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PARENTS SHIFT BEHAVIOR TO SAVE MORE FOR THEIR CHILDREN'S COLLEGE EDUCATION, SAYS COLLEGE SAVINGS FOUNDATION SURVEY

Financial Literacy Education and Targeted College Savings are Key Trends

Washington, DC - August 25, 2010 – More parents of college-bound students are saving for their children's college education and trying to reduce the burden of college financing from their children's shoulders, finds *The State of College Savings*, the annual survey of nearly 800 parents across the country and income brackets conducted by the College Savings Foundation.

"As a result of the economic crisis of the last several years, American families are aware of the need to save more, minimize debt and increase their financial literacy. It is clear from the survey findings that parents are shifting their behavior toward greater and more consistent savings," said Peter Mazareas, Chairman of CSF, a leading nonprofit whose mission is to help American families save for their children's college education.

Sixty-five percent of parents are saving for their children's college education, up from 59 percent last year. Conversely, the number of parents who weren't saving at all has fallen to 35 percent this year, down from 41 percent in 2009.

A major survey finding was the increased importance of financial literacy education for both parents and their children. Seventy-six percent of all respondents said that they take the time to teach their children how to be financially literate. Nearly all – 90 percent – said that they believe there is a need to teach financial literacy to children as part of the school curriculum. Of those parents, 82 percent said that they believed that school districts should be required to offer a multi-grade integrated financial literacy curriculum.

As evidence of a stronger savings mindset, parents advocated for financial literacy for their children and a more conducive environment for saving for themselves: 29 percent said that it would be easier to save with "more savings awareness – our society is too revolved around spending." A new finding is that 12 percent said that they have cut back on their discretionary spending.

"A better-educated and financially literate person will avoid the excess of debt and consumption that will have long-term negative consequences on both the consumer and the nation's economy," Mazareas said.

America's college-bound children are the end beneficiaries of their parents' improved saving habits: the portion of parents who expect their children to help with college financing has dropped to 60 percent from 68 percent last year. That drop occurred among parents who expect their children to finance between zero to one-third of their college costs

(38 percent this year, down from 46 percent in 2009). Those expecting their children to help finance more than one-third have stayed the same.

Nonetheless, parents' confidence in their ability to reach their college savings goals is improving, with those who are "Completely, Very or Somewhat Confident" rising to 66 percent over 56 percent last year; and those who are "Not Confident" falling to 34 percent, down from 44 percent last year.

Targeted Savings Goals and Vehicles

Among people who are saving, those who are saving specifically for college jumped 14 points to 44 percent this year, up from 30 percent last year. Interestingly, the responses for saving in General and Emergency categories stayed the same as they were in 2009.

"While people are still saving for emergencies, the focus on avoiding student loan debt through college savings has clearly reaped results," Mazareas said.

One in four of all respondents owns a 529 college savings plan, with 56 percent of those employing automatic savings plans to enable consistent savings, up from 49 percent last year.

"Not only are more people saving for college, but they think it is enough of a priority to set up automatic savings plans to do so," Mazareas added.

As in last year's survey, parents using 529 college savings plans were more successful savers than those without them. Those who utilize a 529 saved more: 20 percent have saved between \$5,001 - \$10,000 (as compared to 10 percent without a 529); 17 percent have saved between \$10,001 and \$25,000 (as compared to 6 percent without a 529), and 15 percent has saved between \$25,001 - \$50,000 (as compared to 4 percent without a 529). While every 529 holder had saved something, 46 percent of those who did not utilize a 529 college savings plan had saved nothing at all.

Overall, the survey showed that more parents have increased their savings. Fifteen percent said they are saving *more* for college this year over last, almost double the 8 percent from one year ago. Perhaps more importantly, those parents are saving significantly more: 24 percent said they were saving between *10-15 percent more* than last year – up from 5 percent in 2009. And, 17 percent said they were saving between *15-20 percent more* – that's up from 11 percent in 2009.

Those who are saving less dropped to 28 percent, down from 32 percent last year. While 40 percent said that they would like to save more but can't, that number has dropped from 46 percent last year.

As in years past, parents do not expect that finances will narrow their children's college choices (74 percent); although 16 percent say that they cannot afford private four-year college.

Other key findings:

The appetite for student loans appears to be waning:

- Although student loans still make up the lion's share of financing vehicles for college, they have dropped in importance. In a question that allowed multiple answers, 62 percent anticipate using them – down from 71 percent last year. That group also dropped in the numbers of Federal and State Grants – 52 percent down from 59 percent last year.
 - As the primary financing source, student loans dipped to 42 percent down from 47 percent in 2009; but parental loans edged up to 14 percent from 11 percent last year.
- Parents are more realistic about the long-term commitment required to pay back loans: 30 percent expect they or their child to be paying back loans beyond ten years after graduation; and 69 percent beyond five years. This compares with the 2009 respondents of whom 24 percent thought it would take ten years, and 65 percent more than five years.

Parents appear to be less reliant on their kids to carry the burden:

- 40 percent of parents do NOT expect their children to finance the cost of college, up from 32 percent last year.
- Parents expect their children to contribute in other ways: 42 percent through a job (down from 55 percent last year), and 33 percent through a scholarship/grant/fellowship (new category this year).

Parents are slightly more likely to ask for help:

- 31 percent said they would ask friends or family to contribute towards college instead of material gifts – up from 27 percent last year. Those who said “No” have dropped to 62 percent from 69 percent last year. 7 percent are “already doing it” – up from 4 percent last year.

Parents would like to see Administration and Congress regulate college costs:

- 26 percent up from 19 percent last year.

The College Savings Foundation's fourth annual survey of parents, The State of College Savings, surveyed nearly 789 parents from a Zoomerang data base from across the country and income brackets (\$0 - \$49,999; \$50,000 - \$99,999; \$100,000-\$149,999; and > \$150,000). For more information see www.collegesavingsfoundation.org.