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Survey says...Parents worried about long-term student loan debt

by *Kenneth Corbin* | August 18, 2011

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In the face of sharply escalating costs for a college education, parents are coming to expect that, in all likelihood, they and their children will bear most of the financial burden, according to a new survey conducted by the **College Savings Foundation**.

Survey respondents said that they realize they and their children will bear the brunt of repaying college loan costs as outside forms of help, such as assistance from the child's grandparents, would not likely be available. Instead, many said they are expecting to piece together financing for their kids' college education through a combination of savings, their current income and loans, most of which will be paid back by the student.

"We are seeing a strong shift to self-reliance among parents who are better informed about the costs of college and strategies for funding it," Roger Michaud, chairman of the College Savings Foundation, said in a statement. "At the same time, parents are worried that even their best efforts will not keep them and their children out of long-term debt." Citing data from The College Board, the authors of the study report increases in the total cost of college as follows: 6.1 percent for four-year public schools and 4.3 percent for private institutions. Those increases have left parents with rising uncertainty about their children's educational opportunities. Twenty-nine percent of respondents said that tuition costs might compel them to narrow the choices of schools available to their kids.

The survey is the fifth annual installment from the College Savings Foundation, a Washington, D.C.-based nonprofit group dedicated to helping families afford college through research, education and advocacy.

Serving 5 to 20: many years ahead for paying off college debt

The organization champions the so-called **529 savings plans**, the education savings programs operated by a state or institution that carry certain federal tax benefits. The survey found that parents with 529s had generally saved more money for their kids' college education than those who weren't using the plans.

"529 college savings plans are designed to meet each saver's time horizon and risk tolerance," Michaud said. "They present a wide variety of options including age-based evolving portfolios, more conservative investments like stable value funds or FDIC-insured certificates of deposit, which are particularly important as a child reaches college

age, and more growth-oriented investments like equities to enable a college savings account to meet the rising costs of college over a decade or two."

Sixty-five percent of respondents said they are actively saving for their kids' college, while 40 percent said they are not confident they can reach their goals, up from 34 percent last year.

Nearly half (48 percent) are looking to loans to help supplement their savings for college, and most of that debt will be shouldered by the students. Respondents estimated that 68 percent of the loan debt would take anywhere from five years to more than 20 years to pay off.

But many others aren't expecting any financial aid at all. Thirty-eight percent of respondents aren't expecting any assistance, up from 28 percent last year. Of those who are, 29 percent expect that it will cover no more than a third of the total costs.

Calling in the Feds to cap college costs?

In response to the mounting imbalance between the cost of college and parents' ability to pay for it, a full quarter of respondents called on Congress and the White House to enact regulations to cap the price of tuition. The next favorite remedy, supported by 14 percent of the survey's respondents, would see the implementation of tax breaks for lower- and middle-income families to help them save for college.

The survey also highlighted a rise in parents' financial literacy with regard to funding college. Thirty-four percent of respondents said they believe they know how much they will have to save to pay for their child's college education, up from 27 percent in last year's survey. This year's figure was the highest the foundation has reported in four years.

That growing awareness seems also to have sparked more candid conversations between parents and their children about the realities of financing a college education.

Eighty-eight percent of parents with kids between the ages of 14 and 18 who were polled said they are talking with their children about paying for college. Sixty-two percent of parents said they expect their child to help pay for college. Thirty-eight percent said they are counting on their kids to chip in as much as one-third of the cost, while 14 percent are looking for their children to shoulder between one-third and two-thirds of the burden.

Ten percent said they are expecting their children to cover more than two-thirds of the total costs. Forty-four percent said they are counting on their children to contribute to the cost of college with a job.

About the Author

Kenneth Corbin is a freelance writer based in Washington, D.C. He has written on politics, technology and other subjects for more than four years, most recently as the Washington correspondent for InternetNews.com, covering Congress, the White House, the FCC and other regulatory affairs. He can be found on LinkedIn [here](#).#