

HOW AMERICA SAVES FOR COLLEGE

Sallie Mae's National Study of College Students and Parents

Conducted by Gallup



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FOREWORD

Sallie Mae first commissioned Gallup to conduct a study of *How America Pays for College* in 2008. The initial goal of that study was to provide a clearer picture of how the typical American family is paying for the investment in higher education and to track over time the reality of how families manage to pay the costs of college. As the research was completed, it became obvious that understanding how families pay for college requires that we examine decisions and choices taking place years long before students submit the first college application or families pay the first semester's bill. We needed to go all the way back to the beginning of families' efforts to plan and save for one of the largest—and most important—investments of their lives.

As a result, in 2009, Sallie Mae enhanced its research by talking to parents of potential future college students about whether they had considered that their child might attend college and if so, whether they had started planning to pay for it. Those new findings are reported here in *How America Saves for College*. The results of the study are once again groundbreaking, and again point us toward areas that should be addressed:

- ▶ Many have assumed that low- and moderate-income families are unable to save for college. However, while they may save less in dollars, they save a greater percentage of income than upper-income families. Instead of dismissing those low- and moderate-income families as unable to contribute to their college costs, how do we focus on improving what is already working for them?
- ▶ 529 plans are used by many families, but they remain significantly underutilized as lack of awareness and misperceptions abound. How can we separate the myths of 529s from the reality of their true potential for helping families of all income levels save for and access college?
- ▶ Given college costs today, few families save the entire cost of college. However, this study, in combination with *How America Pays for College*, clearly points to the ability of savings to expand college choice and prevent over-borrowing. Given that federal policy has focused on creating lower barriers to borrowing, shouldn't there also be a focus on creating lower barriers to saving which, over time, can be far more powerful in terms of lowering net costs while helping families make wiser choices?

How America Saves for College helps illustrate who is saving for college, the vehicles they are using to save, how much they are saving, and the obstacles preventing them from saving further. As the logical companion piece to *How America Pays for College*, this study provides insight and instruction for policymakers, educators, financial institutions, and other stakeholders, as we work together to shape solutions that leverage federal, state, and local investments with the long-term commitment required by families in order to make college possible.

The White House has issued a call to America to graduate the highest proportion of students from college in the world by 2020, and its task force is studying how to make higher education more affordable for the middle class. Around the country, various pilot projects and proposals are exploring ways to encourage saving by lower-income families. We hope the information gathered in the Sallie Mae and Gallup research series will inform the development of programs and policies to deliver the American Dream for all families.

HIGHLIGHTS OF FINDINGS

Sallie Mae's study, *How America Saves for College 2009*, conducted by Gallup, provides a measure of the commitment parents have to helping their children reach higher education and whether and how they are saving for the investment. Based on a nationally representative survey of parents of children under age 18, the study found that without regard to income or race or ethnicity, parents overwhelmingly expect their child to pursue higher education. Most parents also indicated that they intend to support their child financially for at least a portion of that endeavor. While six out of 10 parents have begun saving for college, a smaller percentage are on track to achieve their savings goal. Despite the ailing economy, more than half of parents are saving the same or more for college compared to the prior year.

FAMILIES OF ALL INCOMES SAVE, BUT FALL SHORT OF GOALS

Nine out of 10 parents said it was likely or highly likely their child would attend college, and not one parent said it was very unlikely. At the same time, four out of five parents with children under age 18 said they intend to pay half or more of the costs of college in the future. Fifteen percent of the parents surveyed expected to pay all of the costs. Only 5 percent of parents expected to pay nothing towards their child's college education.

A majority of parents have begun preparing financially to assist their children in making the investment in higher education:

- ▶ Six out of 10 families reported that they have begun saving for their child's college education, and despite the ailing economy, more than half (52%) of parents said they are saving the same amount or more for college compared to the same time in 2008. Among parents who save, the average amount saved annually for college each year was \$2,676 or 3.6% of annual income. Saving families reported an average total college savings of \$13,827.
- ▶ Families of low and modest incomes who are saving for college save as much or more as a percentage of income as families in higher income brackets. Saving families who earn under \$50,000 set aside 7.5 percent of their income.
- ▶ Only 29 percent of families are on track to reach their savings goal. Parents would need to save an average of 5.7 percent of income to meet their self-defined goal by the time their child goes to college.

RETIREMENT AND COLLEGE SAVINGS PRIORITIES

- ▶ Fourteen percent of parents reported saving the most for their children's college, second to 27 percent who save the most for retirement. For nearly half (46%) of parents, saving for college ranks in their top three savings priorities. African American (56%) and Hispanic (52%) parents were more likely than White parents (43%) to say that saving for their children's college is a top three priority, and they most commonly cited saving for college in their top three.
- ▶ Although the nation's personal savings rate has risen to the highest in several years, only 5 percent of families said, in relation to the same time the year before, they have increased their college savings, compared to 18 percent who have increased their general savings and 12 percent who have increased retirement savings.

WHEN AND HOW PARENTS SAVE

- ▶ Parents of children 12 and under were more likely than parents of teens to have saved. On average parents began saving when their oldest child was almost three years old. Eight out of 10 parents started saving when their child was younger than seven years old.
- ▶ Regardless of the parents' income level or child's age when parents began saving, the total amount saved for college increased steadily the longer that dedicated savings vehicles were used. Parents of any income level who had saved seven years or more accumulated two to three times the savings as parents in corresponding income levels who saved for shorter periods of time.
- ▶ Parents use a variety of methods to save for college. The top three savings vehicles were savings/money market accounts/CDs (59%), stocks or bonds (41%), and 529 college savings plans (33%).

- ▶ One-half of college savers made contributions on a regular basis through automatic (31%) or manual (19%) deposit. Another 38 percent deposited funds manually when budget allowed and the remaining 12 percent relied on family and friends to contribute on behalf of their children.
- ▶ 529 college savings plans are gaining popularity, particularly among families with younger children. Parents with children under age seven were twice as likely to turn to 529 plans (43%) as parents of teens (20%). Over half of parents not currently using a 529 college savings plan said that they are not at all familiar with 529 plans. Unlike stocks, bonds and mutual funds, 529 plans were used in nearly equal proportions by both modest savers and substantial savers.

CONFIDENCE IN ABILITY TO SAVE ENOUGH

Forty-four percent of parents who planned to pay some portion of their child's college expenses were either confident (25%) or extremely confident (19%) they could save all of their intended contribution toward college costs. Parents who had already begun saving for their child's education were significantly more confident in their ability to save for their intended contribution amount than those who had not started saving.

MOTIVATORS TO SAVING MORE

Parents cited employer matching as the top motivator (66%) that would encourage them to save for college, followed by tax benefits (44%). In addition, 25 percent indicated that a shopping rewards program would motivate them to save for college.

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 over 1,200 interviews with parents of children under age 18 residing in telephone households in the United States.

The surveys were conducted from March 20 through April 17, 2009. 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 Fall 2008, (2) a national listed sample of Hispanic parents of children under 18, (3) 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 1,203, one can say with 95 percent confidence that the error attributable to sampling and other random effects could be plus or minus 4 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 800 interviews, is plus or minus 5 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. The profile of the respondents interviewed and 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.

SAVING-FOR-COLLEGE ASSESSMENT SOURCES

For parents who have begun saving for college, Gallup has estimated an annual college-savings rate by drawing on information parents provided about their actual savings behavior and the portion of college costs they stated they intend to pay. The savings rate analysis provides important information about how prepared parents may or may not be when faced with a future tuition bill as well as discerns some of the behaviors associated with more successful savers.

The following estimations 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: Annual rate of saving was calculated at the respondent level. To determine the number of years of saving, the stated age of the oldest child at the onset of saving was subtracted from the current age of the oldest child. The total amount saved was then divided by the number of years the respondent had saved to determine the estimated annual rate.

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

Estimated College Saving Goal: An estimated college savings goal was calculated for each respondent who had saved for college based on the average annual total charges for tuition, fees, and room and board of \$14,333 for four years of in-state public college (\$57,332).^{*} Each respondent was asked what portion of all college costs they intended to provide. For the purpose of this estimate, a percent value was attributed to the level of intended contribution (All=100%, Some=75%, Half=50%, Little=25%, None=0%) which was then multiplied by the average college cost to derive a reasonable estimate for a savings goal. Those stating "None" were excluded from the base.

^{*}Source: College Board. Trends in College Pricing, 2008

HOW AMERICAN FAMILIES SAVE FOR COLLEGE

Saving-for-College Assessment

The *How America Saves for College* study, based on a nationally representative survey of 1,200 parents with children under the age of 18, provides insight into parents' considerations regarding their child's future college education, and whether and how they are saving for the costs of that education.

For parents who have begun saving for college, Gallup has estimated an annual college-savings rate by drawing on information parents provided about their actual savings behavior and the portion of college costs they stated they intend to pay. The savings rate analysis provides important information about how prepared parents are for their child's future tuition bill and identifies behaviors of more successful savers.

Parents who have not yet saved anything for college are not included in this analysis.

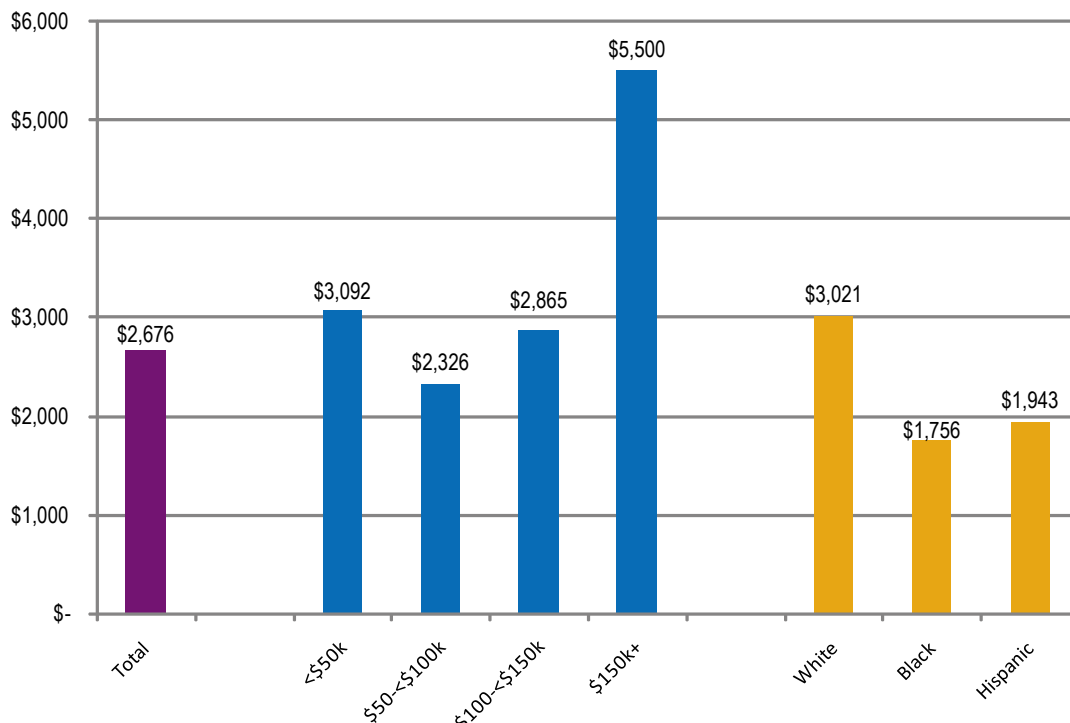
ESTIMATED ANNUAL RATE OF SAVING AND PERCENT OF INCOME SAVED

Among parents with children under the age of 18 who have saved funds for college (62%), the average amount saved for college annually was \$2,676⁺ or 3.6%^{**} of annual income.

Generally, those with higher incomes had a higher annual savings rate (average amount) although there

was little variation across income levels in the percentage of income saved. The notable exception is parents with incomes less than \$50,000 per year who saved an average amount of \$3,092, second only to those with incomes of \$150,000 or more (\$5,500). The 7.5 percent of income saved annually by parents earning less than \$50,000 per year was more than twice the percent saved by parents of any other income category.

Fig. 1 Average Amount Saved Annually, by Income and by Race or Ethnicity



Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

⁺Savings Rate: Annual rate of saving was calculated at the respondent level. To determine the number of years of saving, the stated age of the oldest child at the onset of saving was subtracted from the current age of the oldest child. The total amount saved was then divided by the number of years the respondent had saved to determine the estimated annual rate.

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

Table 1 Estimated Average Annual Rate of College Savings and Percent of Income Saved

	N	Mean Savings Rate	% Income Saved Annually
Total	679	\$2,676	3.6%
Income			
<\$50k	78	\$3,092	7.5%
\$50-<\$100k	225	\$2,326	3.1%
\$100-<\$150k	124	\$2,865	2.2%
\$150k+	89	\$5,500	3.2%
Race/Ethnicity			
White	481	\$3,021	4.1%
Black	72	\$1,756	3.0%
Hispanic	84	\$1,943	2.1%
Age of Oldest Child			
0-6 years	199	\$3,428	4.8%
7-12 years	226	\$1,908	2.5%
13-17 years	245	\$2,462	3.1%

Note: Values calculated based on participant responses to questions in Detailed Findings. See Technical Appendix.

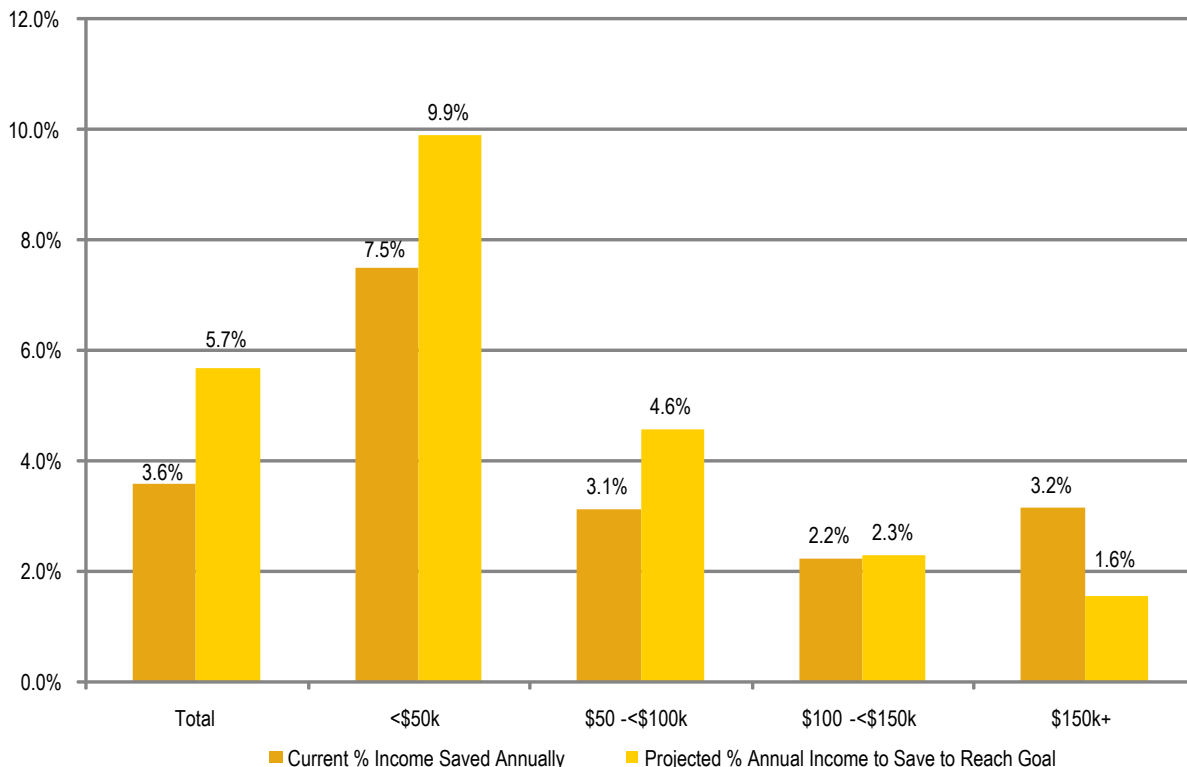
Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

On average, White parents saved for college at a rate of \$3,021 or 4.1 percent of their annual income. African-American parents saved \$1,756 or 3 percent of income, and Hispanic parents saved an average of \$1,943 or 2.1 percent of income.

ANNUAL PERCENT OF INCOME NEEDED TO REACH SAVINGS GOAL

Based on the reported amounts that parents had saved for college and the number of years remaining to save before their child reached college age (18), parents on average need to save 5.7 percent of their current income level each year to reach their estimated savings goals.*** This projection exceeds by more than 50 percent the average 3.6 percent of annual income currently being saved for college. The percentage of annual income needed was higher among those in the lower-income group. It is also higher among those with teenage children who have fewer years remaining to save.

Fig. 2 Percent of Income Saved for College vs. Percent of Income Needed to Reach Savings Goal



***Estimated College Savings Goal: An estimated college savings goal was calculated for each respondent who had saved for college based on the average annual total charges for tuition, fees, and room and board of \$14,333 for four years of in-state public college (\$57,332).* Each respondent was asked what portion of all college costs they intended to provide. For the purpose of this estimate a percent value was attributed to the level of intended contribution (All=100%, Some=75%, Half=50%, Little=25%, None=0%) which was then multiplied by the average college cost to derive a reasonable estimate for a savings goal. Those stating "None" were excluded from the base.

*Source: College Board, Trends in College Pricing, 2008.

Table 2 Percentage of Income That Must be Saved Annually to Reach College Savings Goal

	N	% Annual Income to Save to Reach Goal
Total	674	5.7%
Income		
<\$50k	78	9.9%
\$50-<\$100k	228	4.6%
\$100-<\$150k	126	2.3%
\$150k+	89	1.6%
Race/Ethnicity		
White	487	4.6%
Black	71	9.1%
Hispanic	84	8.6%
Age of Oldest Child		
0-6 years	204	3.2%
7-12 years	224	5.4%
13-17 years	246	9.1%

Note: Values calculated based on participant responses to questions in Detailed Findings. See Technical Appendix.

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

Given these averages, only 29 percent of parents are likely to meet or exceed their goal while 71 percent are likely to fall short if they continue their current savings habits. While many factors potentially contribute to college savings success, those who are projected to meet their estimated savings goals are more likely to start saving when their child is very young and they are more likely to be habitual savers. Additionally, they are more likely to use mutual funds and stocks or bonds as savings vehicles.

COLLEGE SAVINGS GAP

Parents who have saved for college but who cannot reach their estimated savings goal at their current savings rate are likely to save an average of 57 percent of their intended share of college costs if they continue to save at that rate. The portion of the savings goal that is likely to be met is relatively consistent across income, race or ethnicity and age of the oldest child, between 50 and 60 percent of savings goals.

Fig. 3 Percent of Parents Likely to Meet Estimated Savings Goal

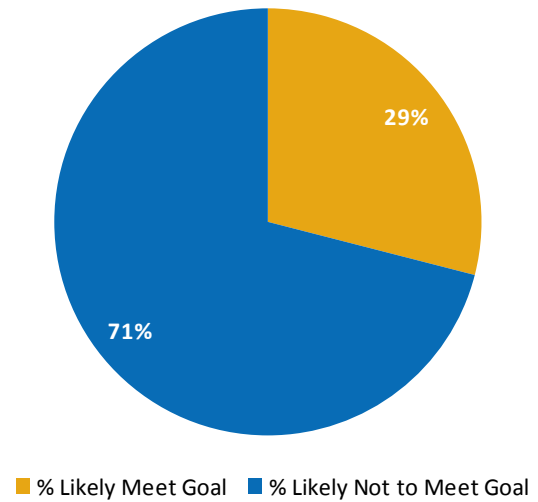


Table 3 Percentage of Parents Likely or Not Likely to Meet Estimated College Savings Goal

	N	% Will Meet Goal	% Will Not Meet Goal
Total	676	29%	71%
Income			
<\$50k	80	20%	80%
\$50-<\$100k	226	28%	72%
\$100-<\$150k	126	36%	64%
\$150k+	90	56%	44%
Race/Ethnicity			
White	489	33%	67%
Black	71	28%	72%
Hispanic	84	20%	80%
Age of Oldest Child			
0-6 years	201	32%	68%
7-12 years	226	22%	78%
13-17 years	249	33%	67%

Note: Values calculated based on participant responses to questions in Detailed Findings. See Technical Appendix.
 Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

Table 4 Average Percentage of Estimated Savings Goal Likely to Be Met

	N	% Goal to Be Met
Total	440	57%
Income		
<\$50k	57	60%
\$50-<\$100k	159	60%
\$100-<\$150k	72	50%
\$150k+	37	*
Race/Ethnicity		
White	316	55%
Black	43	*
Hispanic	59	66%
Age of Oldest Child		
0-6 years	133	54%
7-12 years	149	58%
13-17 years	158	60%

Note: Values calculated based on participant responses to questions in Detailed Findings. See Technical Appendix.

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education but would not reach their estimated savings goal.

DETAILED FINDINGS

Parent Intentions

Parents of children under the age of 18 across various income and racial or ethnic groups aspire to the possibility of their child attending college in the future. Additionally, most of these parents are intending to support their child financially to some degree in that endeavor.

Recent enrollment statistics¹ show that about 34 percent of 18- to 24-year-olds were enrolled in degree-granting institutions. *How America Saves for College* shows that many parents are bucking the odds when saying it is likely their child will attend some form of higher education. Not one parent selected the lowest rating on a scale of 1-5, “very unlikely” their child would attend. Three out of four parents selected the highest rating, believing that it is “highly likely” their child will attend college.

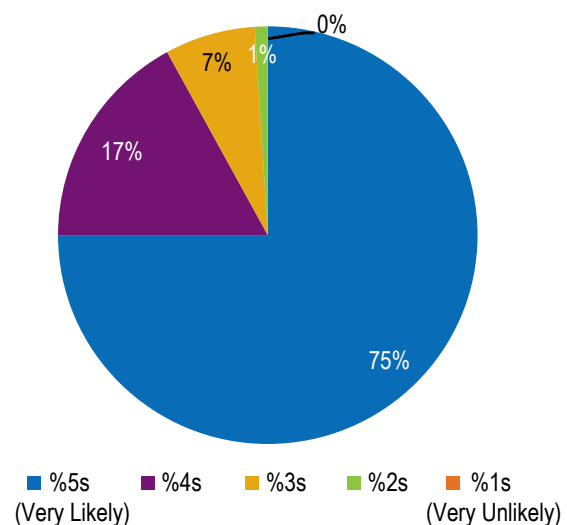
This optimism is also reflected in their intention to pay for a significant portion of their child’s education. Four out of five parents with children under age 18 said they intend to pay half or more of the costs of college in the future. Fifteen percent of the parents surveyed expected to pay all of the costs. Only 5 percent of parents expect to pay nothing towards their child’s college education. The companion study of college students and parents, *How America Pays for College 2009*, indicates that, indeed, the largest share of college costs in 2008-09 were paid by parents—nearly half (45%) of the total cost of attendance.² Today’s college-going families draw upon many other sources, including scholarships and grants, student income and savings, and student loans, as well as assistance from relatives and friends. While every family draws upon a variety of sources in differing amounts, overall, parent savings is an important part of preparing for the investment in higher education.

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.

Nearly all parents surveyed (92%) believed it likely* that their child would receive some form of higher education. Three out of four parents believed that it was highly likely that their child would receive some form of higher education. Not a single parent surveyed felt higher education was “very unlikely” for their child.

Fig. 4 Likelihood to Attend Higher Education



*Combined 4 & 5 ratings. Note: Later references to “some likelihood” represent combined ratings 2 through 5.

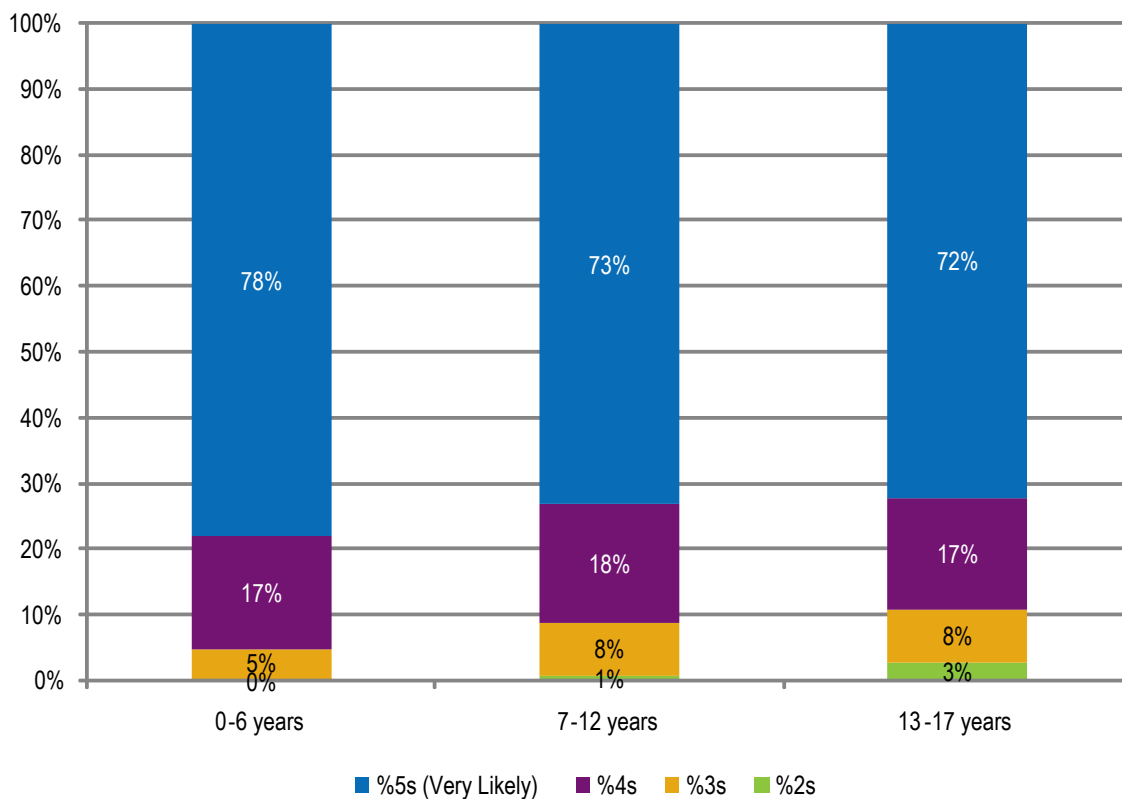
¹SOURCE: U.S. Department of Commerce, Census Bureau, Current Population Surveys (CPS), October, various years, unpublished data.

²Sallie Mae, Gallup. “*How America Pays for College*: Sallie Mae’s National Study of College Students and Parents, Conducted by Gallup.” 2009. p. 3

Across all age categories of children, parents' expectations of higher education remained high with over 70 percent considering attendance to be "very likely." However, parents whose oldest child was between 13 and 17 years old were twice as likely to say their child was "somewhat unlikely"*** to attend higher education (11%) than parents whose oldest child was six years old or younger (5%).

As household income rose so did the percentage of parents who felt their child was "very likely" to attend college. The percent of parents who said their child was "very likely" to attend college sharply increased from parents earning less than \$50,000 per year (59-61%) to those earning from \$50,000 to \$100,000 (77%), then increased again for those earning \$100,000 or more (91-93%).

Fig. 5 Likelihood to Attend Higher Education by Age of Child



Parents who saved for college believed it was more likely that their child would attend college compared to parents who did not save. Four out of five parents (82%) who had saved for their child's college education said that their child was "very likely" to attend higher education, significantly greater than the three out of five parents (61%) who had not saved. In addition, non-saving parents were four times more likely than saving parents to say their child is "somewhat unlikely"*** to attend education beyond high school (16% compared to 4%).

Ethnicity did not appear to affect how likely parents believed their child would attend college. White (92%) and Hispanic (90%) parents have equivalent proportions who felt their child is likely* to attend college; 97 percent of African-American parents felt their child is likely* to attend.

*Combined 4 & 5 ratings. Note: Later references to "some likelihood" represent combined ratings 2 through 5.

**Combined 2&3 ratings. Note: Later references to "some likelihood" represent combined ratings 2 through 5.

Table 5 Likelihood of Child to Attend Higher Education after High School						
	N	%5s (Very Likely)	%4s	%3s	%2s	%1s (Very Unlikely)
Total	1203	75%	17%	7%	1%	0%
Saving Status						
Saving	833	82%	14%	4%	0%	0%
Not Saving	370	61%	23%	12%	4%	0%
Income						
<\$35k	171	59%	23%	13%	5%	0%
\$35-<\$50k	147	61%	28%	10%	1%	0%
\$50-<\$100k	479	77%	17%	6%	0%	0%
\$100-<\$150k	212	93%	6%	0%	1%	0%
\$150k+	166	91%	6%	3%	0%	0%
Race/Ethnicity						
White	844	75%	17%	7%	1%	0%
Black	157	80%	17%	3%	0%	0%
Hispanic	131	71%	19%	7%	3%	0%
Age of Oldest Child						
0-6 years	325	78%	17%	5%	0%	0%
7-12 years	391	73%	18%	8%	1%	0%
13-17 years	487	72%	17%	8%	3%	0%

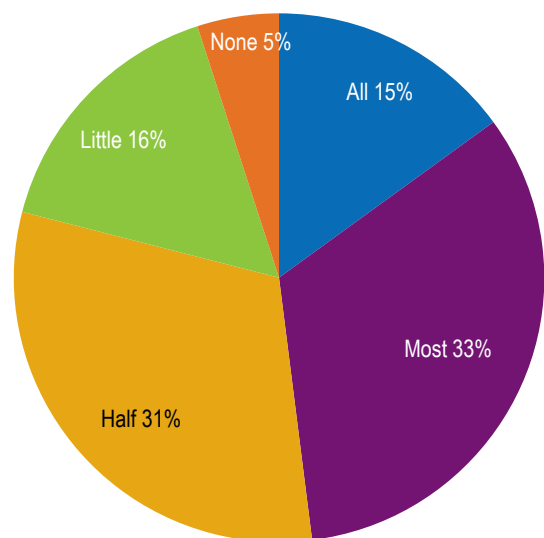
Base: Parents of children under age 18.

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.

The optimism that parents show in the likelihood that their child will pursue higher education is also reflected in parents' expectations of how much they will pay of the college costs. Nearly four out of five (79%) expected to pay half or more of their child's college costs. Only 15 percent of parents intended to pay for all college expenses. However, 64 percent expected to contribute most or at least half of the cost while other sources make up the difference. Sixteen percent of parents only intended to contribute a little to education expenses and 5 percent did not expect to contribute at all.

Fig. 6 Intended Contribution to Total College Costs



A significantly greater share of parents who had saved for college compared to parents who had not saved intended to contribute at least half of their child’s total college education expenses (87% compared to 63%). Also, non-saving parents were six times as likely to say they will contribute “none of the cost” (12% compared to 2%) and twice as likely to say they will contribute only “a little of the cost” than saving parents (25% compared to 11%).

Parents who are less optimistic about their child going on to college are less likely to expect to pay college costs. The more likely parents believe their child is to attend college, the more they plan to contribute to pay for college. Among parents who believe their child is Very Likely to continue their education, 81% plan on contributing at least half of the cost of college. Parents who think their child is less likely to go to college plan to contribute a smaller portion of the cost. For parents who rated their child’s likelihood of attending college a 3*, 69% plan to pay at least half the cost.

Fig. 7 Intended Contribution to College Costs by Saving Status

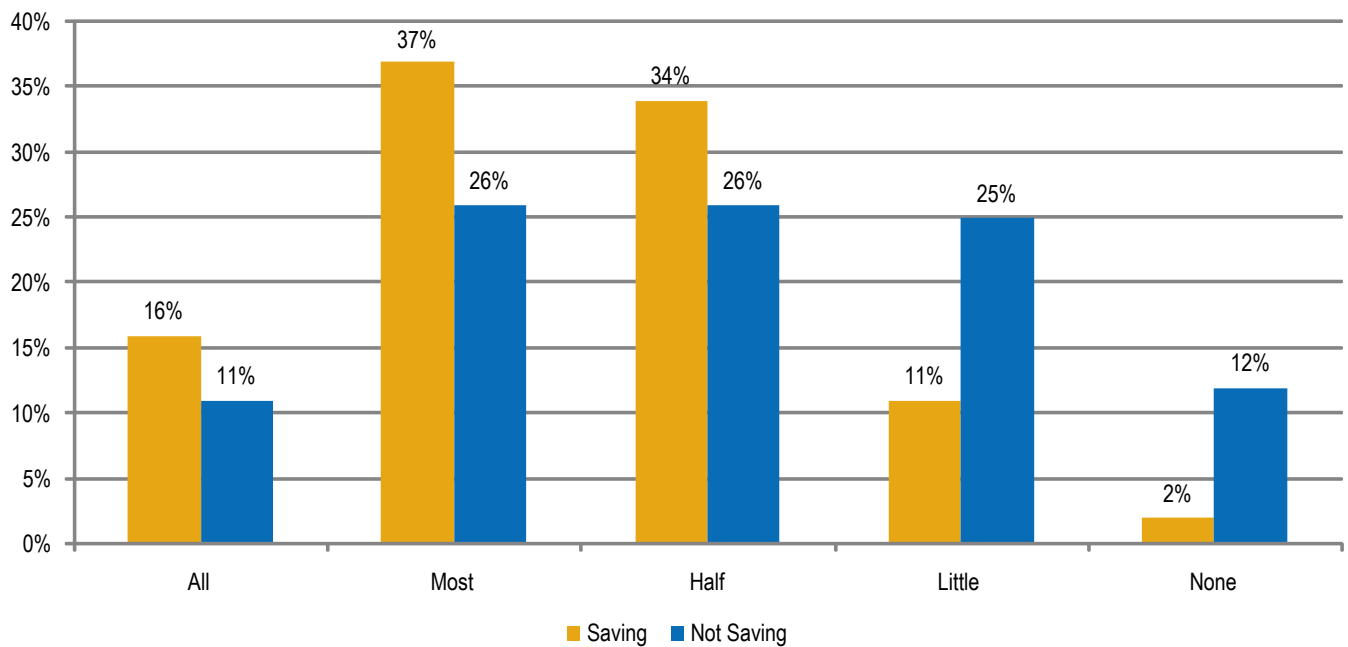
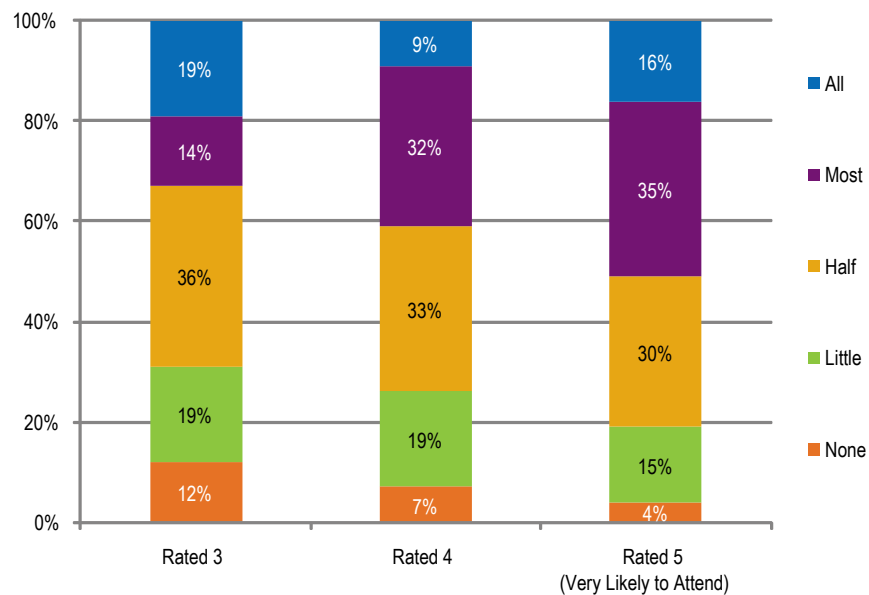


Fig. 8 Intended Contribution to College Costs by Likelihood of Attending College



*The lowest rating of likelihood for which we have reliable data

The higher the annual household income, the more that parents of college-bound children intended to contribute to college expenses. Parents with annual incomes of \$150,000 or higher were three times more likely than parents with incomes below \$35,000 to intend to cover all of the cost of college expenses. Forty-four percent of parents with incomes below \$35,000 planned to pay little or none of college costs compared to only 9 percent of those with annual incomes of \$150,000 or higher.

White and Hispanic parents had very similar profiles of intended contribution. Forty-eight percent of Hispanic parents and 49 percent of White parents intended to pay most or all of the cost. Only 6 percent of African-American parents expected to contribute all education expenses. Most African-American parents (69%) intend to contribute at least half of the cost of college.

Table 6 Parent Intended Contribution to Total Education Cost and Expenses

	N	All	Most	Half	Little	None
Total	1191	15%	33%	31%	16%	5%
Saving Status						
Saving	827	16%	37%	34%	11%	2%
Not Saving	364	11%	26%	26%	25%	12%
Income						
<\$35k	170	7%	19%	30%	25%	19%
\$35-<\$50k	144	11%	29%	35%	20%	5%
\$50-<\$100k	477	17%	35%	32%	15%	1%
\$100-<\$150k	211	16%	44%	30%	7%	3%
\$150k+	162	29%	47%	15%	8%	1%
Race/Ethnicity						
White	838	15%	34%	30%	16%	5%
Black	154	6%	28%	35%	24%	7%
Hispanic	130	20%	28%	35%	12%	5%
Age of Oldest Child						
0-6 years	321	14%	41%	27%	14%	4%
7-12 years	389	14%	32%	37%	13%	4%
13-17 years	481	15%	26%	30%	21%	8%
Likelihood to Attend College						
1 (Very Unlikely)	0	n/a	n/a	n/a	n/a	n/a
2	14	*	*	*	*	*
3	57	19%	14%	36%	19%	12%
4	152	9%	32%	33%	19%	7%
5 (Very Likely)	968	16%	35%	30%	15%	4%

n/a = not applicable; contribution to total education cost and expenses not asked of parents who said child was very unlikely to attend college

Base: Parents of children with some likelihood to attend some form of higher education.

Savings Behaviors

Although nine out of 10 parents believe it is likely that their child will go to college, four out of 10 have not yet begun saving for their child's future college education. However, it is remarkable that 62 percent of parents surveyed in *How America Saves for College* have begun saving for college, a far greater proportion than the actual percentage of parents who used savings to pay for some portion of college in academic year 2008-09. *How America Pays for College 2009* shows that 23 percent of families tapped parent savings to pay for some portion of college last year. The average amount used from savings among those who used this source was \$8,724.³ *How America Saves for College* shows that among all families of children under the age of 18 who have saved, the average total amount saved, \$13,827, is well above that one-year amount—and when looking only at parents of teens the average saved is \$23,166, nearly three times that amount, indicating that near-term future college students from families that save have access to similar savings amounts as today's college students whose parents saved.

The majority of parents with children under age 18 who are saving for college cite using general savings/money markets/CDs, then stocks and bonds to save for college with 529 college savings plans as third most popular savings vehicle. This coincides with how families of today's college students saved. A greater percentage of parents in 2008-09 (14%) used money from 'other' savings and investments than used 529 college savings plans (11%).⁴

As a relatively new way to save for college, it is not surprising to learn that the use of 529 college savings plans is greater among parents with children under age 18 than among parents of enrolled college students, nor that 529 use is twice as likely among parents with children ages 0-6 (43%) than among parents with children of teen-agers (20%). It appears that parents with younger children are more familiar with 529 plans and are more likely to use them than parents of older children for whom the investment vehicle was still relatively new when they started saving for college.

How America Saves for College shows that 12 percent of families who have begun a college savings fund for their child rely primarily on relatives and friends to make gifts or contributions to that savings fund. Interestingly, contributions from relatives and friends also play an active role in the funds used to pay for college by students currently enrolled, with 17 percent of families reporting they received an average amount of \$5,496 from relatives and friends to pay for college in academic year 2008-09.⁵

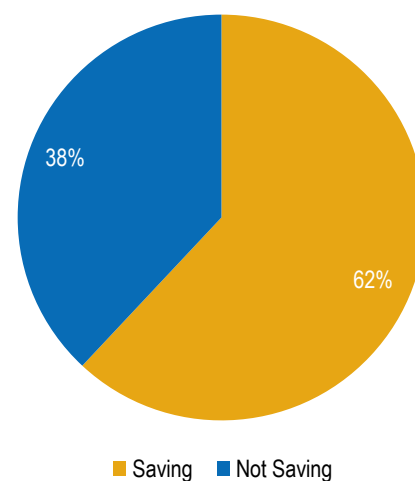
WHO IS SAVING

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

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

Three out of five parents of college-bound children had saved or invested for their oldest child's college education. Thirty-eight percent of parents had not saved or invested although they believed their child to be at least somewhat likely to attend college.

Fig. 9 Percent of Parents Who Have Saved for College



³Sallie Mae, Gallup. (2009) pp. 26, 58

⁴Sallie Mae, Gallup. (2009) p. 26

⁵Sallie Mae, Gallup. (2009) p. 29

Parents who had saved for college were significantly more likely to have higher incomes. Only about one-third of parents from households with less than \$35,000 annual income have saved for college compared to about two-thirds of parents from households with annual incomes between \$35,000 and \$100,000. Eighty percent of parents with incomes over \$100,000 have saved for college.

Saving was relatively equivalent among different ethnicities or races; regional location and age of child were more indicative of savings tendencies. Those in the Midwest were the least likely to have saved and those in the South were the most likely to have saved for higher education. Parents of children ages 12 or younger were more likely than parents of teens to have saved for college.

Fig 10. Percent of Parents Who Have Saved by Income, by Age of Child, and by Region

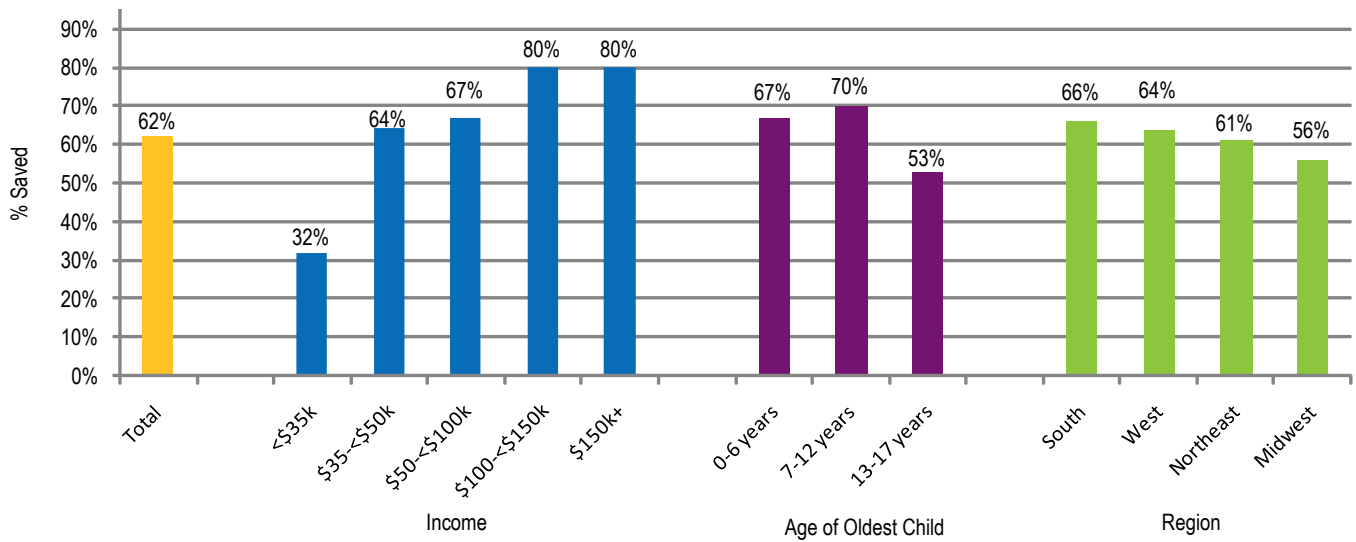


Table 7 Parents Who Have Saved or Invested for College Education

	N	Saving	Not Saving
Total	1203	62%	38%
Income			
<\$35k	171	32%	68%
\$35-<\$50k	147	64%	36%
\$50-<\$100k	479	67%	33%
\$100-<\$150k	212	80%	20%
\$150k+	166	80%	20%
Race/Ethnicity			
White	844	62%	38%
Black	157	61%	39%
Hispanic	131	64%	36%
Age of Oldest Child			
0-6 years	325	67%	33%
7-12 years	391	70%	30%
13-17 years	487	53%	47%
Region			
South	412	66%	34%
West	281	64%	36%
Northeast	197	61%	39%
Midwest	305	56%	44%

Base: Parents of children with some likelihood to attend some form of higher education.

WHEN SAVING BEGAN

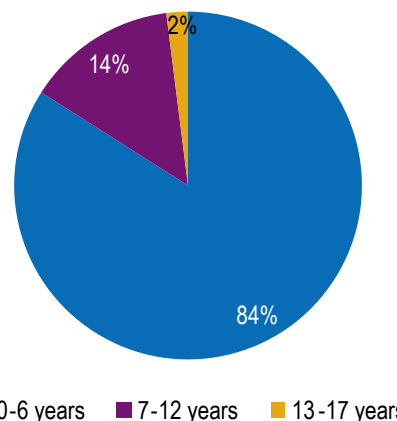
What age was this child (oldest) when you first started saving for his/her college fund?

Base: parents who have started saving

On average, parents who have saved for college began when their child was less than three years old (2.83 years old). Eighty-four 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. Ninety-three percent of parents with annual incomes of \$150,000 or more started saving before their child reached age seven compared to 76 percent of parents with incomes of less than \$35,000.

Fig. 11 Age of Child When Parent Started Saving for College



Directionally, it seems that White parents started saving somewhat earlier than African-American or Hispanic parents. Eighty-six percent of White parents began saving when their child was less than seven years old compared to 76 and 77 percent of African-American and Hispanic families, respectively, though this gap does not meet the threshold of significance.

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	832	84%	14%	2%	2.83
Income					
<\$35k	66	76%	14%	10%	4.36
\$35-<\$50k	88	79%	19%	2%	3.22
\$50-<\$100k	343	86%	12%	2%	2.73
\$100-<\$150k	171	85%	14%	1%	2.46
\$150k+	142	93%	7%	0%	1.75
Race/Ethnicity					
White	591	86%	13%	1%	2.61
Black	98	76%	17%	7%	4.13
Hispanic	95	77%	18%	5%	3.56

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

DEDICATED VS. GENERAL SAVINGS ACCOUNTS

Thinking about how you save, are you saving money for this child's education:

- A. As a portion of your general savings/investments,
- B. As a separate investment specifically for college education, or
- C. As a combination of general savings and savings specifically for college?

Base: parents who have started saving

Over half of parents (55%) who saved for college used a separate investment specifically for college education. Nearly one in three (32%) saving parents used a combination of separate college investments and a portion of general savings and investments. Only 13 percent primarily saved for college solely as a portion of their general savings or investments.

Statistically, there is little variation across income groups in the way that families save for college.

Parents who have saved for younger children are more likely to have utilized separate college savings accounts or investments than parents of older children. Sixty-one percent of saving parents with children under seven years old saved using separate college savings compared to 45 percent of parents with children ages 13 to 17. Parents of teenage children (55%) were more likely than parents of younger children (39-42%) to use a portion of general savings for college solely or in combination with savings specific to college.

Fig. 12 College Saving by Account Designation

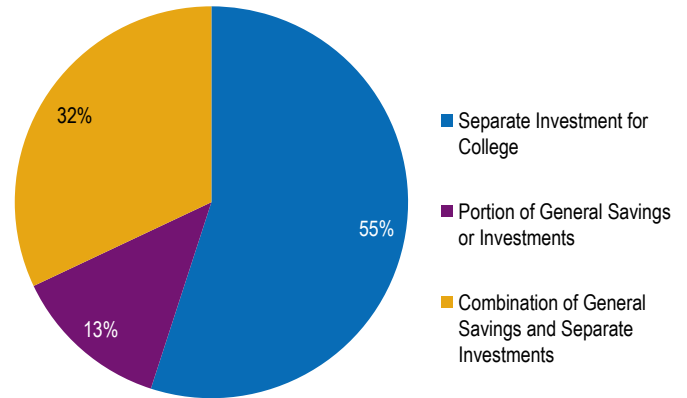


Fig. 13 General or Specific Savings Account, by Income

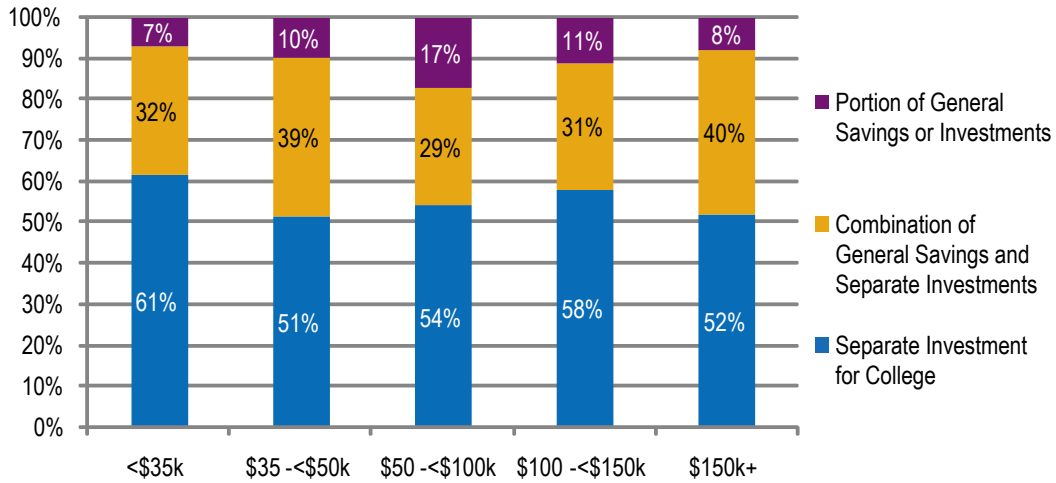


Fig. 14 General or Specific Savings Account, by Age of Child

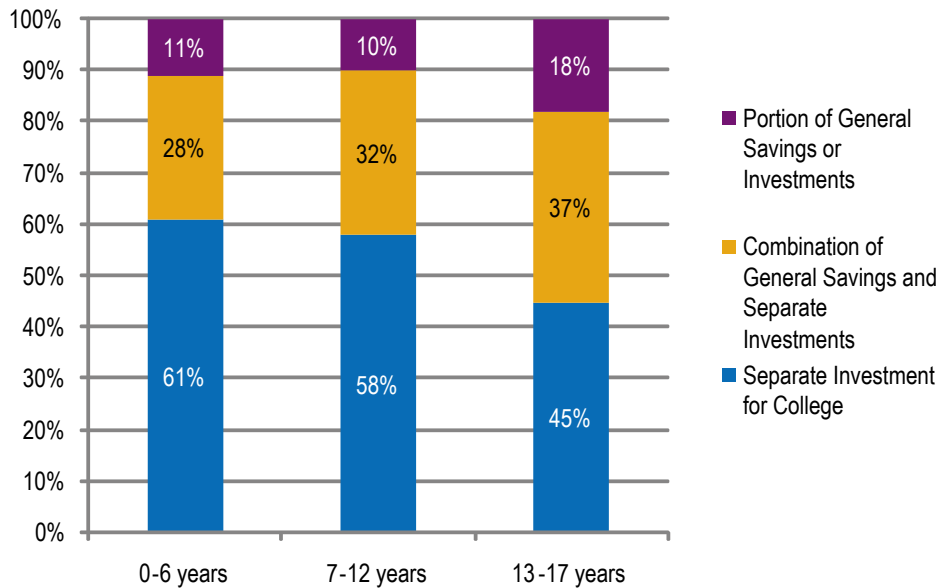


Table 9 Saving in General or Specific Accounts for College

	N	Separate Investment for College	Portion of General Savings or Investments	Combination of General and Separate
Total	833	55%	13%	32%
Income				
<\$35k	66	61%	7%	32%
\$35-<\$50k	88	51%	10%	39%
\$50-<\$100k	344	54%	17%	29%
\$100-<\$150k	171	58%	11%	31%
\$150k+	142	52%	8%	40%
Race/Ethnicity				
White	592	57%	14%	29%
Black	98	48%	18%	34%
Hispanic	95	50%	10%	40%
Age of Oldest Child				
0-6 years	236	61%	11%	28%
7-12 years	287	58%	10%	32%
13-17 years	310	45%	18%	37%

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

TYPES OF VEHICLES USED FOR COLLEGE SAVINGS

I am going to read a list of some vehicles that people use to help save for their child's college education. For each of the following, please say whether you have used it to save for this child's education.

- A. Savings, money market accounts, or CDs
- B. Mutual funds
- C. Stocks or bonds
- D. A 529 college savings plan
- E. A pre-paid or guaranteed state college savings plan
- F. Coverdell Education Savings Account
- G. Retirement savings account, such as a 401K
- H. A trust
- I. A checking account
- J. A college savings reward program
- K. Some other way

Base: parents who have started saving

The top three college savings vehicles among saving parents were savings/money market accounts/CDs, stocks or bonds, and 529 college savings plans. Over half (59%) of these parents used general savings, money market accounts, or CDs and nearly three-quarters of parents with incomes of \$150,000 or more had used these vehicles. Two of five (41%) had used stocks or bonds to save for college and stock and bond use increased as household income increased. One-third (33%) of saving parents reported using a 529 college savings plan. The use of 529 college savings plans was twice as likely among those with children under age seven (43%) than among parents of teens (20%). The use of 529 college savings plans also increased as income increased. Those making at least \$150,000 were over three times as likely (57%) to have used 529 plans as those making less than \$35,000 (17%); however, unlike stocks, bonds and mutual funds, 529 plans are used in nearly equal proportions by modest savers and substantial savers.

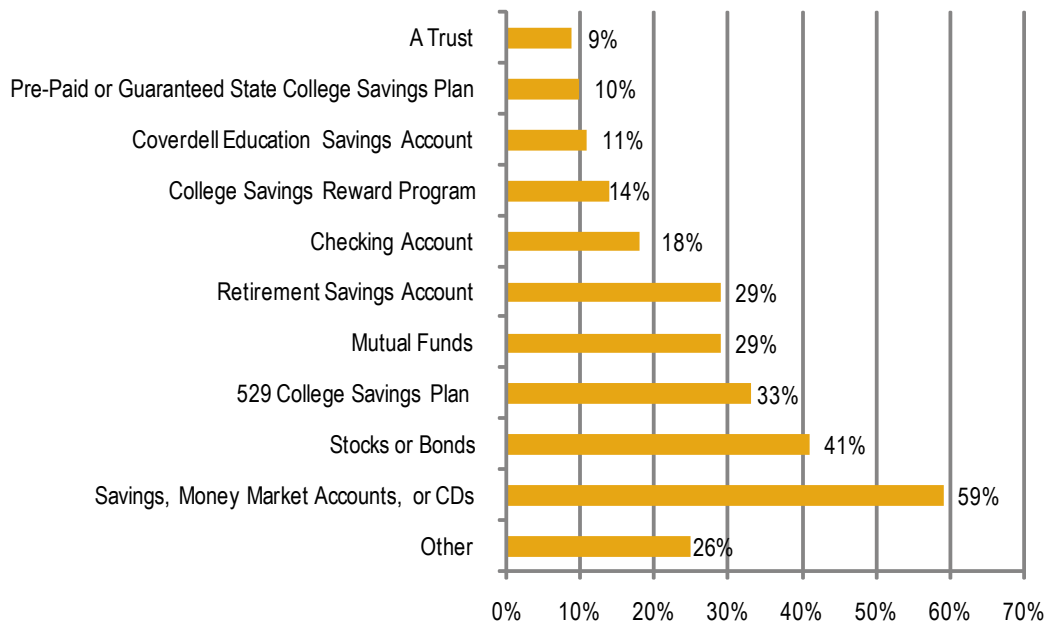
Other savings vehicles designed specifically for college savings were used less frequently. Coverdell Education Savings Accounts (11%) and pre-paid or guaranteed state college savings plans (10%) were among the vehicles least frequently utilized by parents saving for college. The use of each of these vehicles increased with annual household income.

Fourteen percent of parents indicated using a college savings reward program to earn savings for college.

Table 10 Use of Savings Vehicle by Amount Saved				
	N	529 Plan	Mutual Funds	Stocks & Bonds
Total	686			
Amount Saved				
<\$2k	90	37%	14%	24%
\$2k-<\$5k	117	31%	26%	34%
\$5k-<\$10k	124	32%	28%	39%
\$10k-<\$20k	142	44%	34%	50%
\$20k-<\$35k	102	24%	43%	36%
\$35k+	111	33%	55%	70%

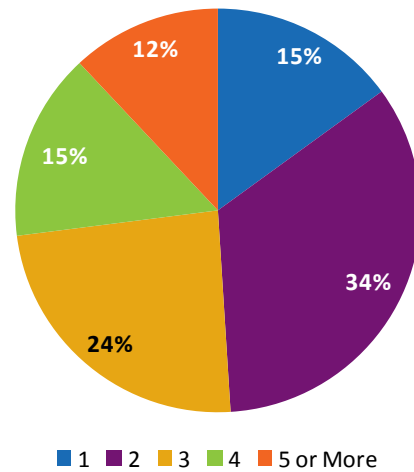
Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

Fig. 15 Percent of Parents Using Each Vehicle for College Savings



Most saving parents used a diversified approach to save for college. Only 15 percent used a single college savings vehicle while 73 percent used between two and four vehicles and 12 percent used five or more. Parents of teenage children were most likely to have used multiple savings methods while parents of children ages 0-6 were more than twice as likely as others (24%) to have used one vehicle only. Those with higher income used more savings methods: 30 percent of those earning \$150,000 or more used five or more vehicles.

Fig. 16 Number of Savings Vehicles Used for College



Savings Vehicle	Total	Age of Oldest Child			Race/Ethnicity		
		0-6 years	7-12 years	13-17 years	White	Black	Hispanic
N	827	233	286	308	587	97	95
Savings, Money Market Accounts, or CDs	59%	53%	67%	60%	60%	55%	49%
Stocks or Bonds	41%	36%	46%	42%	40%	37%	38%
529 College Savings Plan	33%	43%	34%	20%	31%	37%	38%
Mutual Funds	29%	19%	28%	43%	29%	21%	33%
Retirement Savings Account	29%	24%	24%	39%	26%	36%	31%
Checking Account	18%	18%	17%	20%	14%	23%	29%
College Savings Reward Program	14%	13%	14%	16%	14%	20%	17%
Coverdell Education Savings Account	11%	9%	14%	11%	10%	7%	19%
Pre-Paid or Guaranteed State College Savings Plan	10%	10%	8%	12%	8%	15%	15%
A Trust	9%	5%	15%	9%	9%	9%	4%
Other	26%	18%	31%	28%	23%	19%	33%
		Income					
Savings Vehicle	<\$35k	\$35- <\$50k	\$50- <\$100k	\$100- <\$150k	\$150k+		
N	65	87	341	171	142		
Savings, Money Market Accounts, or CDs	56%	64%	57%	52%	72%		
Stocks or Bonds	30%	37%	41%	41%	54%		
529 College Savings Plan	17%	22%	29%	51%	57%		
Mutual Funds	5%	23%	31%	34%	41%		
Retirement Savings Account	24%	31%	32%	25%	26%		
Checking Account	33%	30%	15%	9%	20%		
College Savings Reward Program	9%	11%	16%	12%	18%		
Coverdell Education Savings Account	4%	3%	9%	18%	27%		
Pre-Paid or Guaranteed State College Savings Plan	2%	9%	10%	11%	18%		
A Trust	13%	12%	10%	5%	9%		
Other	34%	26%	24%	26%	25%		

Note: Categories are not mutually exclusive. Responses may equal more than 100% due to multiple responses.

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

Table 12 Number of College Savings Vehicles Used						
	N	1	2	3	4	5 or More
Total	827	15%	34%	24%	15%	12%
Income						
<\$35k	65	19%	56%	10%	8%	7%
\$35-<\$50k	87	10%	38%	34%	9%	9%
\$50-<\$100k	341	21%	28%	25%	15%	11%
\$100-<\$150k	171	11%	38%	22%	17%	12%
\$150k+	142	8%	22%	18%	22%	30%
Race/Ethnicity						
White	587	17%	34%	25%	16%	8%
Black	97	13%	39%	20%	14%	14%
Hispanic	95	10%	37%	22%	12%	19%
Age of Oldest Child						
0-6 years	233	24%	34%	22%	12%	8%
7-12 years	286	11%	38%	21%	14%	16%
13-17 years	308	10%	29%	28%	20%	13%

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

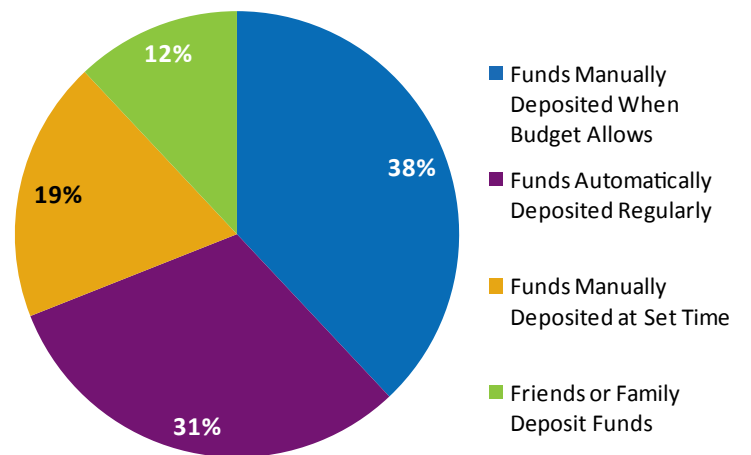
SAVINGS METHODS

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

Base: parents who have started saving

Parents who saved for college fall equally into two categories with respect to saving methods: habitual savers and variable savers. Half of parents were habitual savers who deposited funds at a set time on a regular basis (19%) or who had funds automatically deposited regularly (31%). The other half of parents were less consistent in their saving. Nearly two in five (38%) were variable college savers who made contributions as their budget allowed and the remaining 12 percent relied primarily on friends and family members to contribute funds to savings.

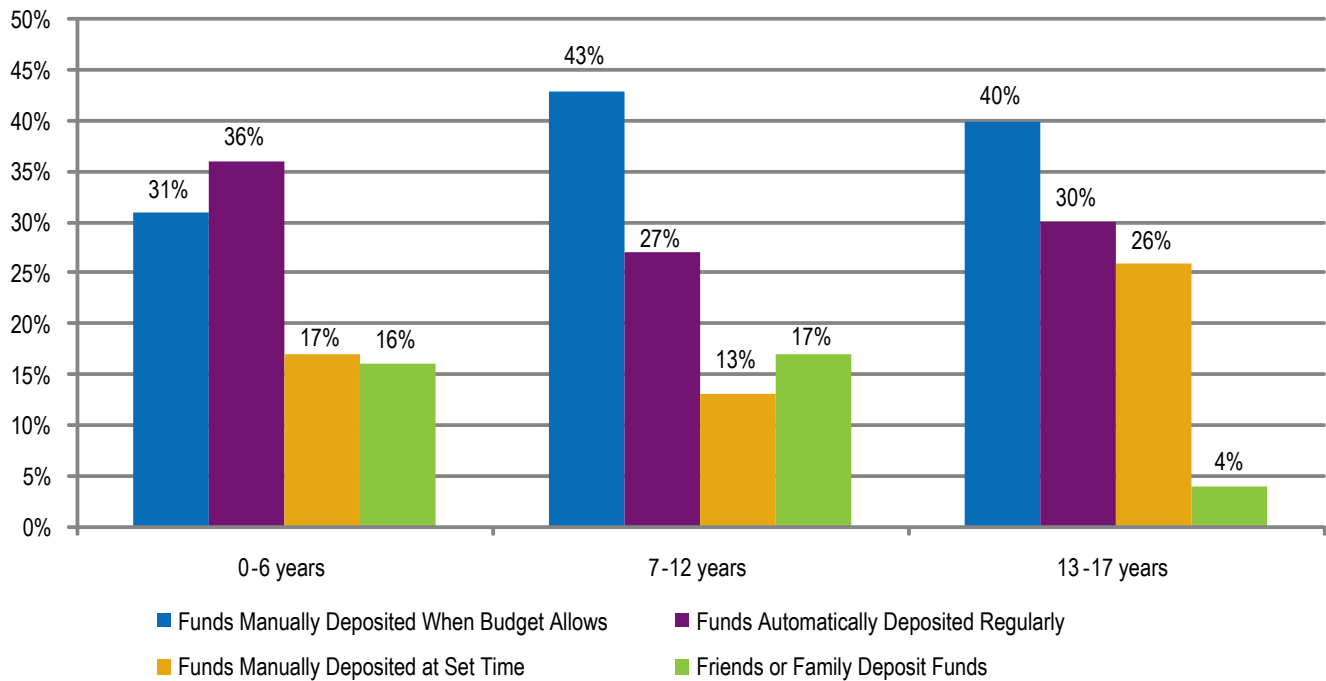
Fig. 17 College Fund Contribution Method



Roughly the same percentages of parents across income categories (31 to 38%) were variable savers, depositing funds when their budget allowed, except that families earning \$35,000 to less than \$50,000 annually were more likely to save in this manner (57%). Over one-quarter (28%) of families with income below \$35,000 primarily relied on friends or family to deposit funds for college savings.

Saving parents of children ages 0-6 were most likely (36%) to have funds automatically deposited regularly. Only 31 percent of these parents are variable savers, less than parents of children ages 7-12 (43%) and parents of teens (40%). Parents of teens rely less on deposits from family and friends (4%) than do parents of children ages 0-12 (16-17%).

Fig. 18 Primary Contribution Method by Age of Child



	N	Funds Manually Deposited When Budget Allows	Funds Regularly Deposited Automatically	Funds Manually Deposited at Set Time	Friends or Family Deposit Funds
Total	823	38%	31%	19%	12%
Income					
<\$35k	62	38%	13%	21%	28%
\$35-<\$50k	87	57%	15%	16%	12%
\$50-<\$100k	340	31%	38%	19%	12%
\$100-<\$150k	171	37%	41%	11%	11%
\$150k+	141	35%	27%	34%	4%
Race/Ethnicity					
White	585	38%	29%	19%	14%
Black	98	36%	37%	18%	9%
Hispanic	93	36%	38%	17%	9%
Age of Oldest Child					
0-6 years	235	31%	36%	17%	16%
7-12 years	283	43%	27%	13%	17%
13-17 years	305	40%	30%	26%	4%

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

AMOUNT SAVED

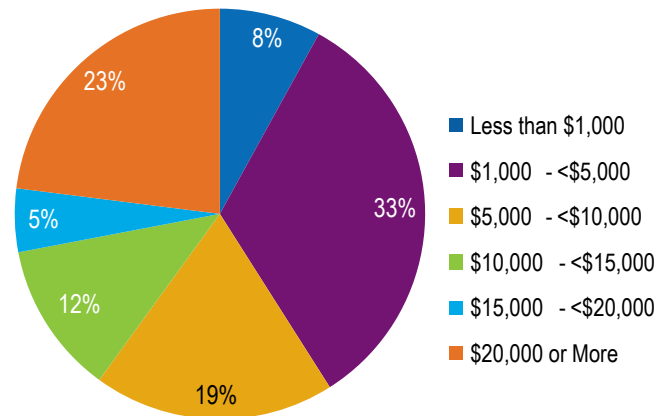
What is the total amount you have saved for this child's college education? (open ended)

Base: parents who have started saving

Among the 62 percent of parents who had saved for college, the actual dollar value of college savings varied widely. Parents had saved an average of \$13,827 with a median of \$5,000. Two in five (41%) had saved less than \$5,000 with 8 percent saving less than \$1,000. More than one in four (28%) had saved at least \$15,000 with 23 percent having saved \$20,000 or more.

As income increased, the mean and median amounts saved also increased. Saving parents with incomes below \$35,000 had saved less than half the median value of any other income group and only one-tenth the median value of those with incomes of \$150,000 or more. In fact, saving parents with at least \$150,000 in income had saved over twice as much for college (\$31,574) as those in the next highest income group (\$100k - <\$150k: \$14,780).

Fig. 19 Total Funds Saved for College



As the age of the parent's child increased so did the total amount parents had saved for college. Sixty-four percent of parents with children ages 0-6 had saved less than \$5,000 compared to 33 percent of parents of children ages 7-12 and 23 percent of parents of teens. Parents of teens, with college closer on the horizon, had saved an average of \$23,166, more than three times the average total funds saved by parents of the youngest children (\$6,580).

Fig. 20 Total Funds Saved for College, by Income

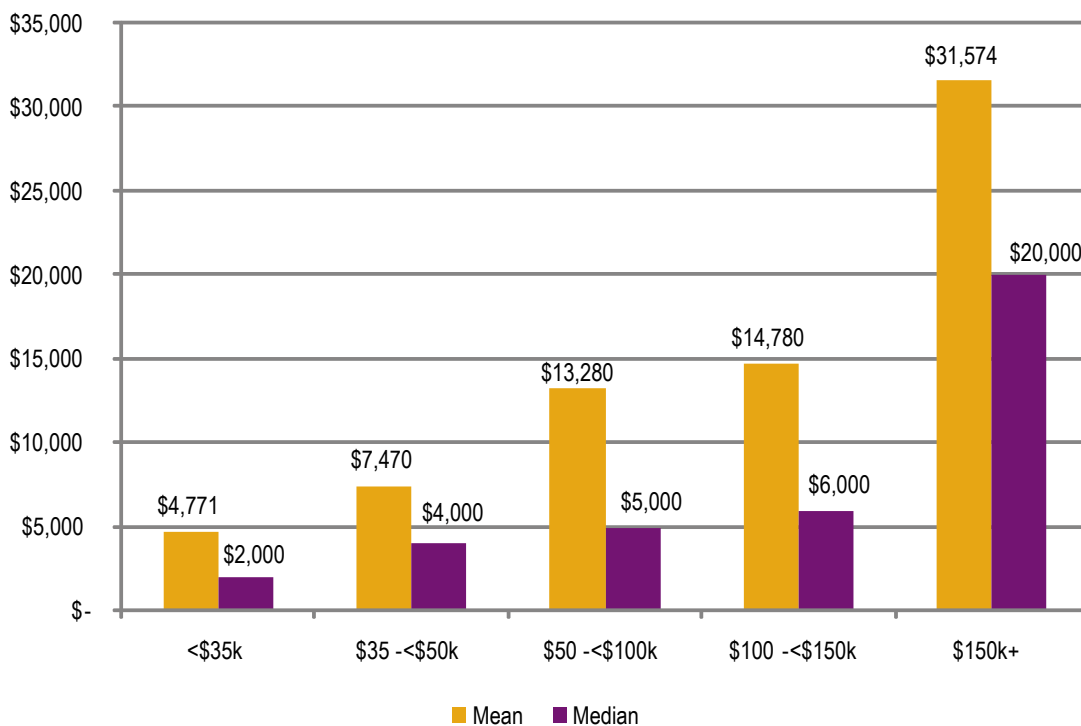


Table 14 Total Funds Saved for College							
	N	<\$1k	\$1-<\$5k	\$5-<\$10k	\$10-<\$15k	\$15-<\$20k	\$20k+
Total	687	8%	33%	19%	12%	5%	23%
Income							
<\$35k	55	21%	44%	16%	18%	0%	1%
\$35-<\$50k	71	12%	45%	23%	9%	1%	10%
\$50-<\$100k	285	8%	34%	19%	10%	6%	23%
\$100-<\$150k	150	6%	28%	19%	14%	5%	28%
\$150k+	117	1%	10%	13%	16%	8%	52%
Race/Ethnicity							
White	497	8%	34%	20%	10%	5%	23%
Black	75	5%	20%	18%	33%	4%	20%
Hispanic	79	13%	42%	10%	10%	3%	22%
Age of Oldest Child							
0-6 years	208	16%	48%	15%	8%	4%	9%
7-12 years	229	5%	28%	22%	22%	4%	19%
13-17 years	250	3%	20%	20%	8%	6%	43%
Region							
Northeast	137	8%	31%	19%	18%	5%	19%
Midwest	201	7%	39%	19%	14%	5%	16%
South	299	11%	27%	23%	11%	3%	25%
West	191	6%	37%	13%	9%	7%	27%

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

Table 15 Average Funds Saved for College			
	N	Mean	Median
Total	687	\$13,827	\$5,000
Income			
<\$35k	55	\$4,771	\$2,000
\$35-<\$50k	71	\$7,470	\$4,000
\$50-<\$100k	285	\$13,280	\$5,000
\$100-<\$150k	150	\$14,780	\$6,000
\$150k+	117	\$31,574	\$20,000
Race/Ethnicity			
White	497	\$14,281	\$5,000
Black	75	\$12,416	\$10,000
Hispanic	79	\$13,032	\$3,000
Age of Oldest Child			
0-6 years	208	\$6,580	\$3,000
7-12 years	229	\$13,558	\$8,000
13-17 years	250	\$23,166	\$12,000
Region			
Northeast	137	\$15,846	\$6,000
Midwest	201	\$9,693	\$5,000
South	299	\$13,722	\$6,000
West	191	\$15,589	\$5,000

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

The data also reveal that saving for college takes on an habitual character once commenced. No matter the child's age when beginning a savings plan and no matter the income level of the saving parent, the total amount saved increases steadily the longer that dedicated savings vehicles are in effect. Table 16 shows the median amounts for all savers, by income, at two durations since the inception of saving. Parents of any income level who had saved seven years or more accumulated two to three times the savings as parents in corresponding income levels who saved less than seven years.

Table 16 Amount Saved by Savings Period, by Income				
	Saving < 7 years		Saving 7+ Years	
	N	Median Amount Saved	N	Median Amount Saved
Total	360		317	
Income				
<\$50k	69	\$2,000	56	\$5,000
\$50-<\$100k	160	\$3,811	125	\$15,000
\$100-<\$150k	80	\$6,000	70	\$12,000
\$150k+	51	\$10,000	66	\$36,785

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

Impact of Economic Factors on Saving

While six out of 10 families are saving for college, many are not saving enough or are saving less than they had been simply because they don't have the financial resources. One of the competing financial priorities for many families is saving for retirement. It is important to note that a small percent of families who have not saved enough in their college fund turn to their retirement savings to pay for college. In 2008-09, 3 percent of families with children in college reported withdrawing money from a parent retirement account to pay for the tuition bill and 1 percent of families reported borrowing from a parent retirement account.⁶

The vast majority of parents (95%) have stated they intend to pay for some portion of their child's college costs, but only one in five feel extremely confident that they will be able to save the entire portion they have committed to paying. Based on the savings rate analysis (p. 5), it is likely only three out of 10 will save the full portion they intend to contribute. However, many parents meet their contribution goal by using other financial resources. *How America Pays for College 2009* shows that 45 percent of college costs in 2008-09 were paid by parents. That portion, however, is made up of a combination of savings (13%), current income (23%), and borrowed money (9%).⁷ Interestingly, parents of enrolled college students have a much higher rate of extreme confidence (41%) in their ability to pay for the remaining years of college⁸ than do parents of future college students in their ability to save for college (19%).

Second only to lack of resources as a reason for not saving at all, non-saving parents of teens say they expect their child to qualify for enough scholarships or financial aid to cover the costs of college. While 51 percent of students used grants and scholarships in 2008-09, this financial aid covered, on average, only 25 percent of college costs—not all costs.⁹

Families who save now can reduce the overall cost of college later by reducing the amount they may have to borrow. *How America Pays for College 2009* found that families who used savings to pay for college were less likely to borrow than those who didn't save, and the likelihood of borrowing decreased as the amount of savings used to pay for college increased. Parents who used any amount of savings to pay for a portion of college costs in 2008-09 were 10 percent less likely to borrow, and those who used \$10,000 or more in savings were half as likely to borrow to pay college costs than parents who did not access savings.¹⁰ The lesson is clear: parents and prospective students who save now can reduce the need to borrow later.

IMPACT OF ECONOMY ON SAVINGS CHOICES

Thinking about current U.S. economic conditions, are you putting MORE, LESS, or the SAME amount of money compared to this time last year toward your:

- A. General savings
- B. College savings
- C. Retirement savings

Base: all parents with children under age 18

Nearly half of parents with children under age 18 continued to save roughly the same amount of money for college this year as they did at the same time last year (47%). However, 33 percent of parents were saving less and 15 percent were not saving at all. Those who had not saved for college were more likely not to have saved for general (5%) or retirement (21%) savings either. Only 5 percent of parents were saving more for college which makes college savings the least likely saving category to be augmented by parents this year compared to last.

⁶Sallie Mae, Gallup (2009) pp. 26, 33

⁷Sallie Mae, Gallup (2009) p. 3

⁸Sallie Mae, Gallup (2009) p. 50

⁹Sallie Mae, Gallup (2009) pp. 4, 26, 27

¹⁰Sallie Mae, Gallup. (2009) p. 58

Fig. 21 Type of Savings by Change in Savings Level

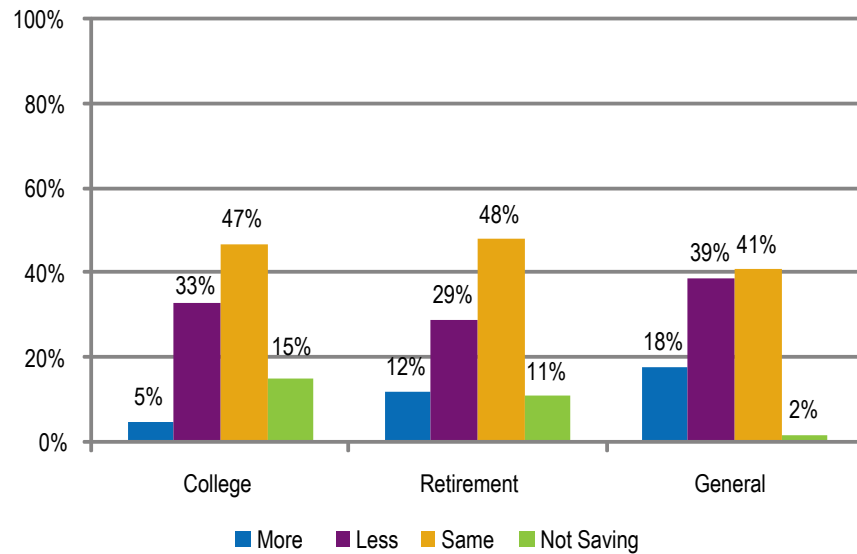


Table 17 Change in Level of College Savings					
	N	More	Less	Same	Not Saving
Total	1196	5%	33%	47%	15%
Income					
<\$35k	171	5%	36%	30%	29%
\$35-<\$50k	145	4%	43%	38%	15%
\$50-<\$100k	477	3%	34%	50%	13%
\$100-<\$150k	211	10%	16%	66%	8%
\$150k+	164	8%	27%	54%	11%
Race/Ethnicity					
White	838	5%	31%	48%	16%
Black	157	3%	44%	41%	12%
Hispanic	130	7%	31%	50%	12%
Age of Oldest Child					
0-6 years	321	6%	27%	55%	12%
7-12 years	389	4%	38%	50%	8%
13-17 years	486	5%	34%	37%	24%

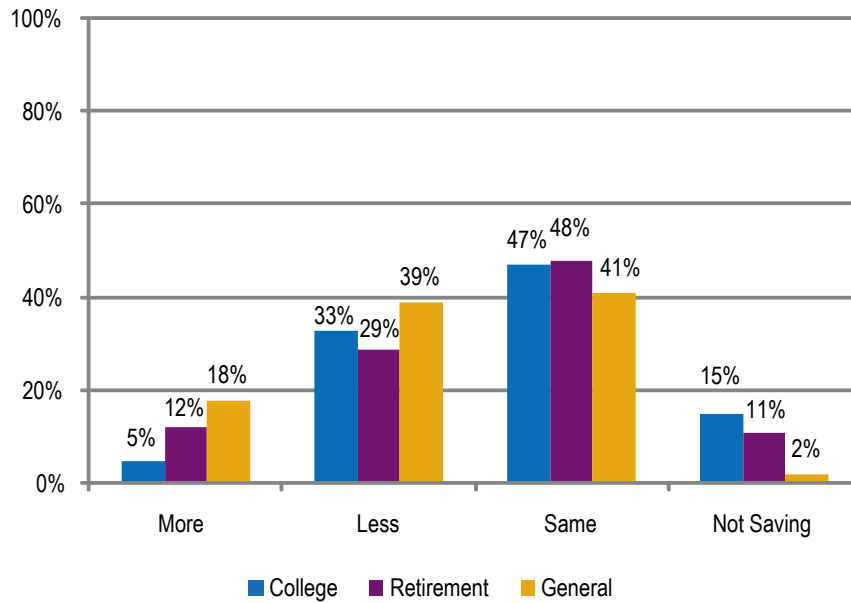
Base: Parents of children with some likelihood to attend a form of higher education.

Almost half of all parents with children under 18 had also maintained the same level of saving for retirement (48%) while 12 percent had saved more for retirement. Slightly fewer parents had saved less (29%) or had not saved for retirement (11%) than those who had saved less or not saved for college. The percentage of parents who had not saved for retirement declined as income rose. No parents earning \$150,000 or more failed to

save for retirement while 34 percent of parents earning less than \$35,000 did not save for retirement.

African-American parents (50%) were more likely than White (27%) or Hispanic (26%) families to have saved less for retirement this year than last. Parents were less likely to cut back on saving for retirement than for college or general savings.

Fig. 22 Change in Savings Level by Type of Savings



	N	More	Less	Same	Not Saving
Total	1195	12%	29%	48%	11%
College Saving Status					
Saving	825	13%	33%	48%	6%
Not Saving	370	11%	22%	46%	21%
Income					
<\$35k	169	3%	39%	24%	34%
\$35-<\$50k	143	12%	27%	46%	15%
\$50-<\$100k	479	12%	28%	55%	5%
\$100-<\$150k	211	22%	22%	53%	3%
\$150k+	166	14%	31%	55%	0%
Race/Ethnicity					
White	840	11%	27%	51%	11%
Black	154	9%	50%	33%	8%
Hispanic	130	17%	26%	47%	10%
Age of Oldest Child					
0-6 years	324	15%	23%	52%	10%
7-12 years	387	12%	35%	46%	7%
13-17 years	484	9%	31%	44%	16%

Base: Parents of children with some likelihood to attend a form of higher education.

Nearly all parents had some general savings with only 2 percent reporting they had not saved. Nearly one out of five parents (18%) had saved more for general savings compared to last year. The percentage of parents who saved more for general savings this year

rose as income rose, from 7 percent to 31 percent. However, general savings was also the most likely to have declined overall with 39 percent of parents reporting that they had saved less.

Table 19 Change in Level of General Savings					
	N	More	Less	Same	Not Saving
Total	1200	18%	39%	41%	2%
College Saving Status					
Saving	830	18%	41%	41%	0%
Not Saving	370	18%	35%	42%	5%
Income					
<\$35k	171	7%	50%	37%	6%
\$35-<\$50k	147	13%	45%	37%	5%
\$50-<\$100k	477	21%	39%	39%	1%
\$100-<\$150k	211	23%	24%	53%	0%
\$150k+	166	31%	28%	41%	0%
Race/Ethnicity					
White	841	16%	38%	43%	3%
Black	157	24%	47%	27%	2%
Hispanic	131	17%	34%	47%	2%
Age of Oldest Child					
0-6 years	324	21%	35%	43%	1%
7-12 years	389	19%	38%	41%	2%
13-17 years	487	13%	43%	40%	4%

Base: Parents of children with some likelihood to attend a form of higher education.

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?
- ▶ What are you saving the third most for now?

Base: all parents with children under age 18

Overall, when parents were asked what they were saving the most for right now, retirement savings ranked first (27%), followed by children's college costs (14%) and an emergency or rainy day (14%). When considering together all items mentioned as one of the top three savings priorities, 46 percent of parents said saving for their child's education was one of their top three savings priorities, 44 percent cited retirement as one of their top three savings priorities, and 32 percent of parents cited an emergency or rainy day.

Savings priorities differed by income. Retirement was more frequently mentioned as one of parents' top three priorities as wealth increased. Only 9 percent of parents earning less than \$35,000 per year cited retirement as a top three savings priority while 69 per-

cent of parents earning \$150,000 or more included retirement in their top three savings priorities. Saving for children's college was also cited as a top three priority with increasing frequency as wealth increased, ranging from 23 percent for parents earning less than \$35,000 to 60-64 percent for parents earning \$100,000 or more.

For parents with incomes below \$35,000, saving for emergencies and rainy days (25%) and a house or home (26%) eclipsed retirement (9%) and college savings (23%) as a top three priority. For all other income levels, retirement and college savings were the most frequently cited among top three savings priorities. One-quarter of parents with incomes below \$35,000 said they were not saving for anything, a higher percentage than any other group.

Parents of children ages 0-6 were more likely to cite a house or home (26%) as a top three savings priority compared to parents of teens (16%).

African-American (56%) and Hispanic (52%) parents were more likely than White parents (43%) to say that saving for their children's college was a top three priority, and saving for college was their most commonly cited top three priority.

Hispanic parents were less likely to say retirement is one of their top three savings priorities (33%) than African-American (40%) or White parents (47%). Retirement was the most commonly reported top three priority for White parents, and all three racial/ethnic

groups cited retirement as the item they were saving the most for right now.

Table 20 Top Savings Priority

	N	Retirement	College for Child(ren)	Emergencies/Rainy Day	House/Home	General Savings	Vacation	Other
Total	1195	27%	14%	14%	12%	9%	2%	10%
Savers	828	29%	20%	14%	11%	10%	1%	8%
Non-Savers	367	23%	3%	12%	15%	8%	4%	13%
Race/Ethnicity								
White	840	29%	13%	14%	12%	9%	3%	9%
Black	156	22%	14%	20%	10%	9%	1%	8%
Hispanic	129	20%	16%	12%	14%	11%	1%	14%
Income								
<\$35k	170	2%	11%	14%	16%	9%	4%	13%
\$35-\$50k	146	22%	17%	15%	18%	6%	2%	6%
\$50-\$100k	475	32%	13%	13%	11%	12%	2%	9%
\$100-\$150k	211	39%	17%	12%	5%	6%	1%	13%
\$150k+	166	47%	10%	14%	12%	11%	1%	4%
Age of Child								
0-6 years	325	28%	10%	14%	19%	11%	3%	6%
7-12 years	384	26%	11%	15%	9%	9%	3%	15%
13-17 years	486	27%	19%	12%	8%	8%	1%	10%

Responses receiving at least 10% of mentions as top savings priority

Base: Parents of children with some likelihood to attend a form of higher education.

Table 21 Top Three Savings Priorities

	N	Retirement	College for Child(ren)	Emergencies/Rainy Day	House/Home	General Savings	Vacation	Other
Total	1195	44%	46%	32%	20%	23%	12%	23%
Savers	828	50%	66%	32%	19%	25%	13%	19%
Non-Savers	367	35%	13%	32%	22%	19%	9%	30%
Income								
<\$35k	170	9%	23%	25%	26%	17%	9%	31%
\$35-\$50k	146	36%	43%	35%	30%	15%	6%	15%
\$50-\$100k	475	54%	50%	34%	18%	24%	16%	25%
\$100-\$150k	211	61%	64%	33%	10%	31%	11%	23%
\$150k+	166	69%	60%	25%	19%	31%	11%	18%
Age of Child								
0-6 years	325	48%	44%	35%	26%	25%	13%	18%
7-12 years	384	42%	46%	32%	20%	23%	15%	29%
13-17 years	486	43%	49%	28%	16%	20%	8%	23%
Race/Ethnicity								
White	840	47%	43%	31%	20%	24%	12%	20%
Black	156	40%	56%	35%	16%	22%	10%	34%
Hispanic	129	33%	52%	33%	28%	18%	10%	27%

Responses receiving at least 10% of mentions as one of three top savings priorities

Base: Parents of children with some likelihood to attend a form of higher education.

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 don’t expect your child to go to college.
- J. You expect your child to qualify for enough scholarship or financial aid to cover the costs.
- K. Your child will attend a school that is not very expensive.
- L. 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 was that they did not have enough money to save for their children’s education. Sixty-two percent of parents who aren’t saving cited this as a major reason and 87 percent said it was either a major or minor reason why they were not saving for their child’s education.

Seventy-nine percent of non-saving parents gave as a reason that they expect their child to qualify for enough scholarships or financial aid to cover the costs, with 34 percent saying this was a major reason.

Focusing on other savings priorities as a reason for not saving for college was cited by 74 percent of parents with 48 percent giving it as a major reason.

Different reasons for not saving were given by parents of children in the different age groups. Parents of teens were more likely than parents of younger children to say it is the child’s responsibility to pay for college (65%), their child will attend a school that is not very expensive (59%), and their child is too old or it is too late to start saving (53%) while parents of children ages 0-6 are more likely to say their child is too young to start thinking about it (80%).

Parents of children under age 13 were more likely than parents of teens to say that they are focusing on other savings priorities (81-85%) and that they haven’t gotten around to starting a savings plan yet (72-73%).

Table 22 Reason for Not Saving

	N	Major Reason	Minor Reason	Not At All A Reason
You don’t have enough money to save for your children’s college education.	370	62%	25%	13%
You’re focusing on other saving priorities.	370	48%	26%	26%
You expect your child to qualify for enough scholarship or financial aid to cover the costs.	370	34%	45%	21%
You haven’t gotten around to starting a savings plan yet.	369	33%	30%	37%
You’re focusing on saving for retirement first.	369	29%	28%	43%
Your child will attend a school that is not very expensive.	364	24%	29%	47%
You’re not sure which are the best options for college saving.	368	23%	37%	40%
Your children are too young to start thinking about it.	370	18%	36%	46%
It is the child’s responsibility to pay for college.	369	17%	40%	43%
You don’t know how to save for college.	368	10%	38%	52%
Your child is too old/it is too late to start saving.	370	5%	28%	67%
You don’t expect your child to go to college.	365	4%	27%	69%

Base: Parents of children with some likelihood to attend a form of higher education who have not saved for their child’s college education.

Table 23 Major Reason for Not Saving for College, by Age of Child

	Major Reason			
	Total	Age of Child		
		0-6 years	7-12 years	13-17 years
N	370	89	104	177
You're focusing on other saving priorities.	48%	54%	58%	40%
You don't have enough money to save for your children's college education.	62%	53%	69%	64%
You haven't gotten around to starting a savings plan yet.	33%	47%	32%	25%
Your children are too young to start thinking about it.	18%	34%	20%	7%
You're not sure which are the best options for college saving.	23%	26%	25%	21%
You're focusing on saving for retirement first.	29%	24%	39%	27%
You expect your child to qualify for enough scholarship or financial aid to cover the costs.	34%	21%	27%	45%
It is the child's responsibility to pay for college.	17%	20%	13%	17%
Your child will attend a school that is not very expensive.	24%	19%	23%	29%
You don't know how to save for college.	10%	6%	3%	16%
You don't expect your child to go to college.	4%	2%	7%	4%
Your child is too old/it is too late to start saving.	5%	0%	3%	9%

Base: Parents of children with some likelihood to attend a form of higher education who have not saved for their child's college education.

Table 24 Major or Minor Reason for Not Saving for College, by Age of Child

	Major/Minor Reason			
	Total	Age of Child		
		0-6 years	7-12 years	13-17 years
N	370	89	104	177
You don't have enough money to save for your children's college education.	87%	84%	89%	87%
You're focusing on other saving priorities.	74%	81%	85%	66%
Your children are too young to start thinking about it.	54%	80%	63%	34%
You expect your child to qualify for enough scholarship or financial aid to cover the costs.	79%	76%	84%	78%
You haven't gotten around to starting a savings plan yet.	63%	72%	73%	53%
You're not sure which are the best options for college saving.	60%	63%	65%	56%
You're focusing on saving for retirement first.	57%	57%	64%	54%
It is the child's responsibility to pay for college.	57%	49%	50%	65%
Your child will attend a school that is not very expensive.	53%	45%	48%	59%
You don't know how to save for college.	48%	37%	44%	57%
You don't expect your child to go to college.	31%	12%	31%	44%
Your child is too old/it is too late to start saving.	33%	6%	24%	53%

Base: Parents of children with some likelihood to attend a form of higher education who have not saved for their child's college education.

Table 25 Not a Reason for Not Saving for College, by Age of Child				
	Not At All A Reason			
	Total	Age of Child		
		0-6 years	7-12 years	13-17 years
N	370	89	104	177
Your children are too young to start thinking about it.	46%	20%	37%	66%
You don't have enough money to save for your children's college education.	13%	16%	11%	13%
You're focusing on saving for retirement first.	43%	43%	36%	46%
You're focusing on other saving priorities.	26%	19%	15%	34%
You don't know how to save for college.	52%	63%	56%	43%
You're not sure which are the best options for college saving.	40%	37%	35%	44%
You haven't gotten around to starting a savings plan yet.	37%	28%	27%	47%
It is the child's responsibility to pay for college.	43%	51%	50%	35%
You don't expect your child to go to college.	69%	88%	69%	56%
You expect your child to qualify for enough scholarship or financial aid to cover the costs.	21%	24%	16%	22%
Your child will attend a school that is not very expensive.	47%	55%	52%	41%
Your child is too old/it is too late to start saving.	67%	94%	76%	47%

Base: Parents of children with some likelihood to attend a form of higher education who have not saved for their child's college education.

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 all children with a likelihood to attend college who expect to pay some portion of their child's college costs.

Forty-four percent of parents who planned to pay some portion of their child's college expenses were either confident (25%) or "Extremely Confident" (19%) they could save all of their intended contribution toward college costs. About one in five either felt not confident (10%) or "Not at all Confident" (8%) in their ability to save with the remaining 38 percent being somewhat confident.

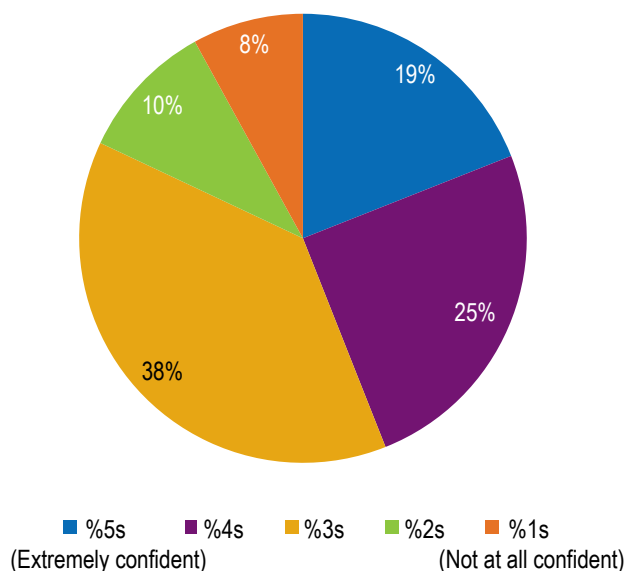
For parents planning to pay for half or more of the cost of college, as the amount of planned contributions increased, so did confidence* in savings ability.

In general, the less a parent planned to contribute to the total cost of college and expenses, the more likely he/she was to feel not confident** in his/her ability to save. Thirty percent of parents who intended to contribute only "A little of the cost" felt not confident** in

*Combined 4 & 5 ratings.

**Combined 1 & 2 ratings.

Fig. 23 Confidence in Ability to Save for Expected College Contribution



their ability to save that amount. By comparison, only 20 percent of those who planned to contribute "Half the cost" felt not confident,** and only 9 percent of parents who aimed to pay for the entire cost of college reported feeling not confident.**

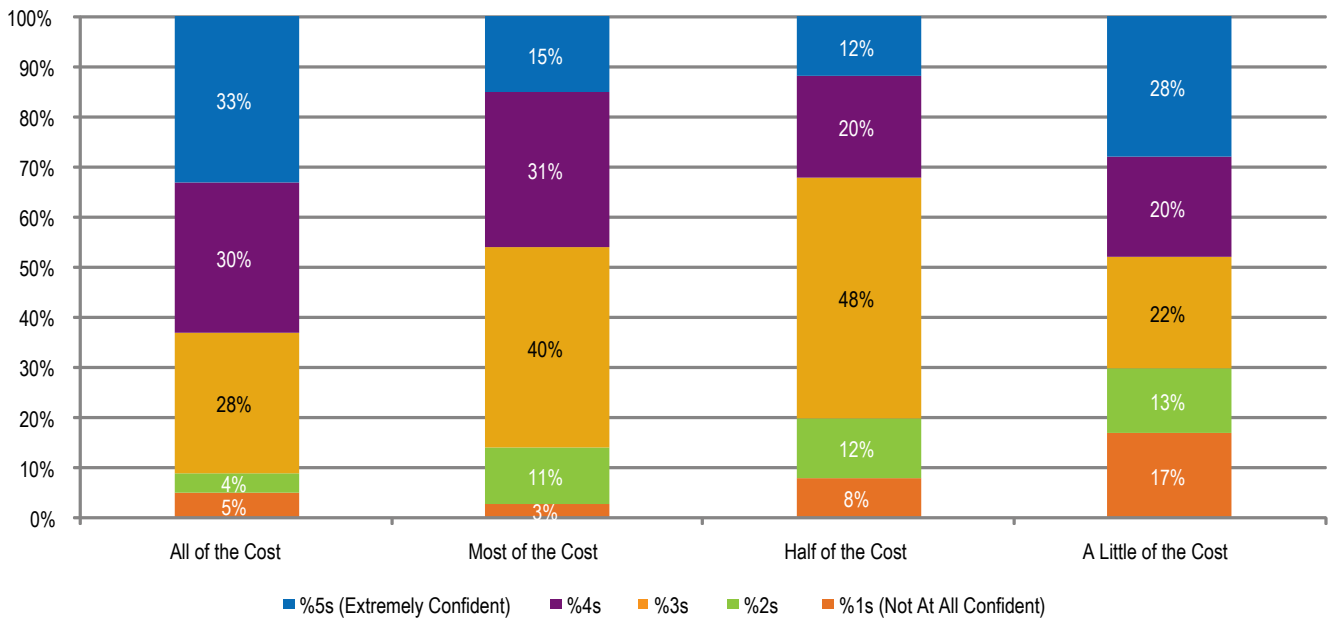
However, those who expected to contribute “A little of the cost” were more likely (28%), along with those who expected to contribute “All of the Cost” (33%), to be extremely confident in their ability to save.

Parents who had saved for their child’s education were significantly more confident in their ability to save for their intended contribution amount than those who had not saved. Half of saving parents reported feeling confident* compared to one-third of non-saving parents. Additionally, as existing savings amounts increased, parents indicated both that they were planning to cover a higher amount of college cost and an increased confidence in their ability to achieve their higher goals.

Confidence also rose as household income rose. Parents with incomes above \$150,000 were more than twice as likely to be confident* as parents with incomes below \$35,000 (63% compared to 30%). Over one-third (37%) of parents who earned less than \$35,000 were not confident** that they could save for their planned education contribution.

Hispanic parents were the most likely to have felt confident* (54%) in saving their intended contribution amount. Only 6 percent of Hispanic parents were not confident** compared to 20 percent of White parents and 22 percent of African-American parents. African-American parents were the least likely to be confident* (31%).

Fig. 24 Confidence in Ability to Save by Expected Contribution to Education Expenses



	N	All or Most
Total	684	
Amount Saved		
<\$2k	89	35%
\$2k-<\$5k	117	44%
\$5k-<\$10k	124	55%
\$10k-<\$20k	141	68%
\$20k-<\$35k	102	59%
\$35k+	111	72%

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child’s college education.

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

	N	Confidence Rating 4&5
Total	676	
Amount Saved		
<\$2k	87	40%
\$2k-<\$5k	116	39%
\$5k-<\$10k	123	45%
\$10k-<\$20k	140	46%
\$20k-<\$35k	101	51%
\$35k+	109	73%

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child’s college education.

Fig. 25 Correlation Between Amount Saved and High Planned Contribution, and Amount Saved and High Confidence Level

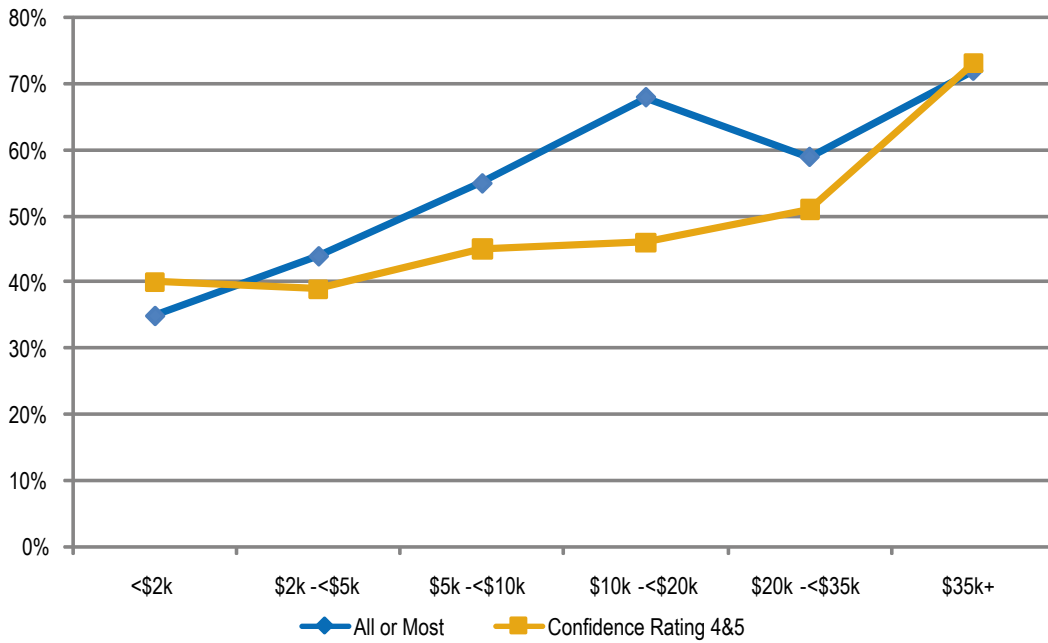


Table 27 Parent Confidence in Ability to Save for Child’s College Education

	N	%5s (Extremely confident)	%4s	%3s	%2s	%1s (Not at all confident)
Total	1146	19%	25%	38%	10%	8%
Saving Status						
Saving	819	22%	28%	37%	8%	5%
Not Saving	327	13%	20%	39%	15%	13%
Income						
<\$35k	147	12%	18%	33%	17%	20%
\$35-<\$50k	137	18%	22%	40%	14%	6%
\$50-<\$100k	471	19%	27%	39%	11%	4%
\$100-<\$150k	206	19%	31%	40%	3%	7%
\$150k+	159	35%	28%	28%	2%	7%
Race/Ethnicity						
White	812	20%	24%	36%	12%	8%
Black	144	10%	21%	47%	12%	10%
Hispanic	127	20%	34%	40%	3%	3%
Age of Oldest Child						
0-6 years	314	27%	29%	34%	9%	1%
7-12 years	378	14%	25%	39%	13%	9%
13-17 years	454	16%	22%	39%	10%	13%
Parent Contribution to Cost of College						
All of the Cost	177	33%	30%	28%	4%	5%
Most of the Cost	433	15%	31%	40%	11%	3%
Half of the Cost	353	12%	20%	48%	12%	8%
A Little of the Cost	183	28%	20%	22%	13%	17%

Base: Parents of children with some likelihood to attend a form of higher education who are planning to contribute to the cost of college expenses.

Awareness and Motivation

Among parents who save, many do not utilize a core college-savings vehicle, 529 college savings plans. It is unclear whether these parents are consciously choosing not to use 529 plans or are shut out due to lack of familiarity. Looking to the future, for both parents who save and those who haven't started saving, exploring programs to motivate them to save more and identifying opportunities to increase their savings power are beneficial.

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

Over half of parents (51%) not currently using a 529 college savings plan said that they are not at all familiar with 529 plans. An additional 5 percent volunteered that they had never heard of the plan or didn't know what it was. Only 5 percent of parents not currently using a 529 plan felt that they are very familiar with these plans.

For parents who are not currently saving for their child's education, 58 percent were not at all familiar with 529 plans and another 6 percent didn't know what they were or had never heard of them. Among parents who are saving for college but not using a 529 plan to save, 45 percent were not at all familiar and 5 percent had never heard of them.

Familiarity with 529 college savings plans rose as income increased. Seventy-five percent of parents earning less than \$35,000 per year reported they were not at all familiar with 529 plans and only 19 percent of parents earning \$150,000 or more reported that they were not at all familiar with them.

Parents of older children were more likely to be unfamiliar with 529 plans than parents of younger children. Fifty-seven percent of parents of children ages 13-17 were not at all familiar with 529 college savings plans compared to 51 percent of parents of children ages 7-12 and 43 percent of parents of children ages 0-6.

African-American (57%) and Hispanic (61%) parents were more likely to have said they were not at all familiar with 529 plans than White parents (49%).

Table 28 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	895	5%	7%	16%	16%	51%	5%
Savers	525	5%	8%	17%	20%	45%	5%
Non-Savers	370	4%	7%	14%	11%	58%	6%
Income							
<\$35k	161	4%	2%	7%	3%	75%	9%
\$35-\$50k	128	5%	7%	11%	18%	54%	5%
\$50-\$100k	372	3%	8%	20%	17%	48%	4%
\$100-\$150k	122	4%	13%	24%	28%	29%	2%
\$150k+	85	20%	17%	22%	22%	19%	0%
Age of Child							
0-6 years	215	4%	11%	20%	18%	43%	4%
7-12 years	274	5%	7%	17%	16%	51%	4%
13-17 years	406	5%	5%	12%	14%	57%	7%
Race/Ethnicity							
White	624	4%	8%	18%	16%	49%	5%
Black	124	7%	10%	11%	13%	57%	2%
Hispanic	93	7%	6%	11%	11%	61%	4%

Base: Parents of children with some likelihood to attend a form of higher education who are not currently using a 529 college savings plan.

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 but not using a 529 college savings plan

The most commonly cited reason that saving parents gave for not using a 529 college savings plan was that they do not have enough information about 529s (27%). Seventeen percent said that another savings plan is already meeting their savings needs. Fourteen percent said that the plans seem complicated or they don't understand them and 14 percent cited a lack of money to save or unemployment. Thirteen percent said that they are concerned that they would lose money or pay a penalty if their child does not attend college.

The predominant reasons given by parents for not using a 529 college savings plan differed by age of their child. Parents of children ages 13-17 most often said that another savings plan is meeting their needs (29%) while a lack of information was the most common reason for parents of younger children.

Parents of the youngest children more frequently cited a lack of money or unemployment (24%) as the reason they are not using a 529 plan while only 4 percent of parents of teens gave this reason.

SAVING FOR COLLEGE MOTIVATIONS

The following is a list of programs that may or may not motivate you to save or save more for your child's education. How likely is each program to motivate you to save or save more for your oldest child's college education? Please use a five-point scale, where 5 means very likely to motivate you and 1 means not at all likely to motivate you. How about...

- A. If there were tax benefits for money dedicated to a college savings fund
- B. A program that offers rewards on everyday shopping to be placed in a college savings fund
- C. If you could directly deposit from your paycheck into a college fund
- D. If a matching contribution was available from your employer into a college fund
- E. If you got a discount on your child's tuition for paying a minimum percentage, say 20% in cash
- F. If financial aid eligibility would not be based on any savings in accounts specifically dedicated to saving for college

Base: Parents of children under 18 with a likelihood to go to college

A matching contribution from employers into a college savings fund was the program parents said would be the most likely to motivate saving for college. Nearly two-thirds indicated this program would be very likely to motivate them to save or save more for college.

Forty-four percent of parents said a program that would provide tax benefits for money dedicated to a college

Table 29 Reasons for Not Using a 529 College Savings Plan

	N	Not Enough Information	Other Savings Programs Meet My Needs	Unemployed/ No Money to Save	Seems Complicated/ Don't Understand	Could Lose Money/Pay If Child Doesn't Attend	Don't Know Which State	Associated Fees/ Too Expensive
Total	246	27%	17%	14%	14%	13%	5%	5%
Age of Child								
0-6 years	61	26%	13%	24%	11%	11%	1%	5%
7-12 years	82	29%	9%	16%	19%	13%	5%	3%
13-17 years	103	25%	29%	4%	13%	15%	7%	5%

Base: Parents of children with some likelihood to attend a form of higher education who have saved but are not currently using a 529 college savings plan but have some familiarity with them.

savings fund would be very likely to motivate them to save or save more for college, and 40 percent of parents said a program offering a discount on tuition for paying a minimum amount in cash would be very likely to motivate them to save.

Direct deposit from their paycheck into a college savings account was the least likely to motivate parents to save or save more for college, with only 18 percent saying it would be very likely to motivate them.

Generally, parents who are already saving for college reported that each program would be likely to motivate them to save more money with higher frequency than parents who are not saving for college, with the exception of a rewards program for everyday shopping. Twenty-five percent of savers said a shopping rewards program was very likely to motivate them while 27% of non-savers reported that this type of program would motivate them.

For parents who are not saving for college, the employer matching contributions was the most likely to motivate them to save for college, with 58 percent reporting that it would be very likely to motivate them. In particular, among non-saving parents with lower to moderate incomes, an employer matching contribution was the most likely program to motivate them to start saving. Forty-six percent of non-saving parents earning less than \$50,000 said this would motivate them, compared to the next highest response of 29 percent for any other program among this group. Non-saving parents cared far less for the tax benefits than saving parents—34 percent said a tax benefit would be very likely to motivate them to start saving compared to 51 percent of families already saving who would be motivated by this benefit.

African-American (34%) and Hispanic (32%) parents were more likely than White parents (22%) to state that a shopping rewards program would be very likely to motivate them to save for college. They were also more likely to say that direct deposit would motivate them to save, with 30 percent of African-American parents and 26 percent of Hispanic parents saying this would make them very likely to save but only 14 percent of White parents saying the same. African-American parents (43%) were more likely than either Hispanic (29%) or

White (32%) parents to say that excluding money in college savings accounts from financial aid determinations would be very likely to motivate them to save for college.

A program offering rewards for everyday shopping that would be placed in a college savings fund would be more likely to motivate the lowest income parents (33%) compared to the highest income parents (24%). Excluding funds in a college savings account from financial aid determinations was equally appealing across the lower- and middle-income groups; approximately one-third of parents in these groups found it likely to motivate them. Close to half of parents in the highest income group (49%) said this would motivate them to save for college. Direct deposit from a paycheck into a college savings fund would be a likely motivator for about one-fifth of parents across income groups. As income increases, parents were more likely to say that a matching contribution from employers into a college savings fund and tax benefits for college savings plans would motivate them to save more.

Most of the programs vary little by age of child in how likely they are to motivate parents to save for college. Matching employer contributions are more likely to be viewed as very likely to motivate saving by parents of younger children (76%) than by parents of children over age 6 (60-63%). Parents of children ages 0-6 (41%) and parents of teens (45%) are more likely than parents of children ages 7-12 (33%) to say that a discount for paying a percentage of tuition in cash would be very likely to motivate them to save for college.

Table 30 Savings Motivators, Rated Very Likely									
	Very Likely								
	Total	Saving Status			Income				
		Savers	Non-Savers	<\$35k	\$35-\$50k	\$50-\$100k	\$100-\$150k	\$150k+	
N	1201	833	368	170	147	479	212	165	
Tax benefits for money in a college savings fund	44%	51%	34%	29%	36%	46%	56%	68%	
Rewards program for everyday shopping dedicated to a college savings fund	25%	25%	27%	33%	26%	23%	21%	24%	
Direct deposit from paycheck into college savings fund	18%	21%	13%	14%	19%	19%	21%	18%	
Matching contribution from employer into college savings fund	66%	72%	58%	52%	61%	71%	72%	81%	
Discount on tuition for paying a minimum percentage in cash	40%	43%	35%	34%	31%	43%	41%	61%	
Exclude money in college savings accounts from financial aid eligibility determination	34%	37%	28%	32%	32%	31%	34%	49%	
	Very Likely								
	Total	Age of Child			Race/Ethnicity				
		0-6 years	7-12 years	13-17 years	White	Black	Hispanic		
N	1201	325	390	486	842	157	131		
Tax benefits for money in a college savings fund	44%	42%	45%	45%	43%	44%	46%		
Rewards program for everyday shopping dedicated to a college savings fund	25%	24%	24%	28%	22%	34%	32%		
Direct deposit from paycheck into college savings fund	18%	17%	21%	17%	14%	30%	26%		
Matching contribution from employer into college savings fund	66%	76%	60%	63%	67%	64%	65%		
Discount on tuition for paying a minimum percentage in cash	40%	41%	33%	45%	39%	46%	44%		
Exclude money in college savings accounts from financial aid eligibility determination	34%	36%	35%	31%	32%	43%	29%		

Table 31 Savings Motivators, Rated Very Likely, by Lower-Income Non-saving Parents

	N
	164
Tax benefits for money in a college savings fund	24%
Rewards program for everyday shopping dedicated to a college savings fund	28%
Direct deposit from paycheck into college savings fund	15%
Matching contribution from employer into college savings fund	46%
Discount on tuition for paying a minimum percentage in cash	25%
Exclude money in college savings accounts from financial aid eligibility determination	29%

Base: Non-saving parents with incomes <\$50k.

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:

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

The table would be used in the following manner: Let us say a reported percentage is 33 for a group which includes 700 respondents. Then we go to row “percentages near 30” in the table and go across to the column headed “700”. The number at this point is 5, which means that the 33 percent obtained in the sample is subject to a sampling error of plus or minus 5 points. Another way of saying it is that very probably (95 chances of 100) the true figure would be somewhere between 28 and 38, 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.

	50	100	150	200	250	300	400	500	600	700	800	1000	1200	1400	1600
50	22	19	18	17	17	17	17	16	16	16	16	16	16	16	16
100		16	14	14	13	13	12	12	12	12	12	12	11	11	11
150			13	12	11	11	11	10	10	10	10	10	10	9	9
200				11	10	10	10	9	9	9	9	9	8	8	8
250					10	9	9	9	8	8	8	8	8	8	8
300						9	8	8	8	8	7	7	7	7	7
400							8	7	7	7	7	7	6	6	6
500								7	7	6	6	6	6	6	6
600									6	6	6	6	6	5	5
700										6	6	5	5	5	5
800											6	5	5	5	5
1000												5	5	5	4
1200													5	4	4
1400														4	4
1600															4

	50	100	150	200	250	300	400	500	600	700	800	1000	1200	1400	1600
50	28	24	23	22	21	21	21	20	20	20	20	20	20	20	20
100		19	18	17	16	16	15	15	15	15	15	14	14	14	14
150			16	15	14	14	13	13	13	12	12	12	12	12	12
200				14	13	13	12	12	11	11	11	11	11	10	10
250					12	12	11	11	10	10	10	10	10	9	9
300						11	11	10	10	10	9	9	9	9	9
400							10	9	9	9	8	8	8	8	8
500								9	8	8	8	8	7	7	7
600									8	8	7	7	7	7	7
700										7	7	7	7	6	6
800											7	7	6	6	6
1000												6	6	6	6
1200													6	5	5
1400														5	5
1600															5

* The Chances Are 95 In 100 That The Sampling Error Is Not Larger Than The Figure Shown.



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