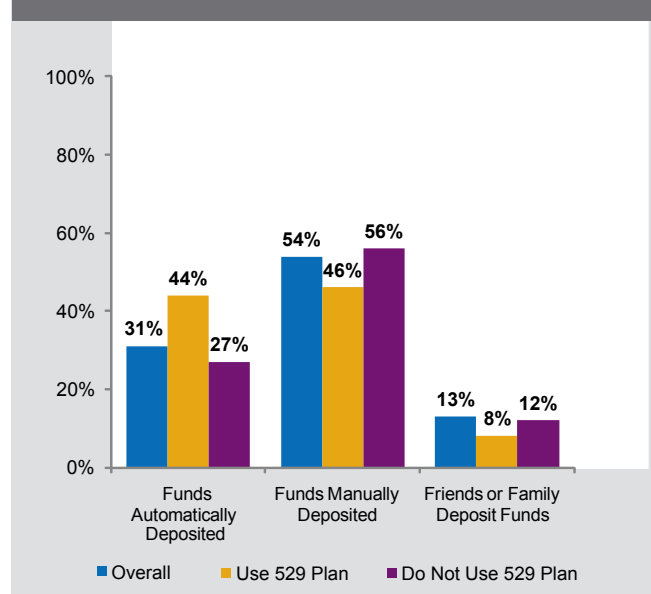
Parents of children aged 0-6 are less likely to deposit funds automatically (26%) than parents of children aged 7-12 (35%). Thirty-three percent of parents of children aged 13-17 deposit funds automatically. Parents of children aged 12 and under are more than twice as likely to identify friends and/or family as primary contributors to savings as are parents of children aged 13 or older.

Fig. 20 College Fund Contribution Method, by Race/Ethnicity



Hispanic parents (66%) are more apt than White parents (53%) or African-American parents (48%) to contribute to college savings by having funds manually deposited. African-American parents (40%) are more likely than White parents (32%) or Hispanic parents (27%) to deposit funds automatically. White parents (15%) and African-American parents (12%) are more likely than Hispanic parents (7%) to say friends and/or family deposit funds.

Fig. 21 College Fund Contribution Method, 529 Plan Users vs. Non-Users



Parents who use a 529 college savings plan are almost twice as likely to have funds automatically deposited (44%) than those who do not use a 529 plan (27%).

	N	Manually Deposit	Automatically Deposit	Friends/ Family Deposit
Total				
Savers	1367	55%	32%	13%
Income				
<\$35k	232	65%	19%	16%
\$35-\$50k	114	*	*	*
\$50-\$100k	416	52%	33%	15%
\$100-\$150k	330	53%	39%	8%
\$150k+	259	52%	42%	6%
Age of Child				
0-6 years	313	55%	26%	19%
7-12 years	512	50%	35%	15%
13-17 years	542	61%	33%	6%
Race/Ethnicity				
White	547	53%	32%	15%
Black	383	48%	40%	12%
Hispanic	367	66%	27%	7%

DEPOSIT SCHEDULE

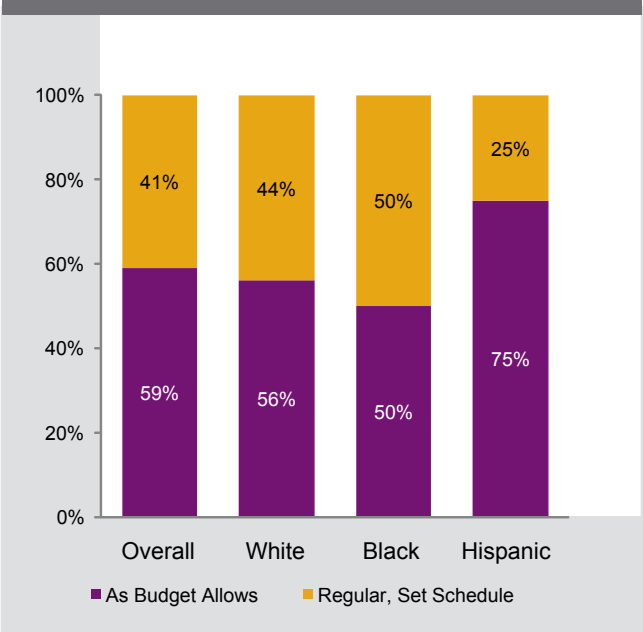
Do you deposit funds on a regular, set schedule, or as your budget allows?

- a. Regular, set schedule
- b. As budget allows

Base: Parents of children with some likelihood to attend college who have started saving for college.

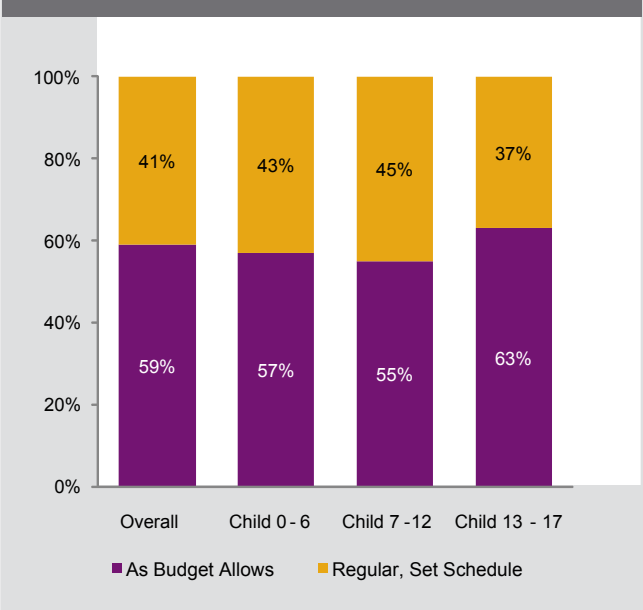
Less than half of parents deposit funds for college routinely on a regular, set schedule (41%). The remaining 59 percent are less consistent in their savings habits and deposit funds as their budgets allow. Generally, as income increases, contributions to saving are more likely to be on a regular, set schedule. More than three-quarters of parents who earn less than \$35,000 per year (77%) said they deposit funds as their budget allows. On the other hand, parents who earn more than \$150,000 per year are most likely to deposit funds on a regular, set schedule (65%).

Fig. 22 College Fund Contribution Frequency, by Race or Ethnicity



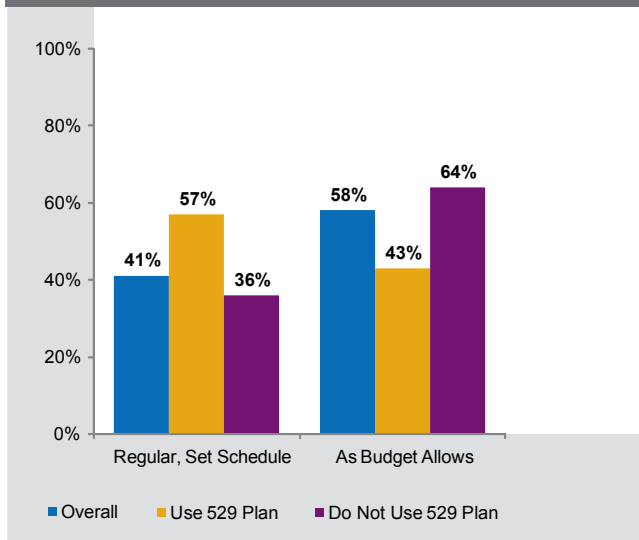
Hispanic parents (75%) deposit funds as their budgets allow, significantly more than White parents (56%) or African-American parents (50%). Twenty-five percent of Hispanic parents contribute funds on a set schedule compared to 44 percent of White and 50 percent of African-American parents.

Fig. 23 College Fund Contribution Frequency, by Age of Child



Parents of older children are more likely than parents of younger children to contribute funds as their budgets allow. Sixty-three percent of parents with children aged 13-17 said they contribute as their budgets allow whereas 55 percent of parents of children aged 7-12 and 57 percent of parents with children aged 0-6 did so. Conversely, parents of younger children deposit funds on a regular, set schedule in slightly higher proportions than parents of teen-agers. For parents of children under age 13, close to half (43%-45%) deposit funds on a set schedule whereas 37 percent of parents of children aged 13-17 years do so.

Fig. 24 College Fund Contribution Frequency, 529 Plan Users vs. Non-Users



Parents who use a 529 college savings plan are far more likely to save on a regular, set schedule (57%) than those who don't use a 529 plan (36%).

Table 15 Deposit Schedule

	N	As Budget Allows	Regular, Set Schedule
Total			
Savers	1220	59%	41%
Income			
<\$35k	194	77%	23%
\$35-\$50k	98	*	*
\$50-\$100k	362	58%	42%
\$100-\$150k	307	52%	48%
\$150k+	246	35%	65%
Age of Child			
0-6 years	275	57%	43%
7-12 years	454	55%	45%
13-17 years	491	63%	37%
Race/Ethnicity			
White	466	56%	44%
Black	353	50%	50%
Hispanic	340	75%	25%

*small sample size

IMPACT OF ECONOMIC FACTORS ON SAVING

Economic factors affect families' savings habits in a number of ways. Some among the four in ten not saving for college may be saving for other priorities while others may not be saving for anything at all. Some among the six in ten who are saving for college may not be saving enough or may be short-changing other savings goals to save for college. By examining families' savings priorities and their confidence in their ability to meet their savings goals, along with their reasons for not saving, we have a fuller picture of how families make savings decisions and why families may not have saved enough when their child reaches college age.

SAVINGS PRIORITIES

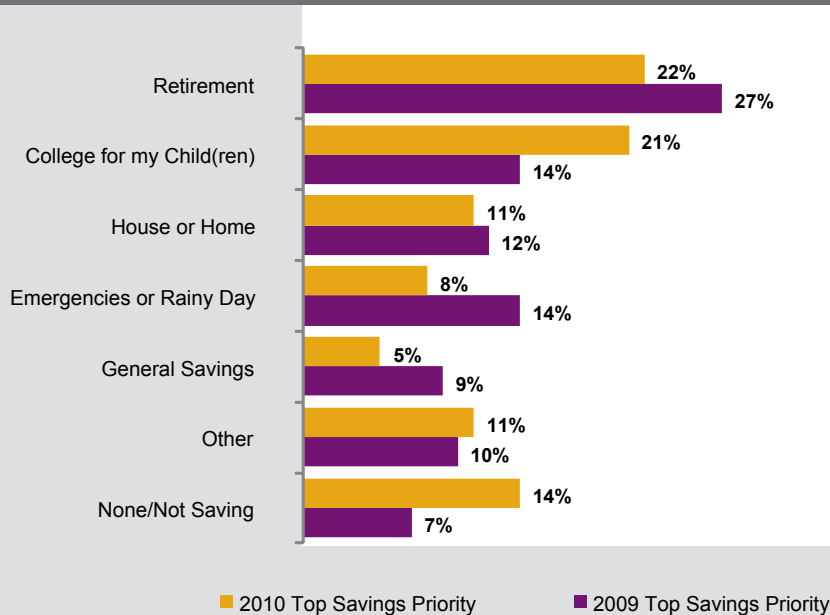
Thinking about money you are currently saving for any purpose...

- What are you saving the most for right now?*
- What are you saving the second most for now?*

Base: Parents of children with some likelihood of going to college.

Saving for college is becoming an increasingly important priority. Parents indicated saving for college (21%) is as much a top savings priority as saving for retirement, a significant increase from last year's 14 percent of parents who said saving for college was a top priority. When considering all items mentioned, 42 percent of parents said saving for their child's education was one of their top two saving priorities and 32 percent cited retirement as one of their top two savings priorities. This may be explained in part by a greater percentage of African-American and Hispanic families in the study population who fall in the lower-income categories.

Fig. 25 Top Savings Priority, Year-over-Year

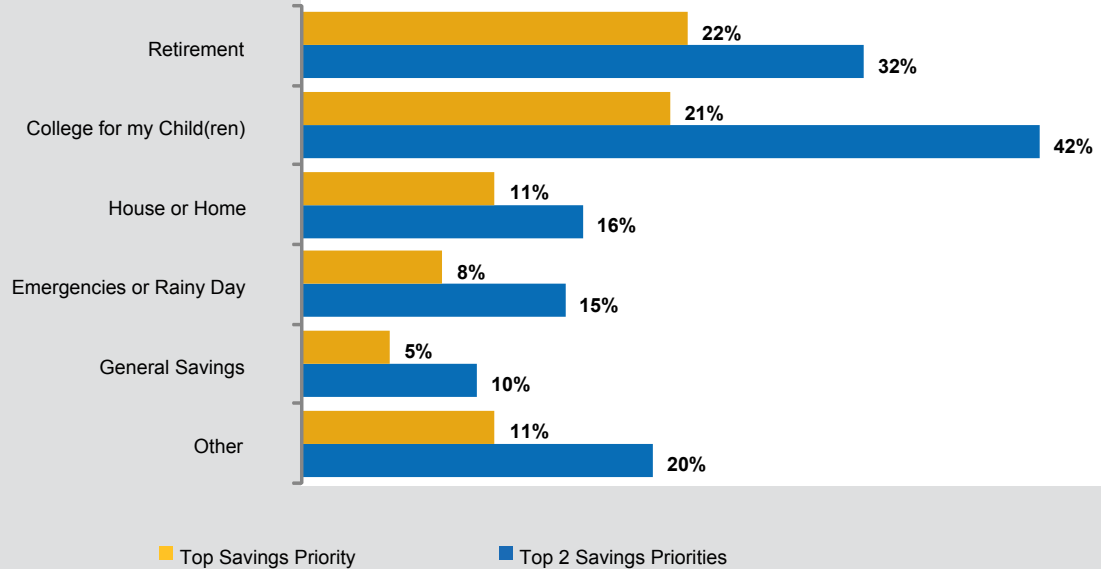


Overall, 14 percent of parents report not saving for anything at all right now. Thirty percent of those who have not begun saving for college aren't saving for anything. By race or ethnicity, Hispanic parents are more likely not to be saving for anything (25%) compared to White parents (11%) and African-American parents (9%). By income, those earning less than \$35,000 per year are most likely not to be saving at all (26%) compared to higher income groups: 15 percent of those earning \$35,000-\$50,000 are not saving; 7 percent of those earning \$50,000-\$100,000, 2 percent of those earning \$100,000-\$150,000, and only 1 percent of those earning \$150,000 or more aren't saving anything.

Parents of teens (24%) are slightly more likely than parents of children aged 0-6 to say they are saving the most right now for college (17%).

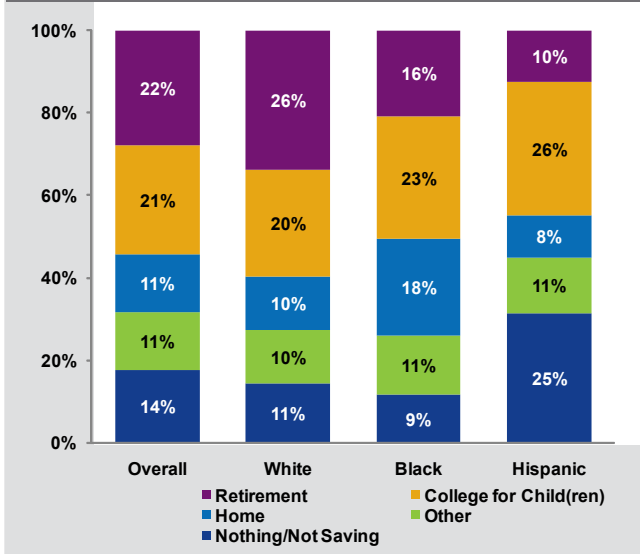
Savings priorities vary by race. African-American parents (23%) and Hispanic parents (26%) consider college their top savings priority. African-American parents ranked saving for a home/house second (18%) followed by retirement (16%). Hispanic parents ranked saving for retirement second (10%) along with "other" (10%). By contrast, White parents chose retirement as the top savings priority (26%), followed by college for child (20%), then saving for a house/home (10%) and "other" (10%).

Fig. 26 Savings Priorities



In general, savings priorities differ by income. Retirement is more frequently mentioned as a parental priority as wealth increases. Only among those earning less than \$35,000 per year is retirement not listed in the top two savings priorities. Saving for college is the number one priority in this income group (19%) followed by "other" (15%) and saving for a house/home (12%). Only 6 percent of parents earning less than \$35,000 per year cite retirement as their top savings priority compared to 53 percent of parents earning \$150,000 or more.

Fig. 27 Top Savings Priority, by Race/Ethnicity



Across races/ethnicities, a significantly higher percentage of high-income White (49%) and African-American (38%) parents are saving the most for retirement than those who are saving most for children’s college (21% both groups). Among high-income Hispanic parents, the percentage saving most for retirement (28%) is lower than the other racial groups and is similar to the percentage of high-income Hispanic parents saving most for their children’s college (31%). Within the middle-income groups by race, the percentage saving most for retirement among African-American parents (25%) and White parents (22%) is similar to each other and to the percentage saving for children’s college (22% both groups). The percentage of middle-income Hispanic parents saving most for retirement (16%) is lower than African-American and White parents and lower than the percentage of Hispanic parents saving most for children’s college (30%).

Table 16 Top Savings Priority*

	N	Retirement	College for Child(ren)	Emergencies/Rainy Day	House/Home	General Savings	Vacation	Other	Not Saving
Total	2092	22%	21%	8%	11%	5%	2%	11%	14%
Savers	1367	24%	33%	7%	12%	5%	2%	8%	3%
Non-Savers	724	18%	4%	10%	10%	6%	1%	15%	30%
Race/Ethnicity									
White	793	26%	20%	8%	10%	5%	2%	10%	11%
Black	592	16%	23%	8%	18%	4%	1%	11%	9%
Hispanic	600	10%	26%	9%	8%	6%	1%	10%	25%
Income									
<\$35k	590	6%	19%	8%	12%	6%	0%	15%	26%
\$35-\$50k	226	15%	19%	13%	12%	6%	2%	10%	15%
\$50-\$100k	577	25%	24%	9%	11%	5%	4%	8%	7%
\$100-\$150k	388	40%	23%	6%	9%	4%	1%	8%	2%
\$150k+	285	53%	23%	3%	4%	3%	1%	10%	1%
Age of Child									
0-6 years	435	24%	17%	8%	13%	7%	4%	9%	10%
7-12 years	725	20%	21%	10%	12%	5%	2%	11%	11%
13-17 years	931	22%	24%	6%	9%	5%	1%	11%	18%
Race within Income									
Low-Income Black	200	7%	23%	5%	20%	5%	1%	14%	
Low-Income Hispanic	200	5%	23%	8%	8%	8%	0%	11%	
Low-Income White	151	8%	13%	11%	12%	7%	0%	17%	
Mid-Income Black	201	25%	22%	12%	16%	5%	1%	4%	
Mid-Income Hispanic	201	16%	30%	12%	11%	4%	2%	9%	
Mid-Income White	367	22%	22%	10%	11%	5%	3%	9%	
High-Income Black	191	38%	21%	12%	10%	3%	1%	9%	
High-Income Hispanic	194	28%	31%	5%	4%	10%	2%	11%	
High-Income White	258	49%	21%	4%	6%	4%	1%	9%	

*Responses receiving at least 10% of mentions on either Top or combined Top Two

Among lower-income groups across races/ethnicities, saving for retirement is not a priority. African-American and Hispanic parents are saving most for children's college (23% both groups), significantly higher than the 13 percent of White parents who said they are saving most for college. No one category emerged as a top priority among low-income White parents.

Table 17 One of Top Two Savings Priorities*

	N	Retirement	College for Child(ren)	Emergencies/ Rainy Day	House/Home	General Savings	Vacation	Other
Total	2092	32%	42%	15%	16%	10%	6%	20%
Savers	1367	38%	63%	13%	17%	10%	6%	19%
Non-Savers	724	24%	11%	17%	14%	9%	5%	22%
Income								
<\$35k	590	12%	34%	15%	18%	9%	2%	26%
\$35-\$50k	226	24%	34%	20%	19%	11%	4%	19%
\$50-\$100k	577	38%	45%	16%	15%	10%	10%	18%
\$100-\$150k	388	57%	54%	13%	14%	10%	7%	18%
\$150k+	285	73%	62%	6%	8%	11%	3%	16%
Age of Child								
0-6 years	435	35%	39%	15%	20%	15%	7%	17%
7-12 years	725	31%	40%	18%	18%	9%	6%	25%
13-17 years	931	32%	44%	12%	12%	8%	4%	19%
Race/Ethnicity								
White	793	38%	41%	14%	15%	11%	7%	20%
Black	592	26%	45%	17%	27%	8%	5%	18%
Hispanic	600	18%	44%	17%	11%	9%	3%	21%
Race within Income								
Low-Income Black	200	15%	41%	12%	31%	6%	6%	22%
Low-Income Hispanic	200	10%	37%	16%	10%	10%	1%	22%
Low-Income White	151	12%	25%	18%	18%	11%	3%	30%
Mid-Income Black	201	34%	46%	24%	22%	13%	3%	12%
Mid-Income Hispanic	201	26%	52%	21%	15%	6%	6%	19%
Mid-Income White	367	33%	39%	16%	16%	12%	9%	19%
High-Income Black	191	52%	59%	23%	18%	7%	4%	17%
High-Income Hispanic	194	48%	63%	11%	9%	12%	8%	18%
High-Income White	258	67%	56%	9%	10%	12%	5%	16%

*Responses receiving at least 10% of mentions on either Top or combined Top Two

SAVING PRIORITIES COMPARED TO LAST YEAR

With regards to what you are saving the most for right now, are you putting more, less, or the same amount of money into savings compared to this time last year?

With regards to what you are saving the second most for right now, are you putting more, less, or the same amount of money into savings compared to this time last year?

Base: Parents of children with some likelihood of going to college.

Overall, in regard to the top savings priority, 38 percent of parents said they are saving the same this year compared to last year, 34 percent said they are saving less and 28 percent said they are saving more. Parents who are saving for college are more likely than those who have not begun saving for college to be saving the same amount of money this year compared to last year in their top priority saving fund. Those not saving for college (40%) are more likely than college savers (31%) to say they are saving less than last year.

The amount of money being put into savings compared to last year varies by parents' race. White (30%) and African-American parent (31%) are more likely than Hispanic parents (24%) to be putting more money into savings for whatever they are saving the most for right now. White parents are saving the most for retirement whereas African-American parents are saving for college for their children. Hispanic parents who are saving for college for their children are also more likely to be putting less money into savings compared to last year (43%) than White (30%) or African-American (34%) parents.

Parents of younger children noted they are putting more money into savings compared to last year than parents with older children. Parents of children aged 6 or under (35%) are more likely to be putting more money into their top savings item, retirement, than parents of children over age 6 (25%-28%) who are saving for both retirement and their children's education as top priorities.

Lower-income parents are more likely than the more affluent to have put less money into savings compared to last year. Forty-five percent of parents who earn \$50,000 or

Table 18 Savings Contribution to Top Priority Compared to Last Year

	N	Same	Less	More
Total	1864	38%	34%	28%
Savers	1328	40%	31%	29%
Non-Savers	535	34%	40%	26%
Income				
<\$35k	451	32%	45%	23%
\$35-\$50k	197	31%	45%	24%
\$50-\$100k	538	40%	29%	31%
\$100-\$150k	377	44%	20%	36%
\$150k+	280	48%	19%	33%
Age of Child				
0-6 years	401	33%	32%	35%
7-12 years	663	40%	32%	28%
13-17 years	800	39%	36%	25%
Race/Ethnicity				
White	719	40%	30%	30%
Black	541	35%	34%	31%
Hispanic	512	33%	43%	24%

Table 19 Savings Contribution to Second Priority Compared to Last Year

	N	Same	Less	More
Total	1593	44%	34%	22%
Savers	1203	44%	31%	23%
Non-Savers	390	40%	42%	18%
Income				
<\$35k	339	42%	44%	14%
\$35-\$50k	155	32%	52%	16%
\$50-\$100k	472	44%	31%	25%
\$100-\$150k	347	54%	23%	23%
\$150k+	265	48%	17%	35%
Age of Child				
0-6 years	358	45%	29%	26%
7-12 years	575	45%	34%	21%
13-17 years	660	43%	37%	20%
Race/Ethnicity				
White	625	45%	30%	25%
Black	461	42%	39%	19%
Hispanic	431	42%	46%	12%

less said they are putting less money into their top savings priority while 29 percent of parents who earn between \$50,000 and \$100,000 and about one in five (19%-20%) of parents who earn \$100,000 or more are doing so.

REASONS FOR NOT SAVING FOR COLLEGE

Here are reasons some people use to explain why they have not started saving for their child's college education. For each of the following reasons, please tell me if it is a major reason, minor reason, or not at all a reason why you have not started saving for your child's college education.

- a. Your children are too young to start thinking about it.
- b. You don't have enough money to save for your children's college education.
- c. You're focusing on saving for retirement first.
- d. You're focusing on other saving priorities.
- e. You don't know how to save for college.
- f. You're not sure which are the best options for college saving.
- g. You haven't gotten around to starting a savings plan yet.
- h. It is the child's responsibility to pay for college.
- i. You expect your child to qualify for enough scholarship or financial aid to cover the costs.
- j. Your child will attend a school that is not very expensive.
- k. Your child is too old/it is too late to start saving.

Base: Parents of children with some likelihood to attend college who have not begun saving for college.

Among parents who are not saving for their child's education, the most frequently cited reason for not saving is that they do not have enough money to save for their children's education. In 2010, 68 percent of parents who haven't saved cited this as a major reason for not doing so and 90 percent said this was either a major or minor reason for not saving. These proportions are similar to 2009 results.

Also similar to 2009 responses, 84 percent of non-saving parents gave as a reason that they expect their child to qualify for enough scholarship or financial aid to cover the costs of college, with 49 percent citing it as a major reason for not saving.

Focusing on other savings priorities was named by 67 percent of parents as a reason for not saving for college with 40 percent citing it as a major reason.

Fig. 28 Major Reasons for Not Saving for College, Year-over-Year

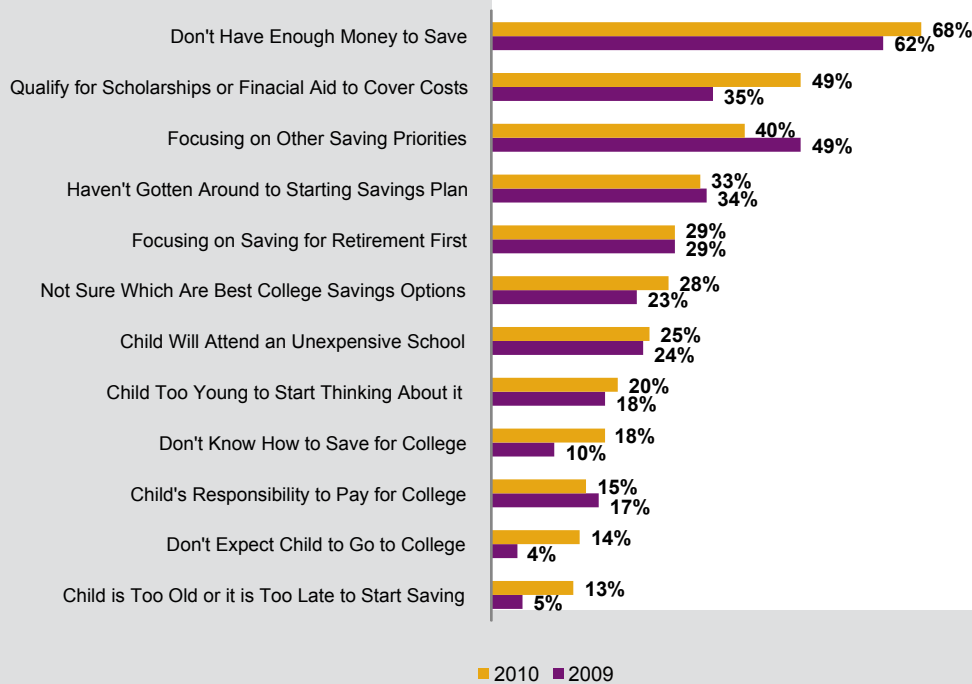


Table 20 Reasons for Not Saving

	Major Reason	Minor Reason	Not At All A Reason
N	724	724	724
You don't have enough money to save for your children's college education.	68%	22%	10%
You're focusing on other saving priorities.	40%	27%	33%
You expect your child to qualify for enough scholarship or financial aid to cover the costs.	49%	35%	16%
You haven't gotten around to starting a savings plan yet.	33%	29%	38%
You're focusing on saving for retirement first.	29%	26%	45%
Your child will attend a school that is not very expensive.	24%	34%	42%
You're not sure which are the best options for college saving.	27%	39%	34%
Your children are too young to start thinking about it.	20%	31%	49%
It is the child's responsibility to pay for college.	15%	37%	48%
You don't know how to save for college.	18%	32%	50%
Your child is too old/it is too late to start saving.	13%	25%	62%
You don't expect your child to go to college.	14%	25%	61%

Different reasons for not saving were given by parents of children in different age groups. Parents of teens are more likely than parents of younger children to say as a major or minor reason it is the child's responsibility to pay for college (57%), that they expect their child to qualify for enough scholarship or financial aid to cover the costs (88%), or that their child is too old or it is too late to start saving (46%).

Parents of children aged 12 or younger were more likely than parents of teens to state their children are too young for them to start thinking about saving for college (58%-63%). Among parents with children aged 6 or younger, not having enough money to save for their child's education (85%) and expecting their child to qualify for enough scholarship or financial aid to cover costs (77%) were the most frequently cited major or minor reasons for not saving. Parents of children aged 7-12 were more likely to be focused on other savings priorities (73%) than parents of younger (67%) or older children (64%).

Table 21 Reasons for Not Saving, by Age of Child

	Major Reason				Major/Minor Reason				Not At All A Reason			
	Total	Age of Child			Total	Age of Child			Total	Age of Child		
		0-6 years	7-12 years	13-17 years		0-6 years	7-12 years	13-17 years		0-6 years	7-12 years	13-17 years
N	724	122	212	389	724	122	212	389	724	122	212	389
You don't have enough money to save for your children's college education.	68%	51%	66%	76%	90%	85%	92%	91%	10%	15%	8%	9%
You expect your child to qualify for enough scholarship or financial aid to cover the costs.	49%	30%	44%	57%	84%	77%	80%	88%	16%	23%	20%	12%
You're focusing on other saving priorities.	40%	44%	45%	36%	67%	67%	73%	64%	67%	67%	73%	64%
You haven't gotten around to starting a savings plan yet.	33%	34%	35%	32%	63%	64%	72%	58%	37%	36%	28%	42%
You're focusing on saving for retirement first.	29%	26%	28%	30%	55%	52%	57%	54%	45%	48%	43%	46%
You're not sure which are the best options for college saving.	28%	28%	21%	30%	66%	59%	70%	67%	34%	41%	30%	33%
Your child will attend a school that is not very expensive.	25%	11%	28%	27%	58%	51%	62%	59%	42%	49%	38%	41%
Your children are too young to start thinking about it.	20%	22%	19%	19%	51%	63%	58%	44%	49%	37%	42%	56%
You don't know how to save for college.	18%	5%	19%	22%	50%	32%	55%	54%	50%	68%	45%	46%
It is the child's responsibility to pay for college.	15%	11%	8%	20%	52%	48%	43%	57%	48%	52%	57%	43%
You don't expect your child to go to college.	14%	6%	11%	19%	39%	19%	42%	44%	61%	81%	58%	56%
Your child is too old/it is too late to start saving.	13%	4%	10%	17%	38%	17%	36%	46%	62%	83%	64%	54%

Across all races or ethnicities, not having enough money to save for their children’s education was cited by a similar percentage of respondents as a major or minor reason for not saving (90%-94%).

African-American parents are significantly more likely to expect their child to qualify for enough scholarship or financial aid to cover costs (93%) than White parents (79%).

African-American and Hispanic parents are more likely than White parents to say they haven’t gotten around to starting a savings plan or that they are not sure which options are best for college savings.

Hispanic parents (81%) are more likely than African-American (65%) or White (46%) parents to cite that their child will attend a school that is not very expensive as a reason for not saving. Hispanic parents are also more likely than African-American or White parents to cite that they don’t know how to save for college, they don’t expect their children to go to college, or that their children are too old/it is too late to start saving. African-American parents are more likely than White parents to cite that their children will not attend a school that is very expensive, that they don’t know how to save for college, they don’t expect their children to go to college, or that their children are too old/it is too late to start saving.

Table 22 Reasons for Not Saving, by Race/Ethnicity

	Major Reason				Major/Minor Reason				Not At All A Reason			
	Total	Race			Total	Race			Total	Race		
		White	Black	Hispanic		White	Black	Hispanic		White	Black	Hispanic
N	724	246	209	232	724	246	209	232	724	246	209	232
You don't have enough money to save for your children's college education.	68%	73%	77%	57%	90%	90%	90%	94%	10%	10%	10%	6%
You expect your child to qualify for enough scholarship or financial aid to cover the costs.	49%	37%	66%	63%	84%	79%	93%	85%	16%	21%	7%	15%
You're focusing on other saving priorities.	40%	36%	46%	40%	67%	63%	79%	70%	33%	37%	21%	30%
You haven't gotten around to starting a savings plan yet.	33%	27%	52%	42%	63%	55%	72%	77%	37%	45%	28%	23%
You're focusing on saving for retirement first.	29%	21%	31%	42%	55%	47%	59%	67%	45%	53%	41%	33%
You're not sure which are the best options for college saving.	28%	20%	37%	42%	66%	61%	75%	79%	34%	39%	25%	21%
Your child will attend a school that is not very expensive.	25%	13%	23%	48%	58%	46%	65%	81%	42%	55%	35%	19%
Your children are too young to start thinking about it.	20%	10%	16%	42%	51%	42%	49%	74%	49%	58%	51%	26%
You don't know how to save for college.	18%	7%	26%	40%	50%	37%	61%	76%	50%	64%	39%	24%
It is the child's responsibility to pay for college.	15%	13%	8%	26%	52%	47%	43%	69%	48%	53%	57%	32%
You don't expect your child to go to college.	14%	3%	18%	38%	39%	25%	46%	64%	61%	75%	54%	36%
Your child is too old/it is too late to start saving.	13%	8%	7%	25%	38%	28%	39%	59%	62%	72%	61%	41%

CONFIDENCE IN ABILITY TO SAVE FOR COLLEGE

How confident do you feel about your ability to save for [Expected Contribution] of this child’s education?

Please use a five-point scale, where 5 means extremely confident and 1 means not at all confident.

Base: Parents of children with some likelihood of going to college who expect to pay some portion of their child’s college costs.

While overall confidence* in the ability to save remained similar to last year, the confidence of parents who had saved increased from 50 percent to 61 percent, while the confidence of parents who had not saved fell from 33 percent to 23 percent.

*Combined 4 & 5 ratings

Parents' confidence in their ability to save declines as their children grow older. Sixty-one percent of parents with children aged 0-6 were confident, compared to 48 percent of parents with children aged 7-12 and 39 percent of parents with children aged 13-17.

Parental confidence in their ability to save rises as household income increases. Parents with incomes above

\$150,000 are much more likely to be confident than parents with incomes below \$35,000 (81% compared to 35%). About one in four (28%) parents earning under \$35,000 is not confident* in his/her ability to save. Parents earning over \$150,000 are much more confident in their ability to save than they were last year (81% compared to 63% in 2009).

*Combined 1 & 2 ratings

Fig. 29 Confidence in Ability to Save, Year-over-Year, by Income

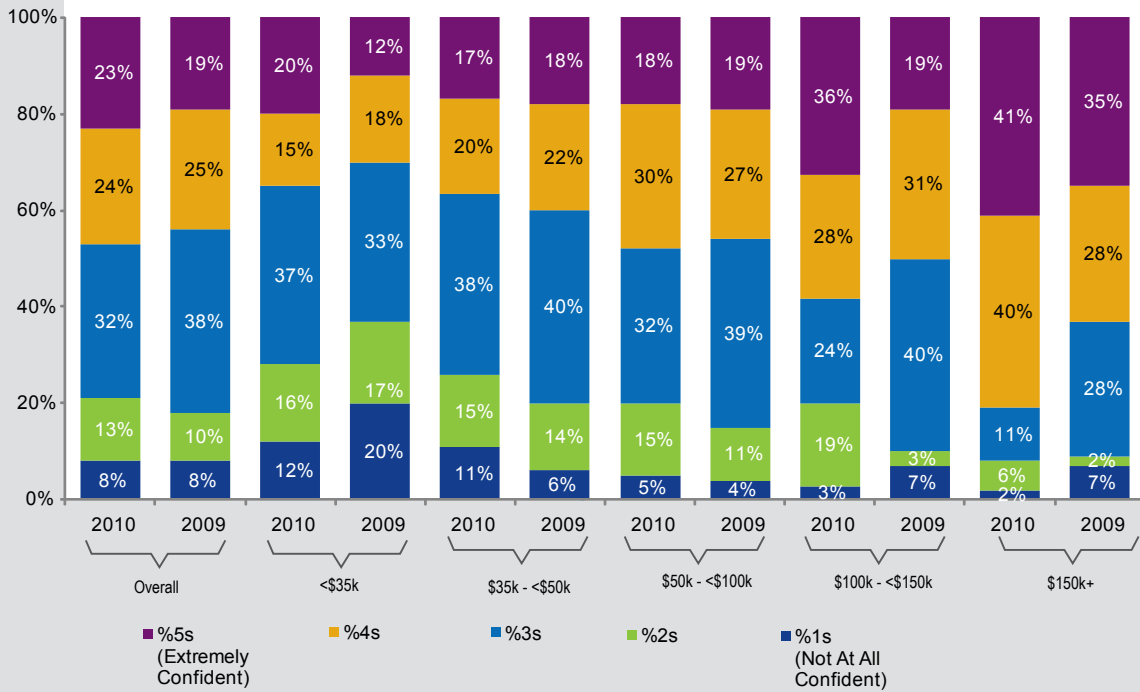
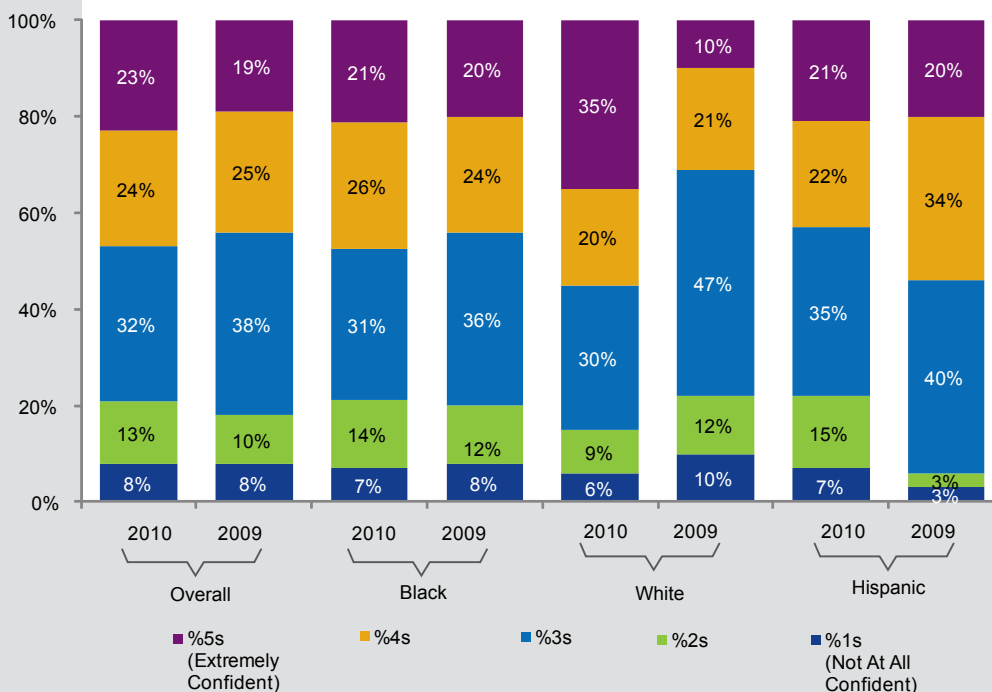


Fig. 30 Confidence in Ability to Save, Year-over-Year, by Ethnicity



Across racial/ethnic groups, African-American parents are the most confident in their savings ability, with 35 percent saying they are “extremely confident.” This is significantly greater than the 21 percent of White and Hispanic parents who said they are “extremely confident.” The percentage of African-American parents who are confident* increased sharply from 2009, from 31 percent to 55 percent, while White and Hispanic parents’ confidence levels remained the same as last year.

Parents who plan to pay “a little of the cost” of college are more likely to feel not confident** than parents who plan to pay most or all of the cost. Thirty percent of parents who intended to contribute only “A little of the cost” felt not confident** in their ability to save that amount. By comparison, only 14 percent of those who planned to contribute most or all of the cost reported feeling not confident**.

Confidence in ability to save varies according to how parents deposit their savings. Parents who deposit on a regular, set schedule (36%) were more likely to be extremely confident than parents who deposit as budget allows (28%). Additionally, parents who have funds deposited automatically (68%) were more likely to be confident* than parents who manually deposit funds (60%). It should be noted that African-American parents, the most confident group, are also more likely than the average to deposit automatically (40% for African-Americans vs. an average of 32%).

*Combined 4 & 5 ratings
 **Combined 1 & 2 ratings

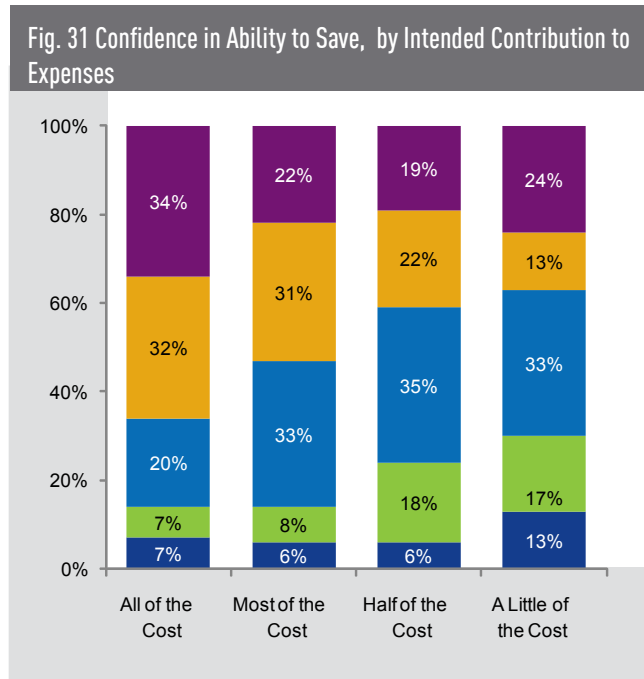


Table 23 Confidence in Ability to Save for Child's College Education

	N	%5s (Extremely Confident)	%4s	%3s	%2s	%1s (Not at all Confident)
Total	1940	23%	24%	32%	13%	8%
Savers	1326	30%	31%	27%	9%	3%
Non-Savers	614	11%	12%	40%	21%	16%
Income						
<\$35k	504	20%	15%	37%	16%	12%
\$35-\$50k	203	16%	20%	38%	15%	11%
\$50-\$100k	557	18%	30%	32%	15%	5%
\$100-\$150k	378	36%	28%	24%	9%	3%
\$150k+	276	41%	40%	12%	6%	1%
Age of Child						
0-6 years	411	29%	32%	31%	6%	2%
7-12 years	680	22%	26%	33%	14%	5%
13-17 years	849	21%	18%	31%	17%	13%
Race/Ethnicity						
White	750	21%	26%	31%	14%	8%
Black	545	35%	20%	30%	9%	6%
Hispanic	552	21%	22%	35%	15%	7%

AWARENESS AND MOTIVATION

It is noteworthy that many parents who save for college don't use the one saving vehicle specifically designed to help them save for college, 529 college savings plans. Are they consciously making other choices, or is lack of familiarity a factor? Looking to the future, are there any features that could be built into college savings instruments to motivate parents either to begin saving or to save more?

FAMILIARITY WITH 529 COLLEGE SAVINGS PLANS

On a scale of one-to-five, where 5 means very familiar and 1 means not at all familiar, how familiar are you with 529 college savings plans?

Base: Parents who are not using a 529 college savings plan.

Almost half of parents (49%) not currently using a 529 college savings plan said that they are not at all familiar with 529 plans. An additional 4 percent volunteered that they had never heard of the plan or didn't know what it was. Eight percent of parents not currently using a 529 plan felt that they were very familiar with these plans

Familiarity with 529 college savings plans rises as income increases. Nine percent of parents earning under \$35,000 a year and not using a 529 plan reported familiarity, (combined 4 and 5 ratings) compared to 28 percent of parents earning over \$150,000. However, compared to last year, unfamiliarity with 529 plans increased sharply among those earning at least \$150,000 with 40 percent reporting they were not at all familiar, compared to 19 percent in 2009. This may be explained in part by a greater percentage of African-American and Hispanic families in the study population who fall in the lower-income categories.

Familiarity with 529 plans appeared relatively consistent across parents of children in different age groups.

Fig. 32 Familiarity with 529 College Savings Plans, Year-over-Year

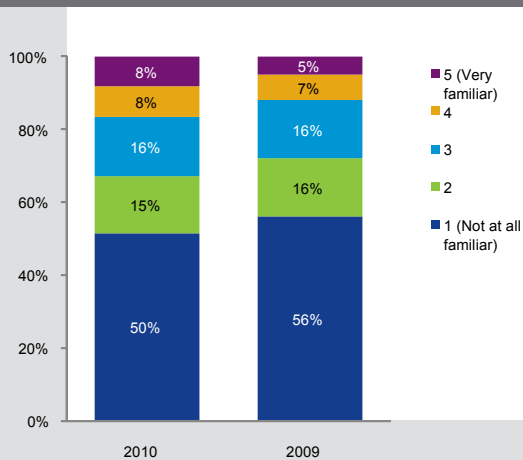


Table 24 Familiarity with 529 College Savings Plans among Non-Users

	N	%5s (Very Familiar)	%4s	%3s	%2s	%1s (Not at all Familiar)	Never Heard Of/Don't Know
Total	1029	8%	8%	16%	15%	49%	4%
Income							
<\$35k	212	5%	4%	10%	13%	62%	6%
\$35-\$50k	98	*	*	*	*	*	*
\$50-\$100k	331	7%	5%	19%	18%	48%	3%
\$100-\$150k	229	10%	16%	22%	20%	30%	2%
\$150k+	146	12%	16%	20%	12%	40%	0%
Age of Child							
0-6 years	218	6%	9%	17%	17%	49%	2%
7-12 years	379	6%	9%	14%	18%	48%	5%
13-17 years	432	10%	7%	17%	11%	51%	4%
Race/Ethnicity							
White	386	7%	9%	17%	17%	47%	3%
Black	297	6%	6%	12%	14%	59%	3%
Hispanic	288	8%	3%	13%	12%	54%	10%

*small sample size

REASONS FOR NOT USING 529 COLLEGE SAVINGS PLANS

What is the main reason why you are not using a 529 college savings plan?

Base: Parents who are saving for college but not using a 529 college savings plan.

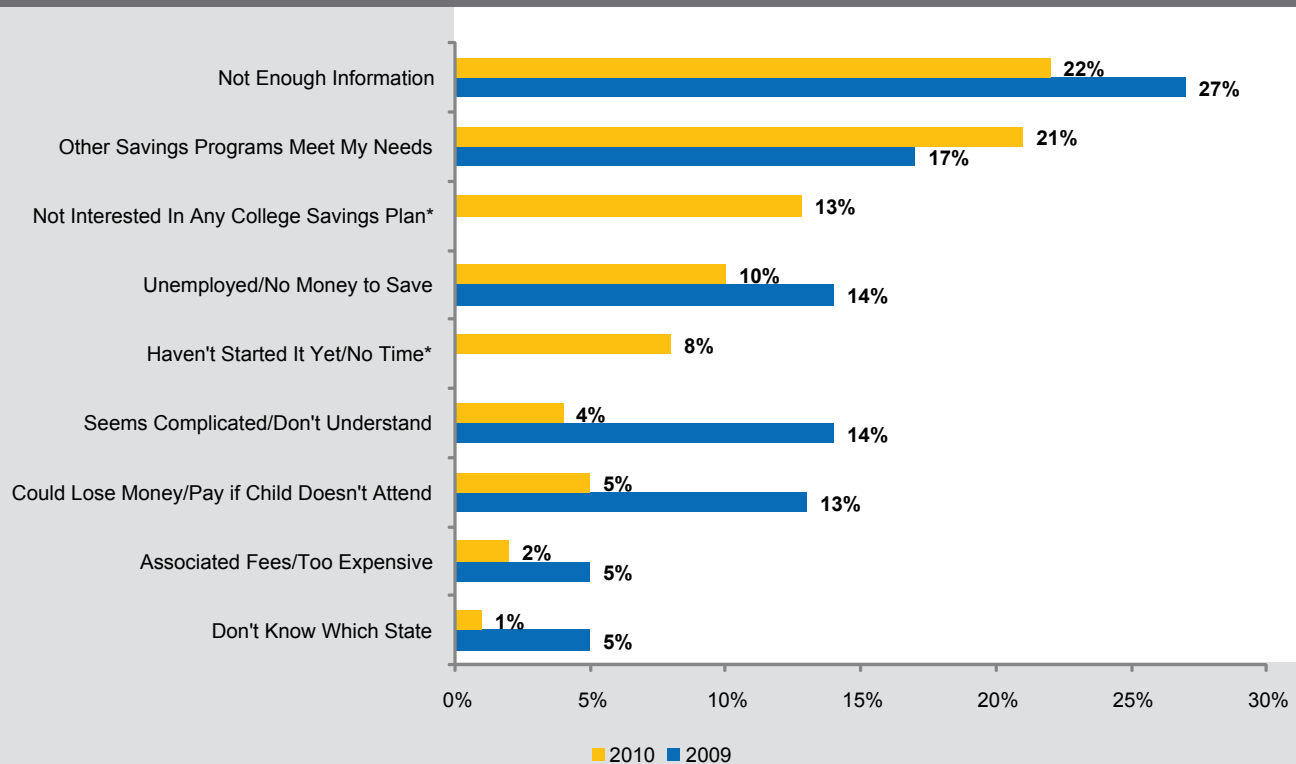
The most commonly cited reason given by parents who are saving for college but not using a 529 plan was that they do not have enough information about 529s (22%). One-in-five (21%) said another savings plan is already meeting their savings needs; 13 percent said they were not interested in any savings plan, and 10 percent said they were unemployed or had no money to save.

The predominant reasons given by parents for not using a 529 college savings plan differed by children's ages. Parents of children aged 7-12 and 13-17 most often said that not enough information was their main reason, while not having enough time was the most common reason mentioned by parents of younger children. Eighteen percent of White parents said they didn't have enough information, compared to 40 percent of African-American parents.

Table 25 Reasons for Not using 529 College Savings Plan

	Total	Race/Ethnicity			Age of Child		
		White	Black	Hispanic	0-6 yrs	7-12 yrs	13-17 yrs
N	474	193	142	115	110	162	202
Not Enough Information	22%	18%	40%	32%	13%	26%	25%
Other Savings Programs Meet My Needs	21%	20%	19%	14%	17%	23%	21%
Not Interested In Any College Savings Plan	13%	13%	9%	14%	18%	9%	14%
Unemployed/No Money to Save	10%	11%	4%	7%	11%	7%	11%
Haven't Started It Yet/No Time	8%	8%	12%	14%	19%	5%	4%
Seems Complicated/Don't Understand	4%	4%	4%	8%	2%	6%	4%
Could Lose Money/Pay if Child Doesn't Attend	5%	6%	3%	2%	9%	2%	5%
Because of Media Reports About 529 Plans	4%	5%	2%	2%	4%	5%	3%
Too Risky	4%	4%	3%	1%	1%	5%	4%
I Don't Like State Government-Backed Programs	3%	4%	1%	0%	3%	4%	2%
Associated Fees/Too Expensive	2%	2%	3%	6%	0%	5%	2%
Don't Know Which State	1%	1%	0%	0%	0%	0%	2%
I Used To Have One But Closed It	2%	3%	0%	0%	1%	3%	2%
Other	1%	1%	0%	0%	2%	0%	1%

Fig. 33 Main Reason for Not Using a 529 College Savings Plan, Year-over-Year



SAVING FOR COLLEGE MOTIVATIONS

The following is a list of features that might be associated with a dedicated college savings account. On a scale of 1 to 5, how likely is each feature to motivate you to use such an account to begin or increase your savings for your oldest child's college education, with 1 being not at all likely to motivate and 5 being very likely to motivate?

- a. Low fees
- b. Guaranteed interest rate
- c. FDIC insured
- d. Matching contribution available from your employer
- e. Tax benefits
- f. Investment in a fund that carries high return opportunity
- g. Annual bonus tied to a shopping rewards program

Base: Parents of children with some likelihood of going to college.

Matching contributions from employers into a college savings fund continues to be the program parents said would be most likely to motivate their saving for college. Fifty-four percent of parents indicated this program would be very likely to motivate them to save or save more for college. Among parents already saving for college, 59 percent indicated this would motivate them to save more. Among parents who have not yet begun to save for college, 47% said this would motivate them to begin saving.

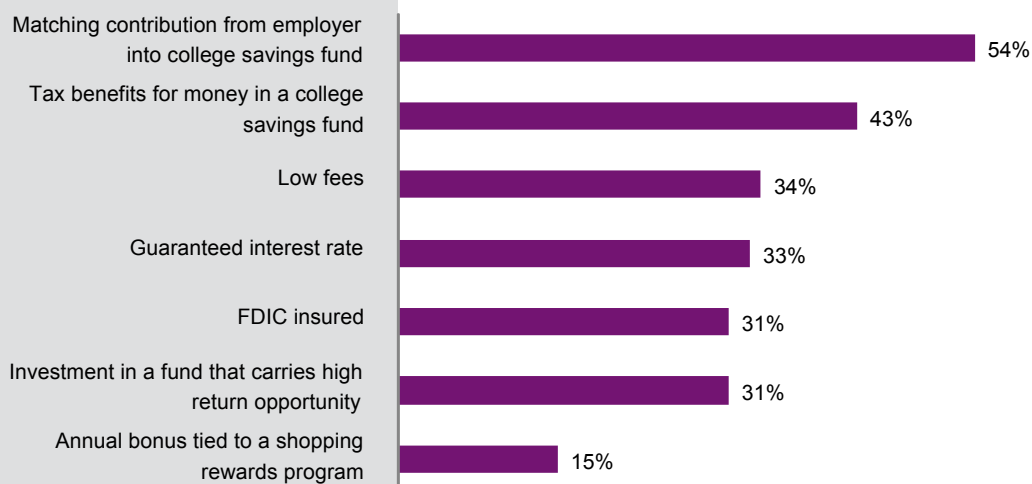
Similar to last year, 43 percent of parents said a program that would provide tax benefits for money dedicated to a college savings fund would be very likely to motivate them to save or save more for college. Parents said a guaranteed interest rate (33%), low fees (34%), FDIC insurance (31%), and an investment fund that carries high return opportunity (31%) are all equally motivating.

An annual bonus tied to a shopping rewards program was the least likely to motivate parents to save or save more for college, with 15 percent saying it would be very likely to motivate them.

Similar to last year, there is little variation by child's age in how likely the programs are to motivate parents to save for college, with the exception of matching contributions from employer into college savings fund. Matching contributions from employers is viewed as more likely to motivate parents of children aged 0-6 (64%) than parents of children aged 7-12 (53%) and aged 13-17 (51%). Tax benefits for money in a college fund are also viewed as more likely to motivate parents of younger children (52%) to save compared to parents of children over age 6 (40%).

Income is highly relevant to whether tax benefits for money in a college savings fund are very likely to motivate. Fifty-five percent of parents earning \$100,000 or more thought tax benefits for money in a college savings

Fig. 34 Saving Motivators, Very Likely



fund would motivate them. In contrast, about two-fifths of those earning less than \$100,000 reported tax benefits would very likely motivate them to save or save more.

Differences across races or ethnicities in motivating parents to save for college include:

- ▶ African-American parents (28%) and Hispanic parents (26%) are more than twice as likely as White parents (10%) to say that an annual bonus tied to a shopping rewards program would be very likely to motivate them to save for college.
- ▶ Matching contributions from employers in a college fund are less likely to motivate Hispanic parents than White or African-American parents. Forty-one percent of Hispanic parents said a matching contribution was very likely to motivate them, compared to 58 percent of White parents and 57 percent of African-American parents.
- ▶ More African-American parents (52%) found tax benefits motivating than Hispanic (38%) or White parents (42%).
- ▶ African-American parents (46%) are significantly more likely to find FDIC insurance very likely to motivate college savings than White parents (26%) or Hispanic parents (36%) and Hispanic parents' motivational share is significantly greater than White parents.
- ▶ African-American (43%) and Hispanic parents (37%) are more likely than White parents (30%) to state a guaranteed interest rate or an investment fund that carries a high return opportunity is very likely to motivate them to save for college.
- ▶ African-American parents (45%) were more likely to have said low fees were very likely to motivate them to save or save more for college than White (32%) or Hispanic (37%) parents.
- ▶ Generally, Hispanic parents and low-income African-American parents found all programs equally very likely to motivate them to save or save more for college. However, low-income African-American parents found annual bonus tied to a shopping rewards program (36%) less likely to motivate them than the other programs (44%-53%).

- ▶ Low-income Hispanics who tend to have saved the least amounts for college said all programs would motivate an equal percentage of the population (about one-third).

Table 26a Savings Motivators, Rated Very Likely

	Very Likely							
	Total	Saving		Income				
		Savers	Non-Savers	<\$35k	\$35-\$50k	\$50-\$100k	\$100-\$150k	\$150k+
N	2092	1367	724	590	226	577	388	285
Matching contribution from employer into college savings fund	54%	59%	47%	41%	59%	63%	64%	61%
Tax benefits for money in a college savings fund	43%	45%	39%	38%	39%	42%	55%	55%
FDIC insured	31%	31%	31%	32%	34%	28%	32%	32%
Guaranteed interest rate	33%	32%	36%	35%	37%	33%	32%	24%
Annual bonus tied to a shopping rewards program	15%	11%	22%	25%	19%	8%	9%	6%
investment in a fund that carries high return opportunity	31%	29%	34%	32%	39%	26%	31%	32%
Low fees	34%	28%	42%	40%	35%	29%	36%	27%
	Total	Age of Child			Race/Ethnicity			
		0-6 years	7-12 years	13-17 years	White	Black	Hispanic	
N	2092	435	725	931	793	592	600	
Matching contribution from employer into college savings fund	54%	64%	53%	51%	58%	57%	41%	
Tax benefits for money in a college savings fund	43%	52%	40%	40%	42%	52%	38%	
FDIC insured	31%	34%	29%	31%	26%	46%	36%	
Guaranteed interest rate	33%	38%	31%	32%	30%	43%	37%	
Annual bonus tied to a shopping rewards program	15%	11%	15%	18%	10%	28%	26%	
investment in a fund that carries high return opportunity	31%	33%	31%	30%	27%	43%	38%	
Low fees	34%	36%	32%	34%	32%	45%	37%	

Table 26b Savings Motivators, Rated Very Likely, by Income within Race/Ethnicity

	Very Likely									
	Total	Income* within Race/Ethnicity								
		Low-Income Black	Low-Income Hispanic	Low-Income White	Mid-Income Black	Mid-Income Hispanic	Mid-Income White	High-Income Black	High-Income Hispanic	High-Income White
N	2092	200	200	151	201	201	367	191	194	258
Matching contribution from employer into college savings fund	54%	52%	29%	46%	60%	59%	62%	72%	72%	60%
Tax benefits for money in a college savings fund	43%	53%	31%	35%	48%	44%	41%	56%	62%	51%
FDIC insured	31%	45%	31%	26%	46%	42%	25%	44%	43%	29%
Guaranteed interest rate	33%	45%	33%	34%	40%	47%	32%	41%	33%	26%
Annual bonus tied to a shopping rewards program	15%	36%	29%	16%	17%	23%	8%	15%	10%	7%
investment in a fund that carries high return opportunity	31%	44%	34%	25%	40%	45%	25%	42%	37%	31%
Low fees	34%	50%	33%	41%	36%	42%	29%	39%	44%	31%

*Income levels are defined as Low = <\$35,000, Mid = \$35,000-<\$100,000, High = \$100,000+

TECHNICAL APPENDIX

Sampling Tolerances

In interpreting survey results, it should be borne in mind that all sample surveys are subject to sampling error, that is, the extent to which the results may differ from what would be obtained if the whole population had been interviewed. The size of such sampling errors depends largely on the number of interviews.

The following tables may be used in estimating the sampling error of any percentage in this report. The computed allowances have taken into account the effect of the sample design upon sampling error. They may be interpreted as indicating the range (plus or minus the figure shown) within which the results of repeated samplings in the same time period could be expected to vary, 95 percent of the time, assuming the same sampling procedures, the same interviewers, and the same questionnaire.

The first table shows how much allowance should be made for the sampling error of a percentage:

The table would be used in the following manner: Let us say a reported percentage is 33 for a group which includes 800 respondents. Go to the row "percentages near 30" in the table and go across to the column headed "800". The number at this point is 4, which means that the 33 percent obtained in the sample is subject to a sampling error of plus or minus 4 percentage points. Another way of saying it is that very probably (95 chances of 100) the true figure would be somewhere between 29 and 37, with the most likely figure the 33 obtained.

In comparing survey results in two samples, such as, for example, students and parents, the question arises as to how large a difference between them must be before one can be reasonably sure that it reflects a real difference. In the tables below, the number of points which must be allowed for in such comparisons is indicated.

Two tables are provided. One is for percentages near 20 or 80; the other for percentages near 50. For percentages in between, the error to be allowed for is between those shown in the two tables.

Recommended Allowance for Sampling Error of a Percentage In Percentage Points (at 95 in 100 Confidence Interval)*

		Sample Size																	
		50	100	150	200	250	300	400	500	600	700	800	1000	1200	1400	1600	1800	2000	2200
Percentages Near	10	12	8	7	6	5	5	4	4	3	3	3	3	2	2	2	2	2	2
Percentages Near	20	16	11	9	8	7	6	6	5	5	4	4	3	3	3	3	3	2	2
Percentages Near	30	18	13	10	9	8	7	6	6	5	5	4	4	4	3	3	3	3	3
Percentages Near	40	19	14	11	10	9	8	7	6	6	5	5	4	4	4	3	3	3	3
Percentages Near	50	20	14	11	10	9	8	7	6	6	5	5	4	4	4	3	3	3	3
Percentages Near	60	19	14	11	10	9	8	7	6	6	5	5	4	4	4	3	3	3	3
Percentages Near	70	18	13	10	9	8	7	6	6	5	5	4	4	4	3	3	3	3	3
Percentages Near	80	16	11	9	8	7	6	6	5	5	4	4	3	3	3	3	3	2	2
Percentages Near	90	12	8	7	6	5	5	4	4	3	3	3	3	2	2	2	2	2	2

* The chances are 95 in 100 that the sampling error is not larger than the figure shown.

Recommended Allowance for Sampling Error of the Difference In Percentage Points
(at 95 in 100 confidence level)*

		TABLE A Percentages Near 20 or Percentages Near 80																	
		Group I Sample Size																	
		50	100	150	200	250	300	400	500	600	700	800	1000	1200	1400	1600	1800	2000	2200
Group II Sample Size	50	22	19	18	17	17	17	17	16	16	16	16	16	16	16	16	16	16	16
	100		16	14	14	13	13	12	12	12	12	12	12	12	11	11	11	11	11
	150			13	12	11	11	11	10	10	10	10	10	10	10	9	9	9	9
	200				11	10	10	10	9	9	9	9	9	8	8	8	8	8	8
	250					10	9	9	9	8	8	8	8	8	8	8	7	7	7
	300						9	8	8	8	8	7	7	7	7	7	7	7	7
	400							8	7	7	7	7	7	6	6	6	6	6	6
	500								7	7	6	6	6	6	6	6	6	6	6
	600									6	6	6	6	6	5	5	5	5	5
	700										6	6	5	5	5	5	5	5	5
	800											6	5	5	5	5	5	5	5
	1000												5	5	5	4	4	4	4
	1200													5	4	4	4	4	4
	1400														4	4	4	4	4
	1600															4	4	4	4
	1800																4	4	4
	2000																	3	3
	2200																		3

		TABLE B Percentages Near 50																	
		Group I Sample Size																	
		50	100	150	200	250	300	400	500	600	700	800	1000	1200	1400	1600	1800	2000	2200
Group II Sample Size	50	28	24	23	22	21	21	21	21	20	20	20	20	20	20	20	20	20	20
	100		20	18	17	16	16	15	15	15	15	15	14	14	14	14	14	14	14
	150			16	15	14	14	13	13	13	12	12	12	12	12	12	12	12	12
	200				14	13	13	12	12	11	11	11	11	11	10	10	10	10	10
	250					12	12	11	11	10	10	10	10	10	9	9	9	9	9
	300						11	11	10	10	10	9	9	9	9	9	9	9	9
	400							10	9	9	9	8	8	8	8	8	8	8	8
	500								9	8	8	8	8	7	7	7	7	7	7
	600									8	8	7	7	7	7	7	7	6	6
	700										7	7	7	7	6	6	6	6	6
	800											7	7	6	6	6	6	6	6
	1000												6	6	6	6	5	5	5
	1200													6	5	5	5	5	5
	1400														5	5	5	5	5
	1600															5	5	5	5
	1800																5	4	4
	2000																	4	4
	2200																		4

* The chances are 95 in 100 that the sampling error is not larger than the figure shown.

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